IBM Institute for Business Value

From social media to Social CRM

Reinventing the customer relationship
The second in a two-part series

Overview

Social CRM is a different way of thinking about customer relationship management that focuses on using social media to enhance customer engagement. Are companies prepared for the shift? Despite widespread adoption of social media, Social CRM is still in its early stages. To fully leverage the power of social media to connect with customers, business needs to move beyond isolated projects to integrated programs and ultimately, a Social CRM strategy.

The pressure on companies to embrace social media is fierce, with more than two-thirds believing their business will suffer if they don't engage. Social media is ideally suited for customer collaboration and offers opportunities for reach, access and immediacy that simply don't exist with other channels.

Today, nearly 80 percent of the companies we surveyed, anxious to interact with customers where they are congregating virtually, have a presence on a social networking site and are aggressively launching social media initiatives. But less than a third feel confident they have the strategies in place to make these efforts flourish.

The strategy shift

While the majority of companies have many elements of a social media program, progress toward an integrated Social CRM strategy is not linear, the challenges are deep and uncertainty abounds.

There's no turning back.
Sixty percent of executives say social media is fundamentally going to change the way they do business. Businesses' social media footprint has grown rapidly, echoing that of consumers. But when we asked what companies are doing with social media, we found most who use it are now also grappling with how to mange its impact.

Few companies have it figured out.
Social media initiatives have sprouted up organically across functions, with more than 50 percent aligned to marketing. But key operational aspects of a Social CRM strategy – defined KPIs, flexible business
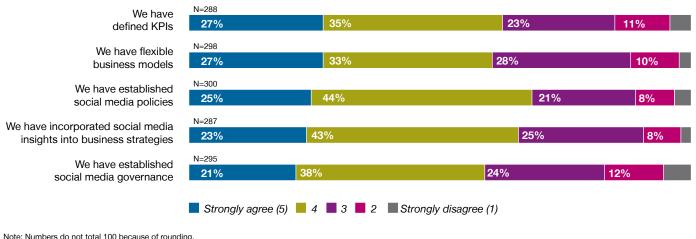
models, consolidated guidelines and policies, sharing of customer insights to enhance business strategies (from structured and unstructured data), and integrated cross-functional governance – exist in varying degrees. Only about a quarter feel strongly that their organizations have these elements in place.

ROI and mitigating risk top the list of challenges.
Sixty percent of companies attempt to track ROI, but there is no consensus on a standard approach. Applying analytics can help, but only about a third of executives believe they do it very well. Despite fears of negative brand exposure, fewer than half monitor their brand, and only 54 percent offer social media training to employees.

Agree or disagree? Percentage of responses

We have defined KPIs	N=288			
	27%	35%	23%	11%
We have flexible business models	N=298			
	27%	33%	28%	10%
We have established social media policies	N=300			
	25%	44%	21%	8%
We have incorporated social media insights into business strategies	N=287			
	23%	43%	25%	8%
We have established social media governance	N=295			
	21%	38%	24%	12%

■ *Strongly agree (5)* ■ *4* ■ *3* ■ *2* ■ *Strongly disagree (1)*

Note: Numbers do not total 100 because of rounding.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure: **Companies find the operational aspects of Social CRM challenging to execute.**

Conclusion

Most executives believe social media's potential is so promising that they are forging ahead despite the challenges. This gold-rush mentality to stake a virtual claim in the blogosphere has resulted in the launch of social initiatives that now need to be evaluated for their value to the customer and the business. An approach for social media is not a Social CRM strategy. The shift to Social CRM is more than an adoption of new operational models or technologies. It is a philosophical, cultural transformation concerning customer relationships, which is still in the early stages for many.

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How can IBM help?

- **Customer Centric Strategy** solutions help companies understand customer needs and define a vision for multichannel strategy design and governance. Includes business value accelerators, channel and digital transformation services.

- **Social Business** solutions embrace and cultivate a spirit of collaboration and community throughout an enterprise—both internally and externally. Includes the use of social media for customer collaboration and workforce optimization and effectiveness.

- **Customer Relationship Management** solutions enable a better understanding of customer expectations to improve interactions with employees and online systems. Includes technology platforms that align business units across departments, enabling collaborative information sharing.

- **Business Analytics Optimization -** Customer Insight and Segmentation is a suite of analytics solutions to help forecast market trends, develop an investment strategy for customers, sales initiatives, media, and geographies and capture customer insights.

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