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Social CRM: The New Frontier of Marketing, Sales and Service

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The emergence and increasing usage of social media and other Web 2.0 tools has dramatically altered the ways in which companies interact with their customers. For instance, buying advice, product information and technical help is increasingly being disseminated from consumers to other consumers, in some cases without involvement or oversight by the provider. Clearly, this shift presents both opportunities and risks to companies.

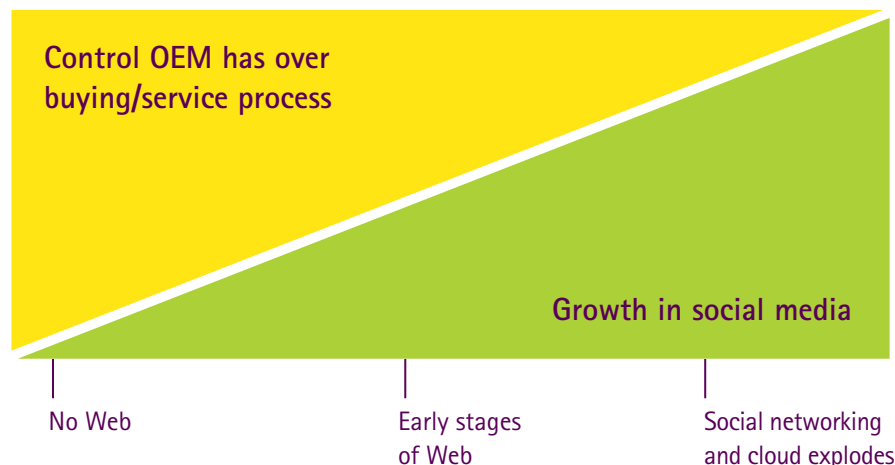
To derive greater value from these new communication channels, companies should adopt a "social CRM" strategy.

Such a strategy will help them touch customers at many more points and much earlier in the buying process, often at lower cost than that of more traditional marketing, sales and customer service channels. To do so, companies should embrace the social media channels being used by their customers, identify and engage with the "super-users" who supply product expertise to other customers, and harness the power of advanced analytics to provide broad insights on customer needs, wants and behaviors. Perhaps most importantly, companies must remember that social media and Web 2.0 will not

work for all customer needs and segments, even though they can significantly alter the role played by more traditional contact channels.

In short, social CRM presents many opportunities to build a distinctive capability that can serve as a building block of high performance: a method to potentially connect more tightly with customers at lower cost and in a way that provides a real differentiation from competitors.

Figure 1. As social media has grown in importance, original equipment manufacturers' control of the buying and service process has declined.



The evolution of the Internet and social media

The evolution of social media and other Web 2.0 tools is having a significant impact on both how consumers interact with companies and the level of control such companies have over the sales, marketing and service of their products. (Although it is difficult to find consensus on what exactly is meant by "social media," for the purpose of our discussion, the term refers to Internet and mobile channels that enable users both to view and create content and to share that content with others.)

Consider the example of original equipment manufacturers (see Figure 1). In the pre-Internet days, consumers interested in purchasing a product either asked their friends or a retailer for advice. They had to go to the retailer's store to buy the item and call the

manufacturer's call center for support. The introduction of the Internet gave consumers more options. They could access further information on products—as well as limited support information—via the retailer's or manufacturer's websites. For most products, though, consumers still had to go to a physical store to purchase items and call the manufacturer for support.

Today, consumers make their purchases either via retailers' or manufacturers' sites or retailers' physical stores. However, as social networking and other Web 2.0 tools have exploded in popularity—a recent study found the number of social networking users has doubled since 2007¹—consumers have many new sources of product information and buying advice, as well as answers to usage and technical questions about the products they have purchased. According to a recent study by DEI Worldwide, 70 percent of consumers have used social media to get information on a product, brand or company.² Furthermore, a report from

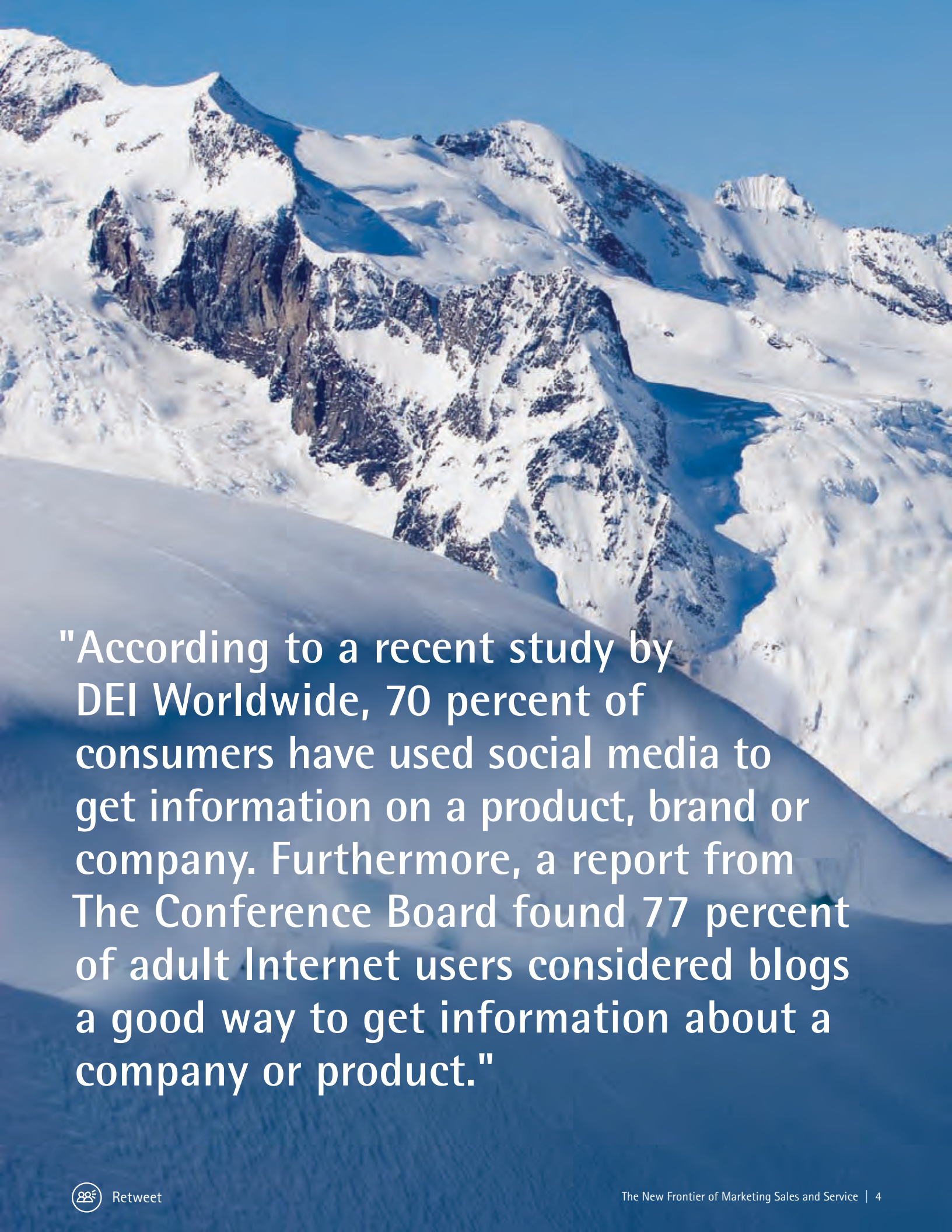
The Conference Board found 77 percent of adult Internet users considered blogs a good way to get information about a company or product.³

The preceding data reflects a fundamental shift from a predominantly "company to consumer" dialogue to a "consumer to consumer" dialogue. Indeed, a recent survey from Forrester Research found nearly half of online users say information provided by other consumers is more important to them than data given by marketers of products and services.⁴ In this new world, companies have an opportunity or a threat, depending on how they adapt marketing, sales and service

1 "Number of Social Networking Users Has Doubled Since 2007," Adam Ostrow, July 28, 2009, <http://mashable.com/2009/07/28/social-networking-users-us/>

2 "Engaging Consumers Online," DEI Worldwide, 2008 Executive Action Series, No. 251, Sheri Rothman, The Conference Board, November, 2007

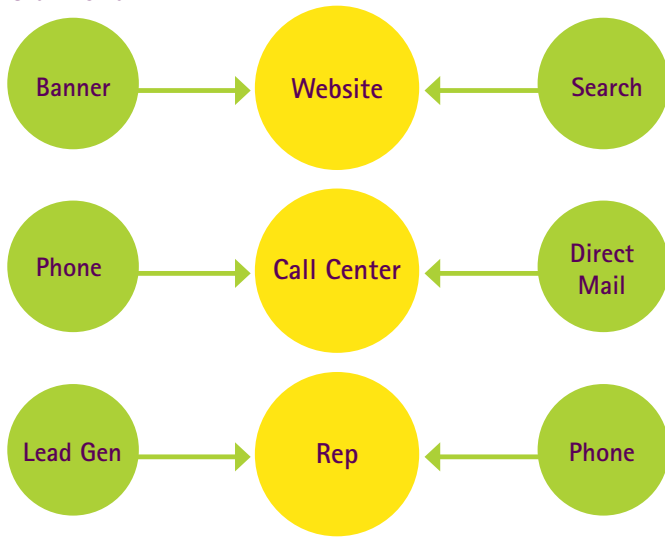
4 "Justifying Social Marketing Spending," Forrester Research, February 2009



"According to a recent study by DEI Worldwide, 70 percent of consumers have used social media to get information on a product, brand or company. Furthermore, a report from The Conference Board found 77 percent of adult Internet users considered blogs a good way to get information about a company or product."

Figure 2. Consumers' changing preferences and behaviors have made online life more complicated for providers of all kinds.

Old World



New World

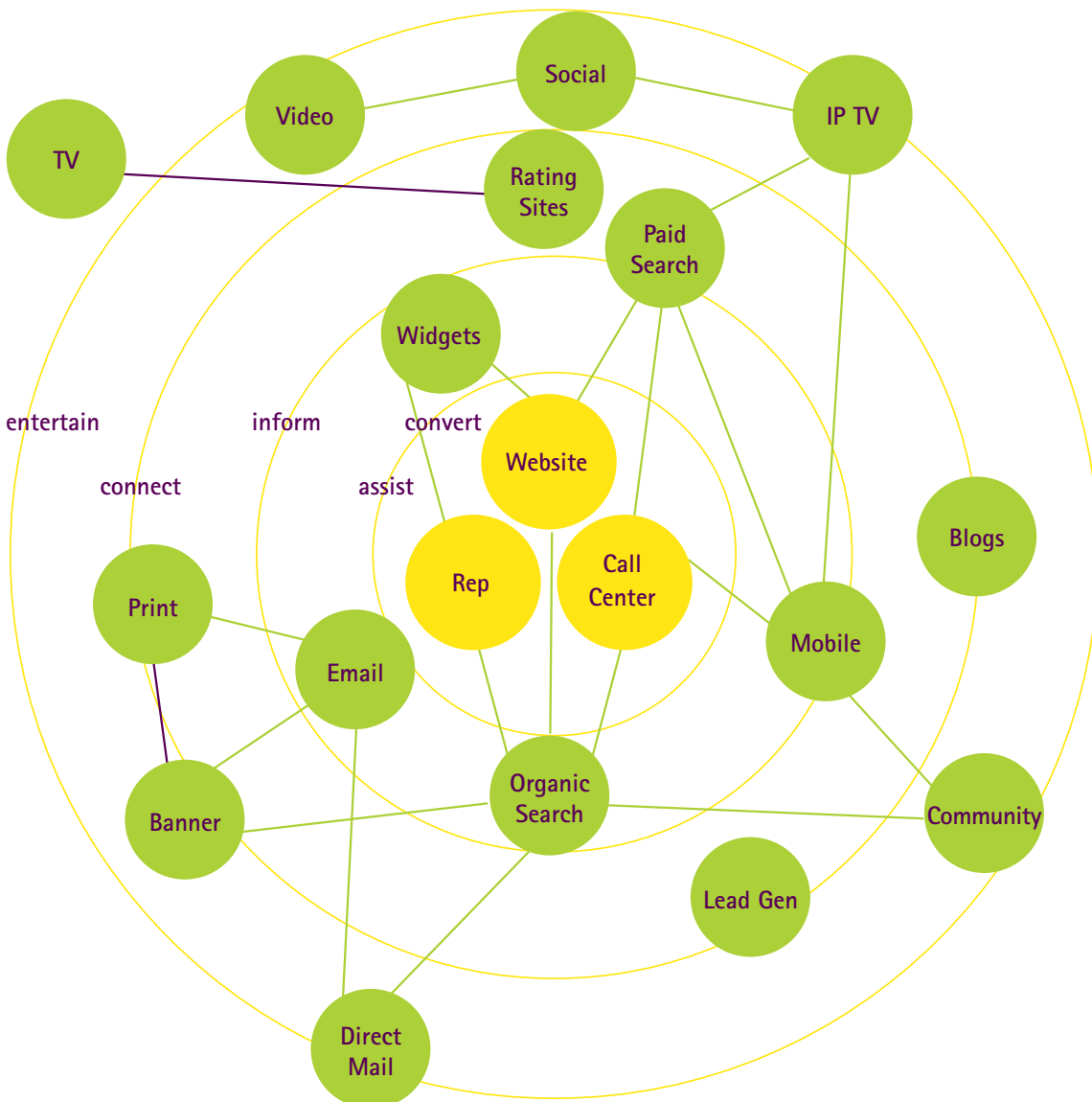
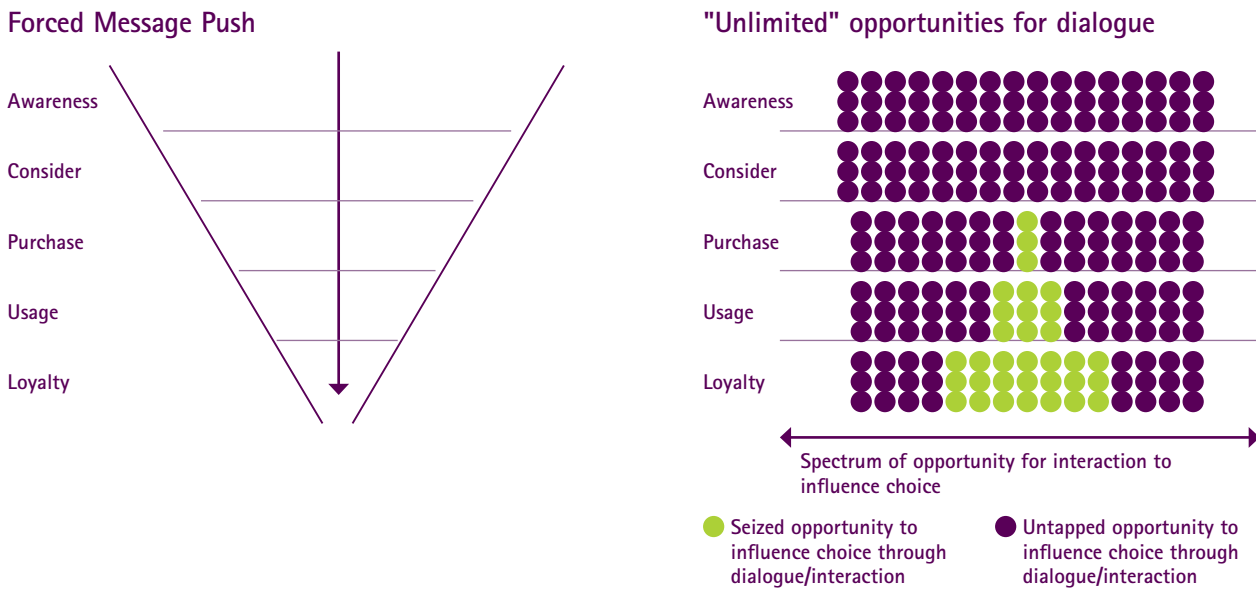


Figure 3. Social CRM changes marketing from a push-through funnel to a real-time dialogue at all stages of influence.



of their own products to a new consumer ecosystem: one in which enthusiasts and detractors can dictate customer perception and experience for manufacturers.

Ramifications for providers

What are the ramifications of this shift? At a high level, the evolution of social media has introduced new contact channels that must be integrated into marketing, service and support strategies. However, while social networking and social media are certainly on the rise, there are still large groups of customers who do not communicate via these tools. Therefore, differentiated service takes on an even greater role because of these new channels. A thorough understanding of customers' channel preferences, combined with insights into the true value of customers to the business, must drive how companies interact with each respective segment (see Figure 2).

In addition, because of the speed with which customers and information move today, companies must be able to incrementally, and very quickly, improve their operations based on what they learn from observing customers. As a result, many companies have shifted the focus of their investments from building channel infrastructure to creating nimble and robust content management and data collection and analysis capabilities.

From a marketing perspective, the evolution of social networks and online communities has resulted in a collapse of the marketing funnel (see Figure 3). How so? Traditional, mainstream marketing forces a message through the marketing funnel, moving through stages from building awareness to earning loyalty. It only allows dialogue and relationship building as the prospect or customer progresses through the funnel. By contrast, the digital revolution, and particularly social media, makes it possible to engage in a dialogue with prospects or customers much earlier and at many more touch points.

The collapse of the marketing funnel, in turn, means the distinctions between marketing and sales become further blurred and, in some cases, disappear entirely. In fact, social media increasingly is being referred to not in terms of marketing or sales, but rather, as an "engagement channel," which incorporates elements of both marketing and sales.

With consumers increasingly relying on third-party sites for usage and technical information, manufacturers must build capabilities to strengthen their brands and customer loyalty via these channels, as well as to up-sell and cross-sell relevant, related products and services, and gather and integrate cross-channel customer data. Indeed, smart use of these third-party channels can become a powerful way to boost image and customer satisfaction while reducing CRM operational costs.



A way forward: social CRM

What should companies do to respond to these changes? They should start by developing a "social CRM" strategy, which Accenture defines as an operating model, supported by technology and business processes, that is designed to engage customers in a mutually beneficial two-way conversation. Social CRM is a company's necessary response to its customers' transformation from spectators ("TV watcher," "newspaper reader," "Web browser") to participants ("product rater," "blogger," "ambassador") and their subsequent co-ownership of the company's brand.

A key element of a social CRM operating model is a very flexible framework that allows a company to observe what customers are doing and saying, and then experiment with different customer experiences

to discover those that resonate with customers. One example is Intuit, which has successfully embraced and enabled a passionate online community of QuickBooks users that since has become the place to go for customers seeking advice and service. Extending this commitment to the customer further, Intuit recently purchased Mint.com, a provider of free online tools that help consumers manage their finances. "With this transaction, Intuit will gain another fast-growing consumer brand and a highly successful Software as a Service (SaaS) offering that helps people save and make money," said Brad Smith, Intuit CEO. "This move will enhance Intuit's position as a leading provider of consumer SaaS offerings that connect customers across desktop, online and mobile."⁵

However, companies also must be careful to balance the online feedback they gain from customers and prospects. While such feedback certainly can

provide valuable intelligence on what customers are thinking, too much focus on one source or one segment can lead to a narrow or biased perspective. Thus, companies must integrate the data they gain from online channels with other, more holistic quantitative and qualitative data gleaned from other sources to paint a more accurate picture of their overall customer base.

As they develop their social CRM strategies, companies should consider a number of actions they can take within marketing, sales and service to build and strengthen customer relationships.

⁵ "Intuit to Acquire Mint.com," Intuit press release, September 14, 2009, http://about.intuit.com/about_intuit/press_room/press_release/articles/2009/IntuitToAcquireMint.html

Implications of social CRM for marketing and sales

The end of the marketing funnel may lead to significantly more, earlier, deeper and richer opportunities to build a dialogue with prospects and customers, and can offer an enhanced opportunity to build relationships and influence choice. At the most basic level, this entails companies embracing (not controlling) all the tools and social media their customers are using to join the conversations and meaningfully engaging with customers—or, at the very least, gaining insights into what customers are thinking and feeling, which could lead to new opportunities to reach them.

As an example, Virgin America has more than 20,000 followers on Twitter, which gives the airline incredible access to an engaged and loyal community of customers. But beyond simply enabling Virgin to quickly and inexpensively reach customers, the airline's Twitter account actually does the selling for the company when newcomers ask if they should fly Virgin.⁶

Drugstore.com emails its customers automatically three weeks after they have bought something to encourage customers to post a review of what they've purchased. The company's chief marketing officer says doing so not only makes customers feel valued, but also strengthens the connection between the company's brand and its customers. As a result of the program, Drugstore.com saw a more than 300 percent increase in new reviews posted. In addition, because customers who respond to the emails can be verified as actual customers, Drugstore.com is able to identify reviews by these individuals as coming from actual purchasers, which adds authenticity to the reviews and further bolsters the company's credibility.⁷

The National Football League also recently substantially upgraded and expanded its social media presence. For the 2009 college player draft, the league set up what it called "Fan War Rooms" for each of the league's teams, in which fans could interact with each other about their specific team's draft picks. The NFL also provided a constant live stream of tweets directly from draft headquarters through the days of the event and created a widget for Facebook that enabled fans to follow the action via their own Facebook pages.⁸ In preparation for the 2009 season kickoff in September, the league expanded its social media and community section at NFL.com to include "fan postings, live chats with players and coaches, fan-edited video highlight reels, aggregated Twitter and Facebook feeds, quizzes, polls and other similar material."⁹

Social media monitoring tools also can glean both quantitative and qualitative responses to advertising campaigns for promotions, illuminate opportunities to improve one's brand, uncover significant unmet customer needs, and identify people who may be highly predisposed to a brand or product. Furthermore, we believe there will be significant and disruptive innovations within the next five years in the area of highly relevant, targeted marketing that becomes part of the perceived high relevance of the experience itself. Companies that embrace such innovations will be positioned to have a much greater influence on consumers' choices and, consequently, realize significant increases in revenue and profitability and sustained competitive advantage.

As fragmentation increases across the board, companies will have to adopt more sophisticated analytics and dynamic optimization capabilities to fully capitalize on social media channels. More specifically, companies will continue to see increased fragmentation in almost all attributes of user experiences as well as in performance marketing products and services. We will see fragmentation in engagement platforms (for instance,

devices such as mobile, PC and IPTV, as well as services, including Facebook, Twitter, LinkedIn); content types (such as user-generated media, short-form video and long-form video); units (for example, ad units); and pricing models (such as cost-per-action, cost-per-engagement or cost-per-desired-outcome).

This increased fragmentation means analytics must be focused on a wide range of communication: what customers tell the company through tweets, Facebook, Amazon.com user reviews, emails, phone and other channels; what they say to each other through these channels; and how they interact with other companies. Furthermore, users increasingly want to enjoy experiences in a seamless way across multiple screens and platforms. The permutations of all these variations will require much more than simple spreadsheets and gut feel to create the most appropriate experiences for each customer segment, and will make optimal marketing spend allocation decisions.

6 <http://www.washingtonpost.com/wp-dyn/content/article/2009/07/12/AR2009071200319.html>

7 "What Do You Think?" Geoffrey A. Fowler, *The Wall Street Journal*, October 12, 2009, page R6.

8 "How NFL is Drafting Fans Via Social Media," Elaine Wong, *Brandweek*, April 23, 2009, http://www.brandweek.com/bw/content_display/news-and-features/direct/e3i202b681b4f137513fd1730c682acf73b

9 "NFL Kicking Off Some Site Upgrades," Eric Fisher, *Sports Business Journal*, September 7, 2009, <http://www.sportsbusinessjournal.com/article/63490>

Support and service in the social media era

Consumers today increasingly see social media as channels and tools for customer service. Indeed, one recent study found that 43 percent of consumers think companies should use social media to solve their problems.¹⁰

A number of leading enterprises have taken major strides toward fulfilling such wishes by creating an online environment that enables customers to interact with each other as well as company representatives to find solutions to their issues. For example, Sybase utilizes newsgroups to enable users to communicate with product engineers and other users about specific issues, thereby creating a forum for customers to seek and obtain technical support. And this is a rich experience: the customer gets multiple answers to his question from a variety of sources, including super users ("Team Sybase" volunteers) and Sybase employees. Furthermore, each community forum is categorized by product to simplify the customer's search for information.¹¹

A variation on this theme is the approach taken by Samsung, which partnered with CNET to create an online community for all Samsung products. Although the forum is staffed by Samsung employees, it is far more than just a "Q & A with Samsung." The company acknowledges that often the most helpful answers come from forum members themselves, and encourages users to contribute their insights to help those with questions.¹² The key is to determine how to "authorize" users to provide assistance and enable and support the most helpful of these users.

Transforming the ways in which service is provided is only the beginning. Social CRM also can be used to help companies proactively unearth issues before they become problems. Indeed, many leading companies crawl third-party sites to

understand customer service issues and proactively respond before they can impact their brands. Other leading companies—aided by the use of new capabilities from enterprise software providers—are using sites such as Twitter to more quickly solve service questions. A great example is Comcast, which managed to turn a customer's "Tweet" into a case study on how to learn about and resolve a customer's issue via a social network. In this case, an influential customer (a well-known tweeter with 12,000 followers) called out Comcast via Twitter for the trouble he was having with his Internet connection. Comcast discovered the tweet and, within 20 minutes, responded and restored service.¹³ In his speech at the 2009 Web 2.0 Summit, Comcast CEO Brian Roberts said Twitter "has changed the culture of our company."¹⁴

Social CRM is driving a sea change that is requiring companies to invest in new service and support capabilities.

From	To
Static Knowledge Management	→ Dynamic Knowledge Monitoring
Call Center Operations	→ Social Media Integration
Desktop Applications	→ Information Gathering and Analysis

10 "Cone Finds That Americans Expect Companies to Have a Presence in Social Media," company news release, September 25, 2008, <http://www.coneinc.com/content1182>

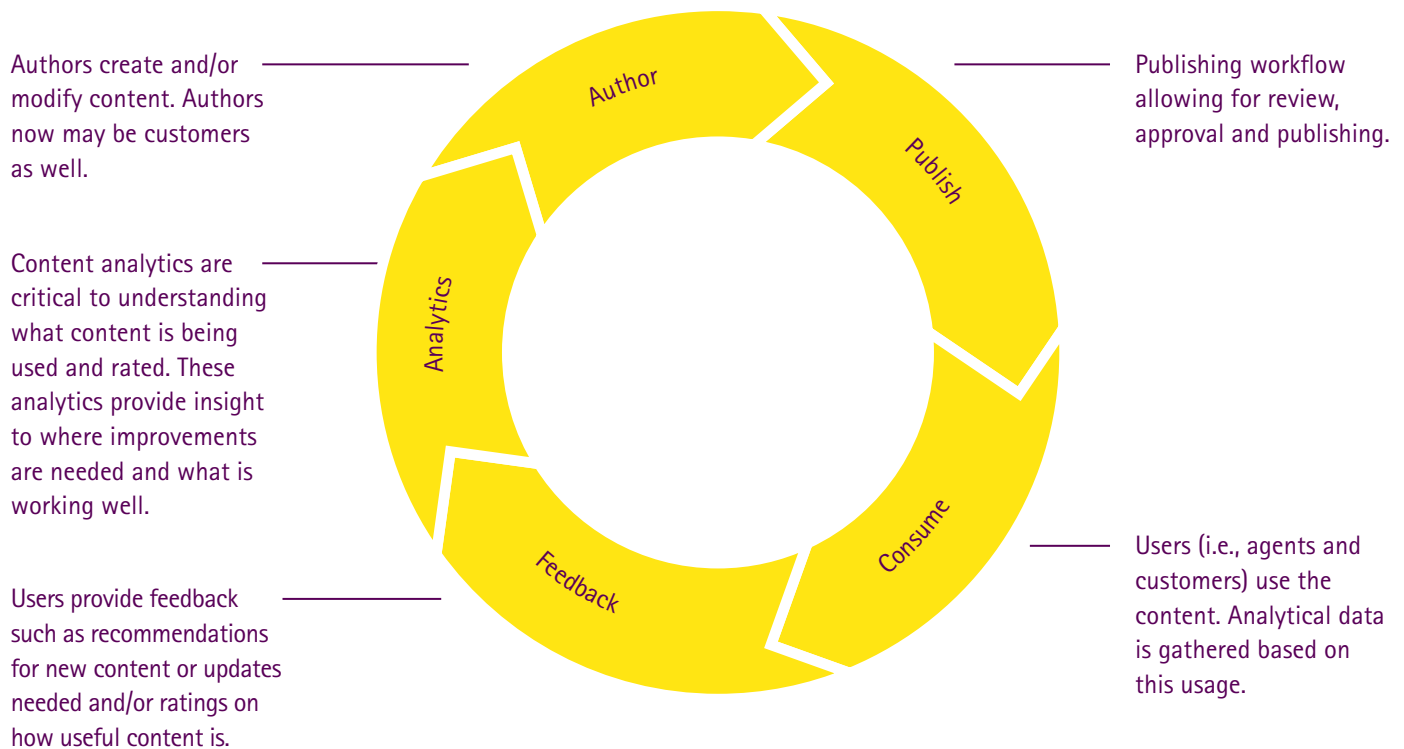
11 <http://www.sybase.com/support/community-forums>

12 http://forums.cnet.com/5204-13973_102-0.html?forumID=146

13 <http://www.penn-olson.com/2009/09/21/5-social-media-disasters/>

14 "Comcast: Twitter Has Changed the Culture of Our Company," MG Siegler, TechCrunch, October 20, 2009, <http://www.techcrunch.com/2009/10/20/comcast-twitter-has-changed-the-culture-of-our-company/>

Figure 4. The "virtuous loop" knowledge management lifecycle.



Salesforce.com has announced it will integrate Twitter into its solution, complementing its existing integration with Google and Facebook. This solution will enable a company to both conduct automated searches of Twitter content to be pulled into salesforce.com's system, and to set up alerts when Twitter users mention the company name to track sentiments.¹⁵ Of course, such tools do not completely obviate the need for personal intervention. Virgin America, for instance, has the equivalent of 1.5 people dedicated solely to monitoring and engaging Twitter and other social networks to understand what customers are saying about the airline.¹⁶

In incorporating social media into its service and support operations, a company must keep several things in mind. First and foremost, companies must ensure they integrate their customer forums with their internally developed knowledge management systems. Importantly, the integration should support a "virtuous

loop" that provides for a continuous process of learning, whereby solutions and answers are created and strengthened by input from both customers and internal resources—which, in turn, makes the overall online service experience more robust, helpful and easier to use (see Figure 4). The key to such a virtuous loop is a technology platform that can support customer forums, self-service FAQs and internal knowledge management in the same framework.

Second, social CRM gives companies the opportunity to redefine the roles played by their contact centers and the agents who work in them. Indeed, with an increasing volume of simple transactions being supported by self-service channels (including mobile devices, IVR and kiosks), the role of the call center gets drastically diminished.

¹⁵ <http://thenextweb.com/2009/03/23/salesforce-integrates-twitter-service-cloud/>

¹⁶ <http://www.washingtonpost.com/wp-dyn/content/article/2009/07/12/AR2009071200319.html>

"The end of the marketing funnel may lead to significantly more, earlier, deeper and richer opportunities to build a dialogue with prospects and customers, and can offer an enhanced opportunity to build relationships and influence choice."

For many companies, it may make sense to allow external communities to handle Tier 1 and possibly even Tier 2 levels of service inquiries. Such communities, which can provide a high level of service at costs most companies cannot touch, include not only ad hoc collections of customers, but also more formal entities such as CrossLoop. CrossLoop is a "consumer Internet company that empowers everyone to help someone anywhere in the world with its free and easy-to-use software application for desktop sharing. CrossLoop connects computer users with trusted, qualified service providers and friends who can provide the support they need quickly and conveniently."¹⁷

However, even with external communities handling much of the initial service requests, companies still can expect direct calls from customers unwilling or unable to take advantage of self-service options—so companies must have agents who can provide personal service when needed. If a company has adopted the preceding principle of

"virtuous loop" knowledge management, the time needed to resolve these issues will be substantially reduced and first-call resolution will be much more likely.

Third, each interaction—regardless of the channel in which it occurs—must be united into one complete composite customer record that can provide accurate, cohesive service. In other words, a social CRM strategy should ensure that interactions with call centers become more customer-focused, value-added and relationship-based. The key is that companies no longer can optimize a single channel, but rather, must optimize the customer experience across all channels of support, which requires the integration and analysis of structured as well as unstructured data in real time. Technologies that exist today make such "voice of the customer" analysis much more active, enabling companies to analyze a customer contact as quickly as five minutes after the interaction.

Fourth, the interconnectedness of today's high-tech products via the cloud enables companies to get more information on

a customer's situation—using low-cost, offshore engineering resources as well as a new generation of automated tools that can rapidly collect and sift through data to glean insights into what a customer is experiencing—than they would get through an initial phone conversation with a much more costly customer service agent. This arrangement has the potential to substantially reduce the cost structure of support while streamlining and simplifying the process for consumers.

Finally, companies can improve the user experience while reducing service and support costs by building into their products or services some capability that enables customers or the devices themselves to proactively take charge of problems on their own. An obvious example of this "soft panel" approach is the ability of devices such as the Xbox and iPod to assess the condition of the device each time it is connected to the Internet and automatically download or suggest new software to correct any shortcomings.

¹⁷ <http://crossloop.com/about/aboutus>



Conclusion

We are at a tipping point. The majority of customer CRM interactions now are occurring outside of company-controlled channels, and companies must adjust their CRM operating models to adapt and engage these outside channels to drive growth and keep customer satisfaction high.

As noted, consumers are increasingly active users of social media sites, and they also view such sites as purveyors of important and trusted information on companies, products and brands in which they are interested. Companies that recognize, embrace and integrate social CRM into their customer-facing operations for marketing, sales and service are better positioned to simultaneously improve their consumer relationships while reducing the cost of marketing, selling and delivering service.

From a marketing and sales perspective, companies should embrace the same social media sites their customers use, and use those sites to both create dialogues with customers to help them with their purchase decisions, and mine sites for information on what customers are saying about the company and its products. New tools that enable the amalgamation and analysis of a wider range of quantitative and qualitative data will be a key enabler in this regard.

In terms of service and support, organizations need to leverage social media and Web 2.0 tools to create more robust service and support capabilities that enable customers to interact with each other as well as company representatives to find solutions to their issues quickly and easily. Robust customer forums, powered by passionate customers who are appropriately incented and rewarded by the enterprise, are especially critical to making these

sites preferred sources of solutions to customers' problems. Also, companies that crawl third-party sites to proactively identify possible service issues mentioned in consumers' online conversations can avoid or reduce the impact of potentially bigger problems that arise when issues are left unaddressed.

By making social CRM an important element of their customer strategies, companies are better positioned to achieve a stronger and more differentiated market position, provide superior service, lower operational costs and attain a competitive advantage—all of which helps them take major strides toward high performance.

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