

Social Media Strategy for Organizations

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The Power and Business Risks of Social Media

Nick Smith and
Robert Wollan

CHAPTER HIGHLIGHTS

Executives at companies large and small have reached the point of needing to understand exactly what is different about social media and why now is the critical time to consider *how*, not *if*, they will engage their customers.

Social media gives companies the power to create fans, not just customers; to rally the organization to become more customer-centric; and to create new revenue streams in three dimensions.

Social media use also comes with two significant risks: Those who ignore the growing demand will be caught off guard and miss out on the next wave of customer relationship building; and those who do not understand what it takes organizationally to fully embrace and leverage social media will fail to realize its promise.

In the early days of social media, companies could quickly dismiss it—for a number of common reasons:

- “We’re not like Amazon or eBay. We don’t need it.”
- “Our customers aren’t using it and likely won’t.”
- “We don’t see how this would ever fit into our business model.”

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However, fast-forward five years, and it's easy to see that social media has matured and is now mainstream. In fact, social media now is dramatically influencing traditional business-to-consumer models and is well on its way to changing business-to-business models.

Why? The customer franchise is rapidly embracing social media, with three groups leading the way. The massive influence of the large millennial generation, the initial adopters of social media, has been well documented. However, as mentioned in the Introduction, baby boomers increasingly are using social media—just one example of how this group is redefining what people think of as “senior citizens.” Finally, millions of first-time consumers are entering the landscape in emerging markets, and many of them see social media as a way to connect instantly with the rest of the world.

But the fact that many of their customers and prospects are using social media is only part of the reason why it should matter to companies. The more prominent factor is that social media is not simply a new channel, as some have characterized it; rather, it is fundamentally changing the business model and role of the company.

The last time companies faced such an issue was the rise of ecommerce. However, that development primarily involved adding a new channel. Yet, on a superficial level, the debate we hear among business executives today about social media bears a striking resemblance to those confusing days when the Web was being touted as the end to business as we know it. “Is it just hype?” “Do I really need to embrace it?” “How do I make best use of it?” “How do I prove the business case?” “What are the benefits?”

What Makes Social Media Difficult to Address?

Beyond the innovators and early adopters, many companies still are struggling to determine how to address the social media conundrum. And, indeed, it is a significant challenge. As noted, social media still is a new phenomenon, and, thus, there are few rules or proven best practices in place for how to manage it. It also has yet to affect the entire customer or prospect base of most companies, so companies are understandably unsure of how and where to invest in social media capabilities. Perhaps even more problematic is the

fact that social media forces companies to take action based on imprecise information, which is counter to an organization's instincts.

In summing up the challenge, we've identified six factors that make social media so difficult to address because, combined, they illustrate how the conventional wisdom of customer communications and brand engagement no longer applies:

“You Give Up Control”:

- There's no viable regulation of the media, so the content doesn't have to be true.
- The impact of social media cannot be stopped or undone, even in court.

“It Is Everywhere”:

- Social media transcends traditional geographic, demographic, and economic boundaries.
- Social media content is amplified via the “viral effect.”

“It Is Emotional, as well as Functional”:

- User-generated content often is triggered by an emotional reaction.
- Social media forces companies to shift from dealing with long, predictable cycle times to having to make decisions much more quickly and with less precise information.

Each of these factors requires an organization to be extremely agile simply to keep pace. Unfortunately, such agility is not commonplace in most organizations, which is what makes dealing with social media such a challenge.

As we consider the characteristics of social media and their impact, it's clear that companies now must consider the fact there are new rules for customers, business functions, and growth strategies.

Social Media Ignites a Seismic “Shift of Power” Toward Customers and Consumers

For years we have observed a steady increase in the power consumers believe they should hold in their dealings with providers. Consumers no longer accept that they are at the end of the “conveyor belt,” simply accepting marketing messages companies push out into the marketplace and passively waiting at the company's mercy when giving feedback or lodging a complaint.

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Now consumers not only want to be engaged earlier in that process, but they also want to be more engaged at various points throughout the relationship (on their terms, of course)—whether that involves providing advice and feedback on the company's products and services, having access to specialized content, or getting an immediate response to their questions.

Social media provides a highly public and powerful venue for consumers to speak their minds about companies and their brands, thus enabling consumers to “call out” companies when they're not performing up to customers' expectations (and spark a real change in behavior). And it serves as a vehicle through which consumers can force conversations with a company that they can manage more actively, a departure from the one-way transaction-based communications (in which the company talks to, not with, customers) that used to characterize the customer-company relationship. Thus, social media in many ways makes consumers co-owners of a company's brand and places them essentially on equal footing with a company.

This is something that U.S. consumer electronics retailer Best Buy has recognized, and it's a fundamental driver of the company's social media efforts. “For us today, [social media] is really about deepening our customer relationships,” said Tracy Benson, senior director, interactive marketing and emerging media for Best Buy. “[That means letting customers] know they can go to you for questions . . . [and] can participate in the dialogue.” Benson equates the situation to a friendship. “If [my friend] only talks to me and never allows me to talk, and if they just tell me what to do all the time, it's not a great friendship, right? It's a push. Social media gives us the opportunity to push, pull, and enable, and the return is a stronger, deeper relationship. And studies have shown that when your relationships are stronger, your customers will look to you first, look to you more often and intentionally think about you when they have a product they need to purchase.” Ultimately, the net result, noted Benson, is greater sales.

Social Media Has a Profound Effect on Traditional Business Functions

The scope and scale of social media leaves few areas of a company untouched. However, while all functions in a business are impacted by social media, some are more extensively and directly affected than others.

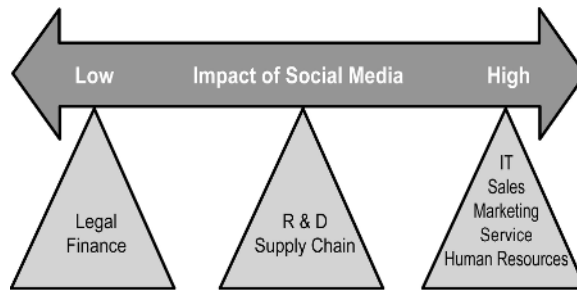


FIGURE 1.1 Social Media Affects Business Functions Differently.

One way to think about impact is to consider a spectrum of influence, such as that in Figure 1.1.

At the far left of the spectrum are functions farthest from the customer—such as legal and finance. These functions are likely to be least affected by social media (although they will, in fact, be impacted and have activities alongside other functions).

In the middle are functions that experience moderate impact. They include research and development (R&D) and the supply chain, which, while not directly connected to customers, play an instrumental role in fulfilling customer demand and will require new levels of agility to accommodate the always-on, fast-paced nature of social media.

At the far right of the spectrum are functions that are highly affected by social media. Not surprisingly, these include the three front-office functions of marketing, sales and service, as well as information technology (IT) and human resources (HR).

The most significant impact on the front office is that social media will prove to be the final nail in the coffin of the one-size-fits-all customer experience model. Companies have spent the past 20 years perfecting the one experience they aspire to, which they think will appropriately capture the essence of their brands. However, with the help of social media, the customer base continues to fragment into ever-more granular segments, each with highly specialized interests and needs. Thus, a company that continues to deliver an experience geared toward the masses can alienate as many customers as those it pleases. In the new era of social media, companies will have to become extremely adept at determining the experiences specific customer segments desire and then at delivering those experiences consistently and flawlessly.

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Social media also is further blurring the lines among marketing, sales, and service. For instance, the concept of marketing as a stand-alone, “research and origination” channel rapidly is giving way to a model in which marketing and sales effectively become a single “engagement channel,” where customers learn about an offer, research it, consult with friends about it, and make their purchase in a highly compressed time frame. In this environment, the traditional functional boundaries between marketing and sales disappear. Similarly, the line between sales and service is blurring, as the service process becomes increasingly responsible for bringing to life the promise made by sales. In other words, customers no longer see sales and service as two distinct transactions. Rather, they view them both as inextricably linked to the overall experience they have with the company. If service falls short, it squanders the goodwill the customer felt at the time of purchase and erodes the company’s credibility. Customers are blurring the lines as well. Social Media has turned customers into marketers as they leverage social media to bring their favorite products to their own networks—via enabling web sites like Lemonade.com.

From an HR perspective, the impact of social media is twofold. Because social media can effectively make every employee a spokesperson for the company, HR must determine how to manage the ways in which employees engage in social media conversations about the company and how they represent the organization in these conversations. This is substantially different from years past, when public relations (PR) and HR only had to concern itself with the limited number of “official” spokespeople who were authorized to interact with the media, had the appropriate training, and conducted their interviews in controlled environments. Today, while employees aren’t holding press conferences, they do have the ability to do good or cause harm online. Thus, they must be much more aware of the nuances of their communications and have clear boundaries regarding what they say and how they say it.

Just as important from an HR perspective is the talent question. As companies increasingly use social media in multiple business functions, HR must ensure that employees possess the appropriate social media skills and capabilities. Doing so requires considering such skills, where relevant, not only in the recruiting process but also in the training and development of existing employees. Furthermore, social media is playing an increasingly prominent role in how organizations attract employees. Prospective candidates are using

social media to get a composite picture of an organization to determine whether it is a good fit for them (which means companies need to make sure the employee value proposition they present via social media is appropriate and compelling). Companies can use social media to find and vet candidates (which requires people in the HR function who are adept at incorporating social media searches into their overall recruiting process).

The IT function, by virtue of the technology-driven nature of social media, also is in the “high-impact” zone. We see three main areas in which chief information officers (CIOs) are affected. The first area relates to the propagation of data. CIOs need to determine how they will capture, organize, analyze, and leverage the vast amounts of data social media generates. The second area involves what we call “disposable technologies.” Social media introduces all sorts of technologies that aren’t necessarily going to be around for 15 years, so they’re not infrastructure per se. But still, the organization needs to have a plan for how to acquire and retire them as well as how they fit within the overall IT portfolio. The third area relates to the overall planning and execution process for technology in the business. One of the impacts here could include shifting from annual to quarterly planning for technology to accommodate rapidly evolving social media tools and large shifts in customer bases. Another could be staffing related, as CIOs need to anticipate the kinds of skills their IT organizations require in a social media-driven world. We discuss these and other impacts in greater detail in Chapter 15.

Social Media Creates Significant New Opportunities for Strategic Growth but also Carries Substantial Risk

With any new development, both opportunities and risks abound. Social media is no different in that regard.

Managed correctly, social media enables companies to significantly accelerate their ability to launch new brands, incrementally strengthen customer relationships and drive revenues from existing customers, new customers and new local/global markets.

Social Media is being used to grow new revenues from the current customer base—finding opportunities among existing customers to provide new products or services or to augment those already offered. By identifying unmet needs among current customers and developing value-based products

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and services to meet those needs, companies can differentiate themselves from their competition as well as generate incremental sales and margin. Some great examples of how social media can deliver on this are Dell Swarm (which enables customers to get discounts on Dell products by banding together on social networks to make volume purchases) and MyStarbucksIdea (which enables customers to post and rate ideas for new Starbucks products and practices).

Social Media is also being used to appeal to broad ranges of new customers in new ways—recognizing opportunities in new segments ‘hidden’ inside and outside of the existing customer base. Growth possibilities abound for companies that devise innovative ways to identify, engage, and acquire prospective new buyers. IKEA’s photo-tagging campaign on Facebook illustrates how social media can be used to spread the word to potential new customers much faster, more effectively, and less expensively than traditional campaigns. The Swedish home furnishings company wanted to promote the opening of a new store in Malmo, Sweden. It created a profile page for the store manager on Facebook and posted on that profile page photos of various IKEA products. To generate excitement about the store and IKEA products, the company put the word out that the first person to tag his or her name to a product in the pictures on the profile won the product. In short order, thousands of people tagged themselves in photos of products ranging from beds, to vases, to sofas in an attempt to win. Not surprisingly, the campaign quickly spread across the site, generating a massive increase in awareness of the company and the new store.

Social Media is even being used to engage and grow new markets, whether that’s capitalizing on opportunities in new geographies or enhancing local market execution. There’s no doubt that emerging markets—which, for many companies, are still largely untapped—offer the greatest opportunities for growth in the coming years. Yet there is still plenty of untapped potential in companies’ existing local markets. Companies can use social media to enter new global markets more successfully by developing market-specific insights and approaches to tailor products and offers to customer segments as well as expand more effectively in existing local markets by gaining a more granular picture of existing and prospective customers and how those customers differ from market to market. Nokia Beta Labs demonstrates how, through social media, companies can transcend physical boundaries and distances to interact with customers. Nokia Beta Labs is a web site through which Nokia makes its beta applications available for public download anywhere in the world.

Users submit feedback on the applications, which is passed on to the product development team for consideration. Such feedback is invaluable to Nokia's ability to understand the unique needs and preferences of customers in particular regions or markets and build relationships with them without the need for a physical retail presence.

Social media also provides an opportunity for a company to engage and energize its employee base in the promotion of its brand. With employees already participating credibly in online conversations as part of the consumer population, it's a natural extension for a company to encourage employees to use that position to serve as fans and facilitators.

What's at risk if companies don't engage? Ignoring social media will not make it go away or lessen its impact. Social media is here and it's happening, regardless of which companies participate. If a company chooses not to act, it will find competitors rapidly filling the gap—and, potentially, could see its brand and reputation damaged by critical comments that gain a life of their own and “go viral.”

The preceding opportunities and risks are embodied in what we call “consumer activism.” When a company uses social media in the right way to engage customers, it will find customers are more than willing to become an extension of its sales force and customer service organization, to help spread the good word and attract other customers. As one 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 reach customers quickly and inexpensively, the airline's Twitter account actually does the selling for the company when newcomers ask if they should fly Virgin.¹

Conversely, when a company ignores social media or fails to use it correctly, it risks falling victim to a customer scorned who can turn an isolated incident into an international brand nightmare. Not many people had heard of Dave Carroll or his band (except for his loyal fans) before the spring of 2008. However, after watching United Airlines baggage handlers mistreat his \$3,500 guitar on the tarmac before a flight, Carroll recorded three YouTube videos (“United Breaks Guitars”) about his experience.² In four days, the videos attracted more than 7 million viewers, and he—and United's mistake—became known by people all around the world. One journalist asserted that the video was the biggest reason the airline's stock price fell 10 percent (cutting its market cap by \$180 million).

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A Change in Mind-Set Is Needed: The “Fifth P”

To begin adapting a company’s operations and strategy to capitalize on social media, leaders must take the first critical step of changing their mind-sets and revising some long-held beliefs about building and managing customer relationships.

In particular, they need to acknowledge that social media has fundamentally changed the traditional “four Ps of marketing”: promotion, product, place, and price. When the four Ps were created, customers gathered information about their purchases mostly through their direct contact with sales channel providers, such as retailers, and information provided directly by the maker, like product labels or advertising. So it made sense for marketers to base their sales-growth efforts on manipulating those four attributes of their offerings to find the right combinations that would entice customers to buy.

Although the initial four Ps still apply, social media requires the addition of a fifth P: people. The distinction here is that the original four Ps relate to proactive things a company does *to* its customers; adding the “people” element recognizes the new collaborative nature of the customer-company relationship made possible by social media. In other words, prior to social media, people were on the receiving end of a company’s actions while, today, they have joined the conversation and play a more significant role in shaping what is “done to them.”

Within this context, we can view the additional fifth P, people, as having five key elements—the “five Rs”: reputation, responsibility, relationship, reward, and rigor. The five Rs are the guideposts for how companies reengage with their audiences in today’s collaborative world.

Reputation refers to the fact that in today’s highly transparent world, brands no longer can be inconsistent in their actions versus their promise to customers—and get away with it. A company and its brand simply must deliver what they promise, because if they don’t, their reputations have a significantly greater chance today of being damaged, and damaged deeply and quickly. But *reputation* also refers to how a company must respond to potentially damaging comments and criticisms. An organization must be able to use social media to engage in a dialogue with critics and unhappy

customers to correct inaccuracies and address concerns head on and in a very public way.

Responsibility is a twofold issue. On one hand is the concern about privacy and the steps a company must take to be responsible with customers' information—especially given the public nature of social media and the myriad opportunities for exposure of details that are not for widespread consumption. On the other hand is the extent to which a company is socially responsible. Consumers are evaluating their providers with the social responsibility yardstick today more than ever. Companies that don't measure up in consumers' eyes risk being taken to task and exposed for all the world to see.

Relationship involves the proposition and posture a company must develop to effectively engage an individual via social media. In doing so, it must recognize the balanced nature of a true conversation as opposed to the one-way characteristic of a broadcast. For instance, marketing historically used to be about conveying a functional benefit at the right price point—such as Procter & Gamble's "Tide's in, dirt's out" slogan to convey the virtues of getting clothes cleaner with Tide laundry detergent. Function eventually evolved into emotion, where the message transcended "solving a problem" to making people feel better about themselves; witness the "Dirt is good" campaign for Unilever's OMO detergent, which is underpinned by the philosophy that playing outdoors is an essential part of a child's learning and development and that OMO can help parents by being there to clean up after their kids effectively.³ The collaborative and conversational nature of social media creates an opportunity for companies and brands to take that emotional connection—and the resulting relationships with customers—to an entirely new level, provided customers want to "talk with them." The challenge will be for companies with inherently low-interest brands or offerings, which will have to work much harder to engage customers in meaningful dialogues.

Reward relates to the value organizations can both add to and derive from their conversations with individuals via social media. Until recently, companies typically relied heavily on transactional data—especially, purchase history—to paint pictures of their customers that could help them match their offerings with customers' needs more effectively. With the advent of social media, companies have access to a whole new world of external data they can use to augment the data in their customer

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databases—and, thus, create even more highly personalized (and, thus, far more rewarding) products and services for customers. Doing so, in turn, will result in more value for the organization, as it benefits from greater advocacy and share of wallet among customers.

Finally, *rigor* involves the consistency and reliability of a company's operations and how those operations deliver the right customer experience via social media. Inconsistency through poor rigor is instantly visible to consumers and demonstrates at best incompetence and at worst insincerity. The interesting point here is that unlike with traditional channels, in which companies can use a “test and learn” approach to experiment with a select, small group of customers, social media offers no such option. Each and every engagement must be personal to the individual, a segment of one. How a company acts and what it says via social media is instantly experienced and scrutinized by potentially millions of people around the world. Thus, an organization must balance carefully thinking through its actions with being able to hold a conversation in real time.

As with the classic four Ps, when organizations are operationalizing the five Rs, they must ensure they strike the right balance. Too much or too little of any one of the dimensions covered by the five Rs will very quickly and very publicly expose the organization's lack of authenticity. Ultimately it will undermine not just the social media opportunity but also the brand.

Moving Forward: Practical Lessons for Getting Started

There is no question that social media is one of the most important consumer-related developments of the past 50 years. There is also no question that it is here to stay and will continue to create significant opportunities as well as risks for companies.

Companies that have already joined the conversation and made social media a priority understand how fundamentally it affects myriad areas of their business. These organizations are well ahead of the curve and have made substantial changes in their strategies, business processes, technology infrastructures and applications, and organization and talent bases that enable them to capitalize on the opportunities provided by social

media while mitigating the risks. Other companies can learn much from their experiences.

In the remainder of the book, we explore the practices and approaches that leading organizations have adopted as well as share practical insights we have gained in our social media work with influential companies around the world. We begin in the next chapter by discussing the critical first step: how to develop an effective and appropriate social media strategy.