

Social CRM: Building and Extending Customer Loyalty in an Increasingly Competitive World

By Staci Wilkes

After a long day at work, an avid online gamer logs into *World of Warcraft* for some virtual relaxation, braving the icy rule of the Lich King. A father of two, John doesn't have much leisure time, but he and his wife have come to an agreement: An hour a night. But 15 minutes into his game, he can't figure out how to complete his quest.

With the click of a button, he enters an online forum to vent his outrage but also to find out what is going on in Lich King's virtual world. He finds 30 posts by other players who've had the same problem. One has figured out a workaround. An administrator posts it to a FAQ, helping other players steer clear of the same issue. While he's there, he spends some time blogging with other players about the latest expansion pack and the new world, as well as reading about the various capabilities and features on the company's knowledgebase. Ten

minutes later, he logs back in and begins playing. He's just spent an hour adding insight to the company's knowledgebase on his opinions of the game and activities that could encourage him to spend more time playing. He then spends another hour playing that night.

Online game companies have found that social interaction between players builds "stickiness"

and keeps them playing -- even when they are having issues. They also depend on these communities to collect information about "gamer experience," which is applied to design, game fixes or development of new games and products.

And it's not just online gaming. User communities are popping up all over -- from airline travel and hotel booking sites, through the online presence of toy and packaged goods makers like Procter & Gamble. They are leveraging interactions that customers have not only with the company, but also with each other. They then use these insights to drive product innovation and customer satisfaction. Increasingly, it's not just what you know about your customer, but what your customer knows, and is willing to publish, about your company.

Molding and Harnessing Customer Interaction

For years, companies have struggled to control customer experience. Even though many are now leveraging CRM systems to do this, the problem is evolving. It is necessary not only to develop a seamless channel strategy among customers, partners and your company, but also to mold, shape and harness how customers communicate directly with your company and each other. If done correctly, it's an inexpensive

Increasingly, it's not just what you know about your customer, but what your customer knows, and is willing to publish, about your company.



and direct way to conduct market research with your core audience.

And tools and techniques are arriving to support the cause. For example, new smartphone applications now support online communities anytime and anywhere, complementing Internet mechanisms. And “Web 2.0,” or the emerging second-generation Web development and design tools, are facilitating deeper and more meaningful communication, secure information sharing, interoperability and collaboration on the Web. Building off these tools and techniques is “CRM 2.0,” or “Social CRM,” in which companies are extending their traditional CRM strategies with social networking capabilities (i.e., interactions gleaned from instant messaging exchanges with customer reps and blogging on in-house and third-party Web sites).

As these new technologies and approaches arrive, many companies are still struggling to embed them in ways that deliver competitive edge amid the prolonged economic downturn and drive greater customer loyalty to maximize revenue growth and profitability.

One issue to overcome is comfort. A recent study by researcher Coleman Parks¹ shows that organizations are aware of Social CRM but are not comfortable with how to support CRM 2.0 tools and techniques within their existing CRM strategies. For instance:

- More than 75% of companies worldwide admit that social networking will come into the business undetected if not proactively managed.
- Approximately 60% of respondents say integrating social media technologies is not on the agenda.
- Only 18% of respondents have any kind of strategy in place to integrate these technologies within the company for employees.

The perceived risks by IT are as follows:

- Concerns about security (76%).
- Senior management apathy (57%).
- Fear of using unproven technologies (58%).
- Companies fear a negative impact on productivity (50%).

Despite these risks, social networking won't be deterred. Developing a CRM strategy that educates stakeholders on benefits and takes

security risks into account can allow companies to leverage Web 2.0 technologies and techniques and access largely untapped markets. They can then beat the competition and take a leading stance in the evolving Social CRM world.

A successful Social CRM strategy can pay major dividends. The Internet accounts for only 10% of total retail sales, but social networks influence more than 40% of all offline sales, according to published reports. In 2005, 85% of students enrolled in U.S. colleges and universities had profile pages on Facebook, and since Facebook has expanded access beyond universities, site membership has increased to 300 million active members worldwide. The challenge for many in Corporate America is to determine how best to leverage the collective intelligence inherent in social networks and effectively evangelize their products, services and/or brand promise to the virtual world.

Previous Options

Historically, well-designed CRM solutions focused on the way customers interact with an organization. For example, call center interactions can be coordinated with sales force opportunities to provide sales reps with information on complaints or issues with the supply chain before they contact the customer with a new business offer.

Channel strategies allowed companies to provide different ways for customers to contact the company, via call center, email or chat. These all assumed that customers would interact directly with the company in a controlled manner -- company-to-customer or company-to-company -- and that customers would not have a way to interact with each other to share insights and experiences.

Then, CRM solutions evolved to include cross-channel customer experience. Customer Experience Management, or CEM, allowed companies to focus on controlling interactions across multiple touch points, providing a seamless and positive customer experience, which would enable repeat business and

The challenge for many in Corporate America is to determine how best to leverage the collective intelligence inherent in social networks and effectively evangelize their products, services and/or brand promise to the virtual world.

The difference with this new channel is that the company must engage and join in ongoing conversations as participants, not as overseers.

increase customer satisfaction. Negative interactions could be controlled within different touch points, but again, this assumed a controlled relationship between the organization and the customer, with no customer-to-customer interaction.

This is no longer the case. Social networking sites like Twitter, Facebook and LinkedIn, as well as online blogging communities, Wikipedia and other sites, allow customers to publish their opinions online in ways that companies have no control over. Many organizations don't understand where this new online community fits into their traditional customer strategies, or how to leverage the opportunities this content stream provides.

Participating in the Dialog

So, how should you go about participating in the conversations that customers are having about your company, especially as these conversations are published at an astounding rate? By creating and contributing to forums in a strategic manner, a company can ensure more timely and effective management of its online image, as well as understand and react to client needs better and faster.

Organizations can implement social media and networking capabilities within their firewall, creating a social forum that is designed to integrate with existing CRM systems while mitigating security risks. In this way, Social CRM becomes a channel much like traditional call centers, sales organizations, partner portals and marketing applications. The difference with this new channel is that the company must engage and join in ongoing conversations as participants, not as overseers.

To make an impact, a Social CRM strategy needs to align directly with a customer's buying process.

Companies should also leverage existing user communities like LinkedIn or Facebook. One example of this is a recent marketing campaign run by Burger King called the "Whopper Sacrifice." The promotion, which featured the tagline, "You like your friends, but you love the Whopper," allowed a Facebook user to get a free whopper by "dropping 10 friends." Once the participant selected 10 friends, Burger King notified them that they'd been dropped for a

sandwich. The "Whopper Sacrifice" had viral appeal because everyone who received the notification had exposure to the campaign and then considered sending it to their "unfriends." Eventually the campaign was cancelled due to Facebook's policy to not notify people who have been "unfriended." In the meantime, however, Burger King gathered information about the people that like their burgers, and likely added it to their CRM and analytics databases to analyze the demographics and harvest those insights to drive targeted marketing efforts.

They key point here is that Burger King found a way to get users of an online network to send their promotions to each other, rather than advertising in a banner ad that often goes ignored. The users became the marketing tool because their friends (or unfriends) knew who the message was coming from, and they would read and send it on to their contacts within a social network.

Creating a Social CRM Strategy

Companies that leverage Social CRM will marry their existing systems and customer touch points with data provided by user-contributed content and communities as part of their customer experience strategy.

To entice the outside world to contribute to your collaborative strategies, applications have to be easy to use and highly configurable. To make an impact, a Social CRM strategy needs to align directly with a customer's buying process. As the market changes, so should the Social CRM strategy. Importantly, the feedback from the Web needs to be integrated back into the organization to ensure that the data finds its way to the organization's key decision-makers.

There are many tools now available for moving your organization into CRM 2.0 (see sidebar, page 4). Organizations looking to take the Social CRM plunge first need to resolve who they are trying to reach, what information they are trying to gather from those targets and how, if at all, they want to influence the market -- is this a sales strategy or a branding strategy? The tools merely provide a way to access and exchange information with your prospects and customers. Decide what your company wants to accomplish with the new tools, and then use them to drive your social customer experience strategy.

The three key areas that define a Social CRM strategy are:

- Active listening to customers through various channels, communities and forums.
- Analysis of social network data and assimilation into existing CRM and analytics tools.
- Joining (and influencing) the conversation in a structured and controlled manner.

One goal of a Social CRM strategy might be “sentiment correction” -- tapping social media to first understand perceptions and then taking actions within those outlets to improve the image/standing of your product or company. Active listening involves training employees to join the conversation and then listening and determining the tone of the conversation about your product or company. This is no easy feat with varying sources and constantly changing social networks. Accordingly, data assimilation and analysis should happen after the conversations have taken place.

For instance, if a camera company creates a Web portal to gather customer insights on its products, but does not mine or use that information to market its next-generation digital lens or alert customer service agents that an issue is preventing the new lens from working in low-light conditions, the company is missing a CRM 2.0 opportunity.

On the other hand, if the camera company proactively monitors customer experience with

its products on its Web portal and “listens” to the RSS feeds generated by photography blogs and news, it could mitigate negative comments through targeted banner advertising and prepare customer service agents for an onslaught of calls to fix the issue. The camera company could proactively task its R&D department to fix the problem and begin a marketing campaign to shift focus to the new, improved product. The company could also provide links to sites that have positively reviewed its product and point out that the lens was rated a top performer in another area. It could provide links to distribution channels and partners who have a stake in discussing the positive aspects of the new lens.

Blogs, wikis, podcasts, social networking tools and user communities are not going away. And while they are not completely controllable, they can be molded by a concentrated customer experience strategy. This will require a shift in focus from company-to-customer business process to strategies that influence marketing, sales, service and customer feedback collaboration, equally. The data is out there, ready to be harvested, collected, collaborated on and used to mold customer experience, from the call center to the sales rep. Companies that do it right will drive customer loyalty through the customer rather than to the customer.

Blogs, wikis, podcasts, social networking tools and user communities are not going away. And while they are not completely controllable, they can be molded by a concentrated customer experience strategy.

CRM Extensions by Vendor

Different options are now available to embed or extend Web 2.0 capabilities into existing CRM systems. Microsoft, Oracle, Right Now, Salesforce.com and SAP all have some form of Web 2.0 capabilities built into their existing platforms.

Oracle has focused on integrating Web 2.0 collaboration capabilities into traditional internal CRM systems, targeting sales force automation. Oracle has recently released several products, dubbed “Oracle Social CRM,” that focus on increasing sales force effectiveness, but the products target the

internal sales force, not external social media. These products aim to harness the collective intelligence of a sales team by allowing them to share abilities, expertise and interests. The idea is that by linking them together and creating a forum, they will help each other become more successful. The drawback is that if the sales team does not contribute to the forum, there is no data to analyze.

Microsoft Dynamics, SAP CRM, Oracle CRM OnDemand, Salesforce.com and RightNow all offer support for discussion threads, wikis, chat or email. Many offer capabilities through

Web services or integration with third-party vendors, but the trend is there: Internet-derived information -- including insights gleaned from Web-based external communities -- needs to be analyzed alongside proprietary data traditionally housed in a CRM system (hence the term "mash-ups") in a way that is useful to the sales force and call center user.

For example, Salesforce.com is implementing capabilities to link into Twitter and analyze "Tweets" to make company or product information available to all users. A company could search all "Tweets" with a certain

product name, and if the query returned "Tweets" that revealed something negative about the target product, a case could be created in Salesforce.com to alert the product and marketing teams. The company could then create a marketing campaign around these "Tweeters"; responding directly to the feedback. Even more importantly, the instant feedback can be used to develop marketing, service, sales and product development strategies. Given Twitter's estimated six million users, such an approach could function as a powerful early-warning sign of potential product or service problems and mitigate reputational damage.

Footnote

1 "CRM and Social Media: Maximizing Deeper Customer Relationships"(study conducted for Avanade), Coleman Parks Research, 2008.

About the Author

Staci Wilkes is a CRM Strategist within the Customer Solutions Practice at Cognizant. With 13 years of CRM experience, Staci brings experience and insight in designing and enhancing CRM systems with measurable insights in mind. She has successfully delivered multiple CRM projects and has recently focused on the integration of MDM and CRM strategies to determine enterprise CRM strategy. She can be reached at staci.wilkes@cognizant.com.

A. Prem Kumar, leader of Cognizant's Social CRM Group, contributed to this article.

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting and business process outsourcing services. Cognizant's single-minded passion is to dedicate our global technology and innovation know-how, our industry expertise and worldwide resources to working together with clients to make their businesses stronger. With over 50 global delivery centers and 64,000 employees as of June 30, 2009, we combine a unique onsite/offsite delivery model infused by a distinct culture of customer satisfaction. A member of the NASDAQ-100 Index and S&P 500 Index, Cognizant is a Forbes Global 2000 company and a member of the Fortune 1000 and is ranked among the top information technology companies in BusinessWeek's, Hot Growth and Top 50 Performers listings.

Start Today

For more information on how to drive your business results with Cognizant, contact us at inquiry@cognizant.com or visit our website at www.cognizant.com.



Cognizant

Passion for building stronger businesses

World Headquarters

500 Frank W. Burr Blvd.
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277
Email: inquiry@cognizant.com

European Headquarters

Haymarket House
28-29 Haymarket
London SW1Y 4SP UK
Phone: +44 (0) 20 7321 4888
Fax: +44 (0) 20 7321 4890
Email: infouk@cognizant.com

India Operations Headquarters

#5/535, Old Mahabalipuram Road
Okkiyam Pettai, Thoraiipakkam
Chennai, 600 096 India
Phone: +91 (0) 44 4209 6000
Fax: +91 (0) 44 4209 6060
Email: inquiryindia@cognizant.com