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## The evolution of **Social CRM**

In a series of articles Cognizant's Customer Solutions Consulting Practice explores how organizations can use innovation and integration to engage with the new breed of technology fuelled customers of the digital marketplace.

Cognizant works in association with Henley Business School as a lead sponsor of research into Social Media and these articles are extracted from a Henley Centre for Customer Management research report into Social Media strategies. This first article identifies the key metrics needed to support the Social Media Business Case.

Downturns have proved to be a hotbed of creativity as Apple and Amazon can testify, innovatively re energizing and 'stealing a march' on the competition when the 'chips are down'. However today's environment has moved on and is seen as far more complex than before with two powerful new additions:

- 1- Significant recent changes in customer behavior
- 2- Widespread availability of new innovative mobile technology

Consequently commercial opportunity is now dependent on aligning customer strategy to customer behavior in a multi dimensional and multiple levels environment. Those organizations able to operate holistically while linking the key component parts will undoubtedly have an advantage and the opportunity to be the ones 'stealing the march' this time round.

The single most influential catalyst of this customer revolution has been the rapid evolution and uptake of Social Media. There has been a phenomenal rise in the use of social media in the last 5 years. Globally social media platforms now receive over 1.5 billion visits every day (Universal McCann, 2010).

One of the most revolutionary aspects of social media for business is the fact that companies can no longer control their communications with the customer. In reality the content, timing and frequency of information delivered by companies has been severely eroded and consumers are now dictating the rules of engagement. Information is now generated from within the marketplace and by consumers themselves.

This shift of power and the new communications revolution, which is reflected in the use of social media tools, now presents significant challenges for companies that fail to embrace this modern way of working. However, for those companies that do embrace social media the rewards can be great.

Different methods of collaboration and innovation are becoming ever more prevalent and companies are beginning to realize the commercial gains that can be achieved by these new business models. Companies taking their first tentative steps in this new brave world soon recognize that traditional measures of success often struggle in this environment and require a much broader and holistic way of thinking.

There is a great temptation for marketers to adopt traditional metrics to fit social media regardless of their effectiveness. This inability to establish effective measures is identified by executives as one of the most significant barriers to the adoption of social media marketing in business. Despite this much has been written in the practitioner press about the importance of finding a way forward in terms of effectiveness measurement. Whilst some marketers and executives pursue the holy grail of return on investment (ROI) of social media there are many other successful marketers who are not that concerned with ROI at all. They would prefer to invest in social media because they believe that the intangible benefits of customer engagement, market awareness, continuous feedback and professional development are good for any company, regardless of the financial impact. Whilst these marketers measure a whole range of activities they rarely translate the benefits into financial returns. There is no doubt that many executives have a conflict over whether to try to measure the ROI of social media.

Many believe that sound business decisions should only be made with hard facts and analysis and that ROI will lead to better decisions. On the other hand many believe that these arguments are used to void decisions regarding social media for fear of losing control and opening the flood gates to customers' opinions and comments.

Of course many companies make decisions about all sorts of things without applying hard ROI criteria, like major international employee conferences, beautiful offices with extensive leisure facilities for staff etc. However, for those who really do need to put together a business case for Social Media, understanding the ROI approach is important. ROI can be defined as the “ratio of money gained or lost (whether realised or unrealised) on an investment relative to the amount of money invested” (Wikipedia). There are, however, many other metrics that can be taken into account when assessing social media.

In putting this in context, leading Social Media author Jim Sterne, has identified nine key stages to follow in getting to grips with social media metrics.

### 1. Identify goals – be clear about your goals.

- a. Increased revenue
- b. Lowered costs
- c. Improved customer satisfaction

### 2. Getting attention – reaching your audience.

Getting attention is similar to measures in classic advertising, i.e. awareness, reach and frequency to determine if your message is getting out there. However, the key difference is, is your message sufficiently compelling that people would like to comment on it and pass it on to their friends? This is effectively measuring word of mouth.

### 3. Getting respect – identifying influence.

The message multiplier looks at how many people Thought your message was worthy of repeating, how quickly the message spread and the scope of its dissemination. These are the essential measures for determining whether or not you are resonating with your target audience and identifying who within the company is best able to be the face of the firm in the social media spheres.

### 4. Getting emotional – recognising the sentiment.

This is about determining opinion and understanding of how people feel about your products and services. Tracking sentiment over time provides invaluable insight and gives companies the opportunity to respond effectively to consumers in meaningful and relevant ways.

### 5. Getting response – Triggering action.

Sterne argues that if people “read it, repeat it and like it a lot, you’re only part of the way home”. It is taking action as a result of that is what really matters. For example. By clicking through to your web site based on their social media interaction, do they have more profitable and sustainable relationships with you?

### 6. Getting the message – hearing the conversation.

Social media is a great source of market research data. Using social media you can find out what your consumers are thinking and feeling and that knowledge can be used in developing marketing propositions for your target market.

### 7. Getting results – driving business outcomes.

This is about being very clear about what exactly you want from social media. Whilst the three big goals as outlined above are essential to success there are inevitably other indicators that may be vital for your business. It is worthwhile reassessing key performance indicators (KPIs) within the light of social media initiatives.

## 8. Getting buy-in – convincing your colleagues.

Individuals need to take steps to convince colleagues about the benefits of social media, the fact that it is a vital part of the marketing mix and that it is a pathway to profits and as a result deserves appropriate resources.

## 9. Getting ahead – Seeing the future.

This is about being clear about where you see your company in the future and then measuring your efforts against your goals.

As well as hard metrics it is worth pointing out that there are also many intangibles that are worth considering and which are often used as justification for social media initiatives. These include factors such as customer satisfaction, customer loyalty, customer engagement, brand reputation and leadership. In many companies these intangible factors are never measured in quantitative terms but in fact all of them can be. The table below lists examples of various ways in which these factors can be measured.

Item	Measurement
<b>Customer satisfaction</b>	Net Promoter Score, customer surveys, retention rates, testimonials, feedback
<b>Customer loyalty</b>	Customer retention analytics, cross-sell and upsell rates, Net promoter Score, testimonials, feedback
<b>Customer engagement</b>	On-line community activity, social media citations, event attendance, feedback, response rates
<b>Brand reputation</b>	Media research, social media citations, stakeholder research
<b>Leadership</b>	Market share analysis, media citations, speaking invitations, competitor activity, stakeholder research

Possible key performance indicators for measurement in order to determine social media efficacy

These factors do, however, need to be translated into financial returns and it is only possible to do that if historical data is available for comparison. For example, if previous research has already determined customer retention rates then the revenue from different customer segments can be estimated in order to decide which segments are going to be the most profitable and therefore deserve the greatest attention. The social media strategy can then be directed at these targeted segments and improvement in customer retention rates and bottom line profits tracked.

All analysis that companies need to undertake in terms of social media is going to require accurate historical data. So if data regarding who your customers are, how they are segmented, how profitable / attractive they are, how retained they are or whether or not you can cross-sell or up-sell to them is not available then the whole social media justification process is going to be much more difficult. For companies in this position it may be possible to use industry averages and/or competitors results as a starting point while a historical data set is being built up.

Social media activities need to be measured in direct relation to the available and allocated resources to understand if there is a direct impact on the bottom line of the business from all the investment in blogs, communities, Facebook and Twitter. Social media activity should be plotted against sales revenues, transactions, new customers, loyalty data and market research. Unless this data is compared it is impossible to tell whether or not marketing activities that

include social media channels are actually helping to increase sales, revenue and most importantly profits. While the measurement may be more complex, the results have to be quantifiable in order to justify the time and effort that engaging with social media demands. How does the amount of time spend on fostering and forming a relationship with a prospective customer on LinkedIn or Facebook compare to time traditionally spent at networking events, and how do the results compare?

Without measurement it is impossible to tell whether social media is really delivering the competitive advantage and benefits that companies crave.

Now armed with the information to make a compelling business case our next article will explore the six stages to build an effective Social Media Framework.

## About Cognizant

Cognizant's Customer Solutions Practice is dedicated to building stronger customer relationships for our clients through business, technology and delivery expertise. Cognizant brings together the advantages of domain understanding, best practices and industry templates to a critically important area of business technology. Cognizant's European Customer Solutions Consulting Practice led by Jonothan Brigg has strong industry focus and expertise in each of its target sectors: Banking & Financial Services; Healthcare; Information Management, Media & Entertainment; Insurance; Manufacturing & Logistics; Life Sciences; Retail & Hospitality; Technology & Communications. Cognizant is a member and sponsor of Social Media research at the Henley Centre for Customer Management.

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## About Henley Centre for Customer Management

Customer Management is at a crucial point in its development. It is emerging into, potentially, a management tool of great strategic importance. The future development of Customer Management depends not simply on more investment in IT, but on understanding how Customer Management really works; building transferable knowledge and turning it into effective practice.

The primary objective of the Henley Centre for Customer Management is to promote Customer Focus and Service Excellence best practice. It does this by observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own Customer Management and Customer Service plans and implementations. This aligns with the aim of the Henley Business School to deliver high quality contributions to thought leadership, through research into the management of organisations.

For further information visit: [www.henley.reading.ac.uk/hccm](http://www.henley.reading.ac.uk/hccm)  
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