How to Use Social Media to
Improve Customer Service and Cut Costs

Bob Thompson
CEO, CustomerThink Corp.
July 2009

customer
THINK

Sponsored By:

RIGHT
NOW.

Executive Summary

Social media initially changed how we communicate with friends and family, but now it's becoming very clear that it also affects how we interact with customers. In a 2008 Cone Business in Social Media Study, 93 percent of Americans said they believe a company should have a presence on social media sites and 56 percent believe that a company is providing them with a better service by doing so.

Of course, in addition to using external social media sites such as Facebook, Twitter, LinkedIn and YouTube—popular choices for business managers in CustomerThink's 2009 survey— companies can run public and private online communities to help create a more collaborative experience. This is part of Customer Collaboration Management (CCM), a third wave of customer-centric thinking that has been spurred on by social media technology.

Keep in mind that managing collaboration is just one pillar of the customer-centric enterprise. It's still important to also manage customer information (CRM) and experiences (CEM) effectively.

Marketers sparked the initial wave of enthusiasm for social media, seeking to gain insight or influence customers. But now customer service/support executives are increasingly moving beyond basic discussion forums to "CrowdService"—robust communities that harness the "wisdom of crowds" to create a better customer experience while also increasing agent productivity.

In this white paper, you'll learn what you need to compete in the Social Economy, and how CrowdService can help you build more loyal customer relationships. In particular, you learn more about these key conclusions from CustomerThink's latest research:

- ♦ Social media is a rapidly growing interaction channel, with about half of business managers reporting they already use social media or will do in the next year

- ♦ Consumers believe that business managers' first priority should be to use social media to identify service/support issues and engage with consumers to resolve problems

- ♦ The short-term benefits of CrowdService hinge on case deflection, which can result in payback periods of one year or less

- ♦ Strategic benefits of improving customer experience depend on hiring the right "social skills" and integrating communities with Customer Service/Support (CSS) systems

Social media has quickly become a crucial means for companies to reach consumers. CrowdService is an excellent short- and long-term opportunity to add value to customer experiences while also making wise use of internal resources.
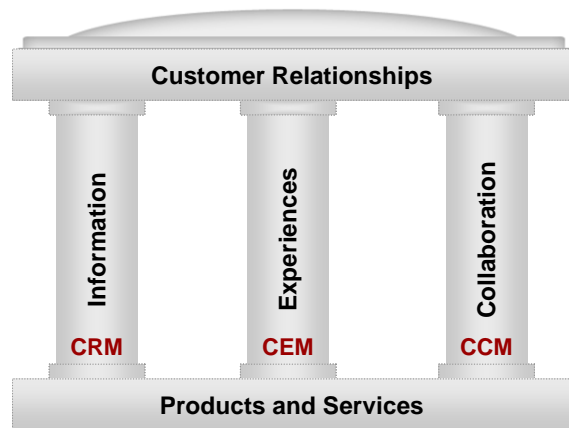
Welcome to the Social Economy

CrowdService is just one example of social media's growing impact on business strategy and operations, which is why I believe we are now entering the "Social Economy."

Nearly 20 years ago, Joe Pine and James Gilmore argued in *The Experience Economy: Work Is Theater & Every Business a Stage* that businesses must orchestrate memorable events to add value to their customers and create differentiation. As indicated by the book's subtitle, their concept is that businesses should "put on a show" for their customers.
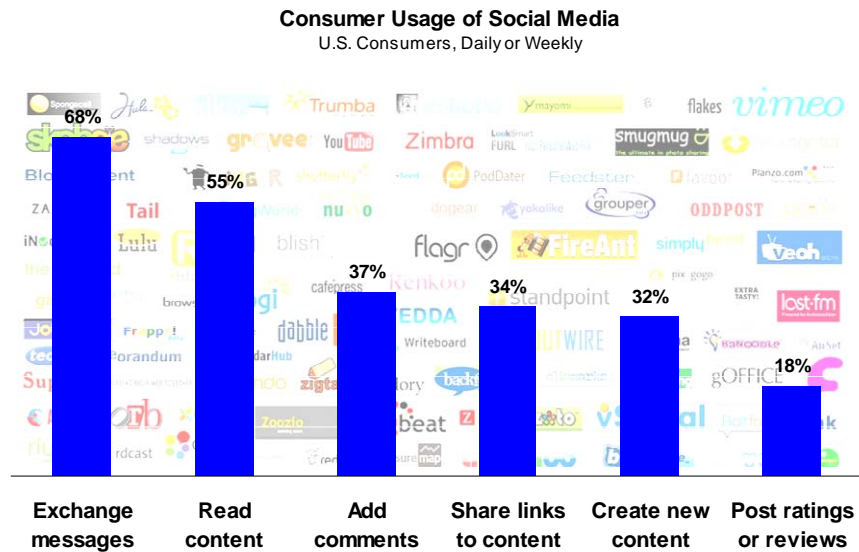
But the game is changing. In the Social Economy, consumers want to be part of the performance—to "co-create" value in their goods or services through interactions with producers.

People have always been social, but companies have traditionally operated in a more command-and-control manner. CRM (as commonly practiced by most companies) is an internally focused approach to automate processes, manage customer information and extract more value *from* customer relationships. While CEM is more concerned with delivering value *to* customers, it still assumes the company is in charge of "orchestrating" experiences.

Now there's a new business opportunity—and threat—due to the explosion of social media and online networking options. That's given rise to Customer Collaboration Management (CCM), as a third critical pillar in how businesses support customer relationships.

According to a March 2009 Nielsen report, two-thirds of the world's Internet population visit social networking or blogging sites, accounting for almost 10 percent of all Internet time. Facebook is the new king of the social mountain (supplanting MySpace), Twitter usage has been growing at astronomical rates, LinkedIn now reaches 16 million people in the U.S. and Ning has helped launch one million social networks.

In CustomerThink's June 2009 survey, we found that nearly 70 percent of U.S. consumers frequently exchange messages with friends or colleagues and more than half frequently view social content. About one in three say they contribute new content at least weekly through new posts, comments and links.

Consumer Usage of Social Media
U.S. Consumers, Daily or Weekly

Exchange messages	Read content	Add comments	Share links to content	Create new content	Post ratings or reviews
68%	55%	37%	34%	32%	18%

Source: CustomerThink, June 2009

Happy consumers can create a groundswell of support (think free marketing), which has helped lift online retailer Zappos to $1 billion in annual sales in just a few years. Or, a few mistreated consumers can cause tremendous damage to brands (think "Dell hell") by blogging or posting a video on YouTube.

Whether you're ready for it or not, consumers have made this the Social Economy.

Consumer Interaction Channels

One key question for business leaders is whether they will join the conversation that consumers have started, or let it proceed without them. And keep in mind the options are not just external social media sites. Company-run public and private online communities are also part of the social media agenda.

Fortunately, as we learned in CustomerThink's recent global survey of business managers, one in four claims that their organizations are already using both external social media and company-run communities. Another 20-25 percent plan to implement within the next year. While that's encouraging, we also found that a full 40 percent of respondents indicate that their organizations have *no social media plans whatsoever*!

Still, this trend is young. Roughly half of businesses are participating in the Social Economy now, or will soon. Not surprisingly, marketing is one key area of interest. Based on our survey, around 70 percent of managers believe that external social media can provide better marketing or customer insight, or help them influence prospective buyers.

So the picture here is that managers tend to view social media first as a marketing tool, and indeed it is.

But consumers are looking for more help, not pitches. About two-thirds of U.S. consumers believe that companies should ramp up social media usage to "identify service/support issues and contact consumer to resolve."

As you can see from the chart, there is also strong support for companies hosting an online community and participating in consumer-run communities. Monitoring conversations and forming groups on external social media sites got more of a mixed reaction.

U.S. Consumer Preferences for Company Usage of Social Media
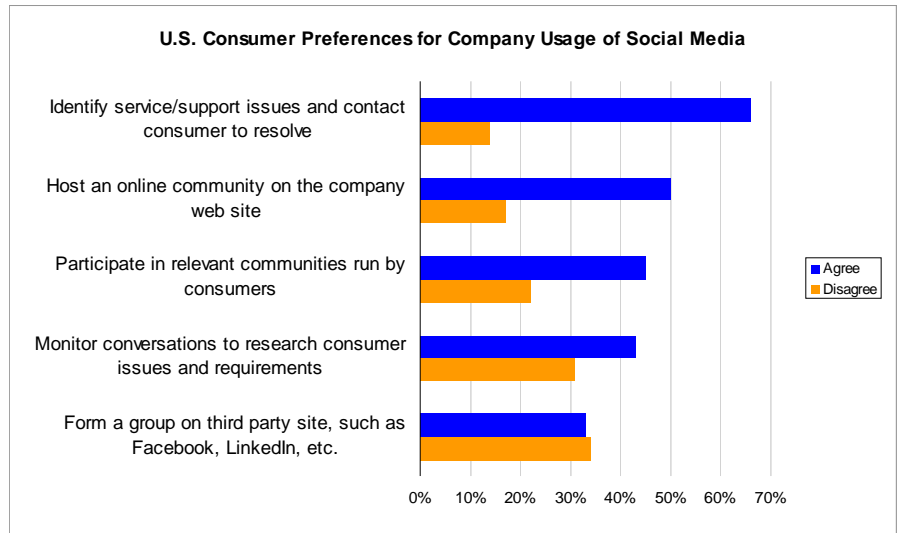
Write-in comments from our survey indicated support for companies joining the conversation to add value. Spamming communities with marketing blasts is not what they have in mind. If a customer expresses a problem on Twitter, Facebook or company community, consumers generally welcome a company representative reaching out to help.

Strategic Benefits of CrowdService

It's natural to think about cost savings as a reason to do CrowdService. And it's certainly a much easier way to build a business case to get a project funded. But let's start with a more strategic goal: building loyalty.

Genuine loyalty means customers willing to buy more (behavior) combined with a positive feeling (attitude) that makes them more likely to recommend a product, service or company. Assuming that a company does a responsible job targeting the right customers and can operate profitably, increasing customer loyalty is a Good Thing that drives long-term business performance.

What drives loyalty varies from industry to industry and company to company, but some broad trends were once again apparent in CustomerThink's 2009 benchmark survey.

Consistent with prior years, we found that the quality of the solution (product or service) and experience (interactions with people and systems) were weighted equally important by business managers. But "leaders"—those who ranked their organizations ahead or far ahead of their competitors—are much less focused on price.

Even in the current downturn, where everyone is tightening belts and consumers are demanding price cuts, leaders focus more on creating value

In your industry, how important are the following factors to your company's overall business success? (Allocate 100 points.)

Experience — Leaders 39, Followers 37
Solution — Leaders 39, Followers 34
Price — Leaders 22, Followers 29

Points

through product innovation and differentiated experiences. They also work harder to retain customers and up-sell/cross-sell them.
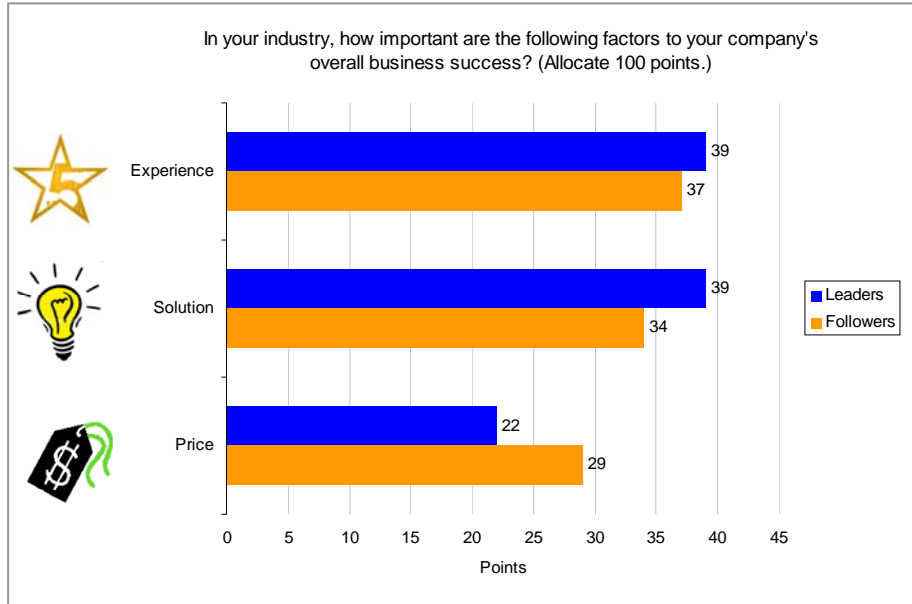
Numerous studies have shown a relationship between customer experience (CEX) leadership and business performance.

♦ CustomerThink's 2006 study found that CEX leaders enjoyed superior growth and competitive position.

♦ Forrester has found that CEX leaders tend to have more customers that buy more, recommend, and don't switch to competitors.

♦ CEM consultancy Beyond Philosophy, working with the London Business School, found that the emotional responses created by experiences are linked to financial outcomes.

Suffice it to say that delivering a superior experience does matter. With CrowdService, the strategic win you should seek is improving the customer experience, not just deflecting cases.

All that said, you will probably find it easier to justify a CrowdService project based on internal productivity benefits.

Building the Business Case

CrowdService delivers a return on investment by enabling customers to help each other, creating and using a kind of communal knowledgebase where the good answers bubble to the top. Done right, it can make the support operation much more efficient while also delivering a pleasing user experience.

On the cost side, Françoise Tourniaire, founder of FT Works and an expert in complex technical support, says she has "no doubt that a well-run community will save (deflect) cases." Some users will post a question instead of using an assisted support channel and others will search and get answers from existing community content.

But Tourniaire also believes that interest in community-assisted support has been driven by frustration. The current downturn has certainly ratcheted up the pressure to find cost savings without compromising quality of service. But another factor is simply that self-service has not been the end-all-be-all solution. Knowledge Management has not lived up to its promise because it depends on organizing the "wisdom of internal experts"—a scarce resource even in the best of times.

And consumers are saying with their "I'll just Google it" behavior that searching company knowledgebases has plenty of room for improvement in ease of use.

Let's review a simple ROI example. Say your current customer service operation handles one-third of cases through self-service and the rest through agent-assisted service. If an online community can handle (deflect) another 20-30 percent of cases—which Tourniaire and other industry experts tell me is feasible—that translates nicely into "no brainer business case" based on cost savings, especially for companies with a large base of customers to support.

Of course, in any ROI discussion there's also the "I" (investment) to consider. Companies need to hire and train people with the right skills, acquire and implement appropriate technology, and provide on-going funding. But these investments are typically modest compared to the potential return. Using conservative assumptions, Forrester analyst Natalie Petouhoff says a payback in one year or less can be achieved.

While a simple cost/benefit analysis can show the potential a quick payback, other potential benefits can be assessed and value assigned. For example, CrowdService can:

♦ **Provide insight on product or service issues**. This is a type of "co-creation" where customers help develop or improve the solutions they want.

♦ **Increase sales to community members**. Active community members are more likely to be engaged and receptive to offers. And unique offers can increase their engagement.

♦ **Build long-term loyalty**. Great customer experiences drive loyalty, and loyal customers tend to buy more, return to purchase again, and refer others.

In summary, the business case should not rest solely on cost savings. CrowdService should be part of a company's customer-centric strategy, with some expectation of improving customer experiences and loyalty. A cost-only approach may lead companies down the path of treating customers as costs to be avoided, rather than assets to be nurtured.

CrowdService at Work

Are you looking for good help around the house? Founded in 1990 by MIT roboticists, iRobot sells robots like the Roomba® to vacuum floors, the Scooba® to wash floors and the Verro to clean the pool. You can even get automated help to sweep out the garage and clean the gutters! For dirty or dangerous jobs in military applications, iRobot sells other specialized robots.

Strong demand for these automatons helped iRobot grow rapidly to reach $307 million in revenue and nearly 500 employees by FY2008. But this growth creates challenges. As call volumes ramped up, outsourcing their call center seemed like a good idea to save money. However, iRobot found they needed tighter integration with other parts of their operation, and faster access to analytics for decision-making. Saving money was only part of the story.

According to Maryellen Abreu, Director of iRobot's global technical support, marketing, sales and customer service each had their own independent systems, which resulted in delivering an inconsistent customer experience. These "silos" of automation were making it more difficult to execute on iRobot's strategy to build a world-class service organization.

So, iRobot selected RightNow to provide a SaaS-based customer service solution, to serve as "the glue between organizations," says Abreu. This infrastructure provides crucial functionality such as a robust knowledgebase, multi-channel support, global reach and flexibility to support new robots launched every year.

And, one more thing— CrowdService support by integrating an online customer community that gets a million hits per month! If a user searches a forum and doesn't find an answer, an incident is automatically created in the RightNow system.
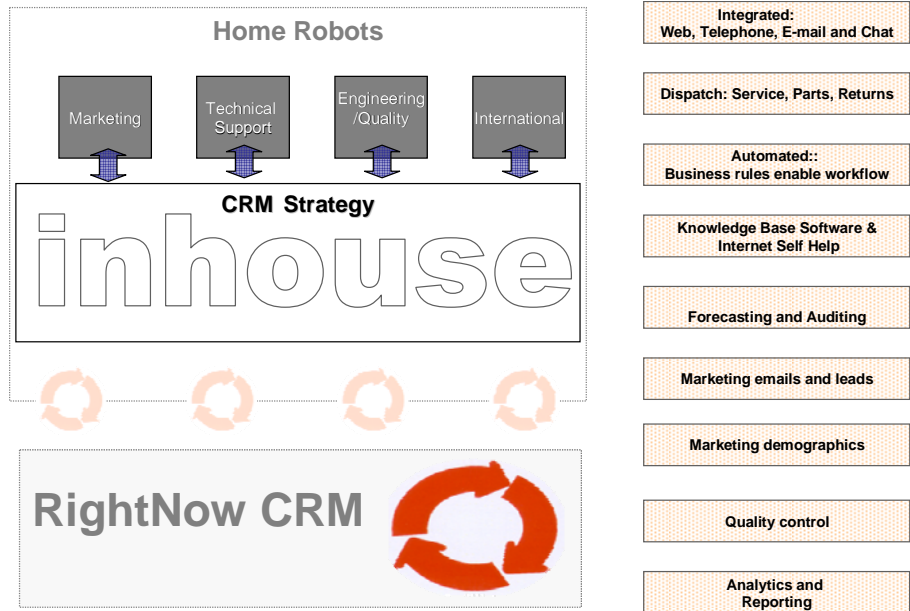
The results have been impressive. Abreu says that iRobot's RightNow implementation has helped improve their e-marketing operation, given real-time information for engineers and those in quality assurance and provided the customer service infrastructure and tools they need to support a complex multi-channel operation while achieving a 98 percent self-service rate.

User forums include user-generated content, of course, but also provide links to top FAQs from the RightNow knowledgebase. Customer service staff also monitors Twitter, Amazon, YouTube, Facebook ePinions and other sites to engage when appropriate.

Yes, calls have been "deflected" as intended, but the real value has been "like bringing the customer into the conference room," says Abreu. Executives pay more attention to issues presented in customer's voice!
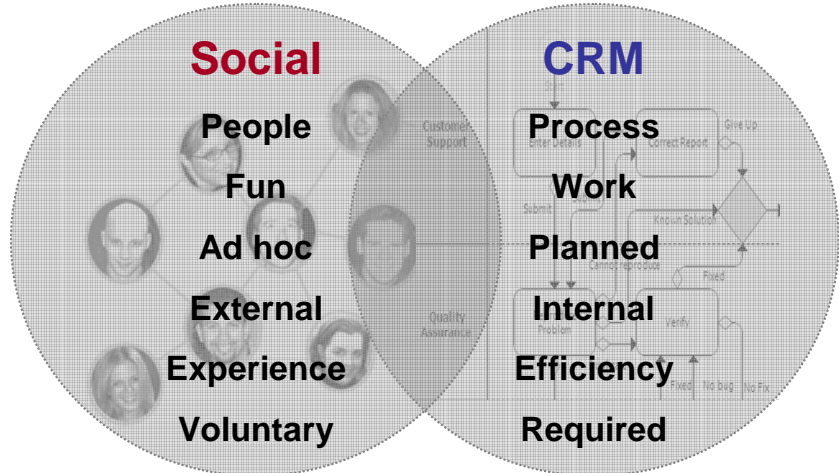
Tips to Succeed with CrowdService

These ROI calculations, based primarily on cost savings (or avoidance) can make it easy to build the business case. But real success rests on a critical assumption: that *the total customer experience is not compromised.*

Remember the off-shoring trend in call centers? By and large, our research and other studies have found the savings were achieved at the expense of the customer experience, which can increase customer attrition. Can you afford to lose customers in this economy?

Achieving short- and long-term benefits with CrowdService requires the social and CRM worlds to work collaboratively. As this chart indicates, however, there are fundamental differences to consider. Social users are volunteering their time to connect with other people and enjoy the experience. CRM users, on the other hand, generally follow processes designed to optimize resources.

Here are few tips for success, based on my research and personal experience.

CrowdService is a Type of "Social CRM"

Social	CRM
People	Process
Fun	Work
Ad hoc	Planned
External	Internal
Experience	Efficiency
Voluntary	Required

© 2009 CustomerThink Corp.

1. **Invest in skilled moderators**. You need people who can stimulate discussion, help resolve problems and deal with inappropriate behavior.

2. **Seed initial content and contributors**. Much like starting up a knowledgebase, you'll need to proactively post starter content and invite new contributors.

3. **Recognize and reward your "stars**." Encourage the relatively small number (typically 1 percent or less) of community members who will post most of your content.

4. **Develop community success metrics**. Don't depend just on page views; a healthy community will get regular new posts and replies/comments.

5. **Integrate social and CRM workflows**. Avoid creating a social silo by using automated case creation, giving agent alerts to hot problems, etc.

Thus far, consumers have been leading the way in the Social Economy. Now it's time for businesses to engage.

I believe that CrowdService is a great opportunity for business leaders to provide great service while optimizing use of scarce internal resources. That's a win-win that belongs in any successful customer-centric business strategy.

About This White Paper

Acknowledgments

This paper was made possible with the sponsorship of RightNow Technologies.

We appreciate the input of more than 300 CustomerThink community members in an online survey about customer-centric business leadership, along with another 300 U.S. consumers invited as part of a panel run by MarketTools.

Sincere thanks are also due to Françoise Tourniaire of FT Works and Maryellen Abreu of iRobot for their generous contributions to this paper.

About the Author—Bob Thompson, CustomerThink Corp.

Bob Thompson is CEO of CustomerThink Corp., an independent firm specializing in customer-centric business management. He is also founder of CustomerThink.com, the world's largest online community dedicated to helping business leaders improve customer-centric business strategies.

Since 1998, Thompson has researched the leading industry trends, including partner relationship management, customer value networks and customer experience management. In January 2000, he launched CRMGuru.com (renamed CustomerThink.com in 2007), which now serves 300,000 business leaders monthly through its web site and email newsletters.

Thompson is a popular keynote speaker at conferences worldwide and has written numerous articles, reports and papers, including his most recent white paper, *Five Warning Signs for Danger on Your Customer-Centric Journey*. Before starting CustomerThink, he had 15 years of experience in the IT industry, including positions as business unit executive and IT strategy consultant at IBM. For more information, visit www.customerthink.com or contact Thompson at bob@customerthink.com.

About the Sponsor—RightNow Technologies

RightNow (NASDAQ: RNOW) delivers the high-impact technology solutions and services organizations need to cost-efficiently deliver a consistently superior customer experience across their frontline service, sales and marketing touch-points. Approximately 1,900 corporations and government agencies worldwide depend on RightNow to achieve their strategic objectives and better meet the needs of those they serve. RightNow is headquartered in Bozeman, Montana. For more information, please visit www.rightnow.com. RightNow is a registered trademark of RightNow Technologies, Inc. NASDAQ is a registered trademark of the NASDAQ Stock Market.

Want to Learn More?

RightNow would like to help you tap into the wisdom of crowds and improve the service you provide your customers and prospects. Visit www.rightnow.com/cloudmonitor to view a video or product slideshow on the Cloud Monitor module which helps you participate in the conversations happening around your brand.

You can reach out and chat, email or talk with us by visiting www.rightnow.com/company-contact.php.