



CRM Moves from Elite to Everyman

Four Elements for Creating a Social CRM Strategy



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Sixteen years ago Harrah's Entertainment set the gold standard for how to create game changing Customer Relationship Management (CRM) systems when the article "Diamonds in the Data Mine" was published in the Harvard Business Review.

Gary Loveman, Harrah's CEO and a former Harvard Business School professor, explained how Harrah's was using data mining and science-based decision analytical tools to identify its best customers, trigger behavior through a rewards incentive program, and build uber profitable and loyal customers relationships. It was the most talked about case history in CRM history.

"Look what's possible," CRM technology vendors, marketers, and industry analysts said in awe.

The challenge, however, was that customer relationship management and its cousins, enterprise resource management and supply chain management worked for big companies with the big budgets, big talent, and big IT expertise needed to make these systems successful. CRM was for the corporate elite.

But just as air travel, education, designer clothes and personal computing have evolved from the elite to the everyman, so has CRM.

This democratization of CRM is due to a fundamental shift in consumer behavior spawned by social media

and new open social technology platforms. CRM today is now accessible to all companies who have the desire and discipline to create meaningful relationships **and** manage and mine their customer data. In fact, many young companies who began with rudimentary traditional CRM systems, like online retailer Zappos, are rewriting the book on how to create loyal customer relationships by using social media tools like Twitter, Facebook, LinkedIn and blogs. Even those with sophisticated systems, like JetBlue, are reaching out directly to their customers and creating relationships never before possible.

The challenge is no longer about CRM technology costs, but one of wanting to make your customers love your company by putting more effort on the "R" in CRM, and worrying much less about the "M."

The morphing of CRM and Social CRM

We're finding that as smart companies rethink their CRM strategies, they are taking the best of the traditional, like behavioral targeting, and layering on new social ways to engage and recognize customers.

Companies are beginning to measure these models in two ways: the traditional customer lifetime value (CLV) transaction forecast, and the new customer recommendation value (CRV), which measures how much a customer influences other customers by talking about and recommending your brand in social channels.



Traditional CRM systems, while far less costly and technologically complex than a few years ago, still focus on a “targeted offer = value” approach through managing, mining, slicing and dicing reams of data.

Social CRM, a complement to the traditional, focuses on relationships. It acknowledges that in the new social

Internet, people are establishing their own consumption needs, largely informed by their social networks. The morphing of the two provides a solid foundation for companies to impact business results by increasing both brand awareness and brand preference.

Traditional CRM

Company to customer

The new Social CRM layer

Customer to company & other customers

Mission

Identify

Identify the most profitable customers based on demographic and behavioral patterns

Find

Make it easy for customers and prospects to find your brand in their social ecosystems

Target

Provide targeted offers to appeal to different segments

Advise

Make it easy for customers to both communicate with and advise the brand and other customers

Reward

Extend perks to the most loyal customers

Recognize

Socially recognize and thank customers for their WOM help

Measure

- Create loyal customers.
- Repeat customer purchases.
- Customer lifetime value.

- Create customer fans
- Acquire new customers less expensively
- Repeat positive word of mouth about your brand
- Customer recommendation value

Theme

- Operational management, not necessarily relationships.

- Relationships, not management.



Making CRM more social: four important elements

The biggest question we hear from companies about making CRM social is “Where should I start?” There is no simple answer, as some companies, like Comcast, start by extending their customer service onto social platforms like Twitter, while others, like SAP, started by inviting customers into online communities.

The more important question to ask is not **where** should we start, but **how** should we deepen our relationships with our customers on the social Web. Here are four important “how” strategies.

1. Understand your customer’s digital ecosystem

The start of any good friendship begins with understanding the other person’s likes and dislikes, and figuring how you want to be friends. The same fundamental understanding applies to marketers in developing stronger relationships with customers. The first step in getting to know your customers and prospects is to map their social media ecosystem. To uncover their beliefs and doubts, ideas and frustrations, motivations and behavior. Look for:

- What social communications tools do your customers use most? Twitter? Facebook? Niche forums and communities? LinkedIn?
- Where do they most commonly share opinions, reviews and recommendations about your product/service category?
- What are they most interested in as it relates to your category? What are their unmet needs? Where do they go to get help or give help?
- Who and where are the influencers? What do they blog or Tweet about that earns such a following?
- What kind of videos get most viewed in your product category and why?

Understanding customers’ social behavior will help you understand how to best develop meaningful relation-

ships with them from both a content and channel perspective.

2. Ask for advice

One of the greatest motivations for participating on the social Web is helping other people. A study by Keller Fay and Bazaar voice found that 90% of the people who write product reviews do so to help others, and 80% do so to help the brand. So ask people for their help and ideas. Two big benefits happen when ask customers for advice:

- You get valuable insights on how to improve your brand (and make customers like you more.)
- You bond with customers in ways that are likely to result in them becoming some of your best word of mouth advocates.

A Communispace Corporation [study](#) of 2,200 members of 20 private online brand communities found that:

- 82 percent of the community members said they were more likely to recommend the company’s products since joining the community;
- 76 percent felt more positively about the company;
- 52 percent said they were more inclined to buy the company’s products.

All these benefits came from making customers feel heard, treating them like valuable insiders, and recognizing and thanking them for their insights and ideas. (Please and thank you are the magic words, not just for kids but also for customers.)

Similarly, don’t just ask customers for their advice, but share your helpful advice with them. Relationships get stronger with reciprocity.

For example, REI has a YouTube channel called, “Carve Your Own Adventure” that provides helpful, how-to



videos on outdoor activities, like how to fit your road bike and how to choose a kayak.

Another example is JetBlue, which both answers customers questions and provides helpful advice on Facebook and Twitter, like providing a link to the TSA recommendations for traveling with food and gifts a few days before the holiday, or sharing how to rebook flights after a 'Nor'easter snowstorm.

Relationships are a two-way street. You have to give to get, and companies that are reaping the benefit of social CRM do just that.

3. Make it easy to share

By far the most valuable and underused social CRM strategy is consumer recommendations. Anywhere from half to 75% of people rely on customer reviews before making a purchase, depending on the category and demographic. Don't shy away from featuring this ultra-social strategy on your sites for fear that the reviews might not be good. Customers expect to see the good and some not so good in order to believe the reviews – and share them with others.

John Lazarchic, PETCO's vice president of e-commerce, says that having reviews on his site has increased loyalty. "Customers who write reviews are more engaged with the site and come back to the site," he says. "If they take the time to write, people come back and see what others say. The now own part of the Web site."

So give customers the tools to rate, recommend and share information about your brand on your Web site and in their social networks. The easier you make it for them, the more likely they will act.

Add buttons for Facebook, Twitter, Digg, Slideshare, Stumbleupon, and the hundreds of other popular social sharing places frequented by your customers. (You'll know where if you do #1.) Wherever you can, provide

a way for people to rate and recommend your product, shortening the decision-making process.

4. Advocate for your customers

Many marketers want to create brand ambassador programs to help their most loyal customers advocate on the company's behalf, the most effective marketing strategy. The way to do this is not by creating a campaign, but by creating a culture and movement that provides extraordinary value and service to your customers. Make them love you, and they'll share the love.

Creating campaigns to get customers to share word of mouth recommendations about a brand are rarely sustainable. Incentives may provide a blip in buzz, but relationships built on genuine liking build ongoing advocacy, credibility and brand preference.

Zappos, the \$1 billion a year online retailer recently acquired by Amazon, has thousands of informal brand ambassadors because they do everything they can, at every customer touch point, to provide an extraordinary experience for their customers.

Consider that many companies set goals rewarding customer service reps to spend the least possible amount of time on the phone with customers. Zappos does the opposite, viewing the phone experience as a brand loyalty strategy and an opportunity not to manage their customers, but to build a stronger relationship with that individual customer on the telephone. Social at its most social. The company encourages customers to call them about nearly everything; its call center takes 5,000 calls per day and employees work independent of scripts, quotas, or call time limits.

"At Zappos, we are obsessed with sharing our culture and way of operating our business with the outside world. Blogs, Facebook, and Twitter have given us an outlet to do this on a higher level than what we ever thought possible," says Hollie Delaney of Zappos. "The



goal isn't how many fans or followers that you have. It's about how you are engaging your customers and whether you're forming a personal connection. You can have one million fans, but if they aren't engaged in your brand you're not getting any value from social media."

Synching up your traditional and Social CRM efforts

Like the early days of CRM, when it was lauded for its potential ROI, many companies are now looking with the same eager eyes at social CRM but don't quite know how to equate success. We believe social CRM should include both acquisition and retention behaviors and be tightly integrated with the entire digital ecosystem. And ultimately, companies will need to marry their CRM and social CRM systems in order to more effectively measure, mine, predict behavior and optimize customer campaign and relationship strategies. So keep a close watch on tech innovations that integrate the duo.

For example, Salesforce CRM offers Faceconnector, a mashup that pulls Facebook information into its product. The company also recently announced that it's integrating Twitter into its Service Cloud CRM product. There's also the possibility that the social network players may pull the rug out from the traditional CRM players and develop new types of CRM systems.

The concept of social CRM is still evolving and will have varying degrees of impact on different industries. There is no "one best way" yet, but stay tuned. The Social CRM – Traditional CRM mashup is coming soon.

Until then, start creating your social CRM layer. It's the not-so-secret-sauce to having customer relationships, not just managing them.