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## Introduction

By Carolyn Heller Baird and Gautam Parasnis

CEOs, according to the IBM 2010 CEO Study. 1 Today's businesses are fervently building social media programs to do just this. But are customers as enthusiastic? Actually, most do not engage with companies via social media simply to feel connected. It turns out, customers are far more pragmatic. To successfully exploit the potential of social media, companies need to design experiences that deliver tangible value in return for customers' time, attention, endorsement and data. With the worldwide explosion of social media usage, businesses are feeling extreme pressure to be where their customers are. Today, this hub of customer activity is increasingly virtual, located inside a social media or social networking site. But in an environment defined by customer control and two-way dialogue, are customers and businesses in sync with each other's expectations? Consider the speed at which social media is being adopted by consumers and businesses alike. 2010 saw staggering numbers. There were more than

500 million active users on Facebook, 70 percent outside the United States. 2 By March 2010, more than 10 billion messages, or Tweets, had been sent through Twitter since its launch in 2006.

By July, that number had doubled to 20 billion. 3 And in the Asia-Pacific region, 50 percent of the total online population visited a social networking site in February 2010, reaching a total of 240. 3 million visitors. 4 Clearly, this is where customers are congregating and businesses want to be. Social media holds enormous potential for companies to get closer to customers and, by doing so, facilitate increased revenue, cost reduction and efficiencies. As might be expected, our findings indicate social media initiatives are quickly springing up across organizations. However, using social media as a channel for customer engagement raises interesting challenges for traditional CRM approaches.

CRM strategy, enabled by processes and technologies, is architected to manage customer relationships as a means for extracting the greatest value from customers over the lifetime of the relationship. These strategies typically concentrate on the operational responses required to manage the customer. With social media, though, companies are no longer in control of the relationship. Instead, customers (and their highly influential virtual networks) are now driving the conversation, which can trump a company's marketing, sales and service efforts with unprecedented immediacy and reach. Companies need to embrace this shift with a new strategy - Social CRM, which recognizes that instead of managing customers, the role of the

business is to facilitate collaborative experiences and dialogue that customers value.

Understanding what customers value, especially when they are in the unique environment of a social platform, is a critical first step toward building a Social CRM strategy. What triggers a customer to seek out a company or brand via social media? What would make a customer reluctant to interact? And does social engagement influence customers' feelings of loyalty toward a company as businesses hope it does? To find out, the IBM Institute for Business Value surveyed more than 1, 000 consumers worldwide to understand who is using social media, what sites they frequent and what drives them to engage with companies.

We also asked 350 executives to tell us why they think customers are interacting with their organizations (see sidebar: Study methodology). What we discovered may come as a surprise to those companies that assume consumers are seeking them out to feel connected to their brand. In fact, consumers are far more interested in obtaining tangible value, suggesting businesses may be confusing their own desire for customer intimacy with consumers' motivations for engaging. Our research shows that consumers have strong opinions about their social media interactions and, despite their embrace of social media, their willingness to engage with companies should not be assumed or taken for granted:

It's about friends and family - not brands. More than half of consumers don't even consider engaging with businesses via social sites. For them, social media and social networking are about personal connections with friends and

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family. Perception versus reality - what consumers really want. We discovered significant gaps between what businesses think consumers care about and what consumers say they want from their social media interactions with companies. In exchange for their time, endorsement and personal data, consumers expect something tangible. But businesses rank getting discounts and purchasing as the least likely reasons consumers interact with them. The advocacy paradox - Is it the chicken or the egg? Most businesses believe social media will increase advocacy, but only 38 percent of consumers agree, and more than 60 percent believe passion for a business or brand is a prerequisite for social media engagement. Companies need to find creative ways to tap the power of the trusted social community.

Consumers all over the world, across all generations, are swarming to social media, but most interact only occasionally. Despite the astounding escalation of social media adoption, only a very small percentage of consumers engages regularly by responding to posts and authoring their own content.

What are the implications for companies? We believe they have their work cut out for them. Even for customer-focused organizations, the introduction of social media presents one of the most disruptive forces facing businesses today. Our findings indicate companies are establishing the foundations of Social CRM but, as could be expected, they are experiencing the growing pains of change and uncertainty. 5 In their rush to join the fray, businesses need to stay laser focused on customer value to avoid falling into the perception gaps we've uncovered.

## Social media surge

**Study methodology** In October 2010, we conducted two online surveys: The first was completed by 1, 056 consumers in the United States, Canada, the United Kingdom, France, Germany, India, China, Australia and Brazil.

Participants represented a distribution of ages among Generation Y, Generation X and Baby Boomers, with annual household incomes from US\$25, 000 to more than US\$100, 000. 6 The second survey went to 351 business executives in the same countries (except Canada). Executives represented companies from the following sectors: Distribution, Communications, Financial Services, Industrial and Public Sector/Healthcare. In addition, to capture qualitative data from executives responsible for social media programs, we conducted 17 interviews in the United States and the United Kingdom. In partnership with Oxford Economics, we also established a Social CRM blog to solicit feedback on Social CRM topics from social media and CRM specialists and other interested individuals.

Nearly 80 percent of the online consumers we surveyed have at least one account on a social networking site where they can quickly and easily connect with people. Almost half have accounts on mediasharing sites where they can access or upload photos, videos and other types of media. But only a fraction of consumers, a mere 5 percent, consistently take the time and effort to regularly respond to others' comments or post original content.

Social media is ultimately about interacting with others with an expectation of getting something in return. Even if that " something" is intangible, such as a feeling of connectedness or affection, participants are actively, purposefully seeking value. For businesses, the challenge is unlocking what

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their customers care about and creating social media experiences that deliver that value.

But first, companies need to understand the dynamics of consumer growth and activity on social sites and take stock of consumer attitudes and the triggers that compel them to seek out a company in the first place. So, who is embracing social media and which sites are they using? As expected, Generation Y still accounts for the lion's share of activity, but Generation X isn't far behind and Baby Boomers are quickly catching up, particularly in the use of social networking sites, such as Facebook, LinkedIn, Orkut, and QQ. Baby Boomers have demonstrated the most growth in terms of numbers using such sites. In 2009, 50 percent of Baby Boomers were using social networking sites. <sup>7</sup> Based on our survey, that number had swelled to 72 percent by 2010. However, Baby Boomers' use of other types of social sites is far less aggressive, and 20 percent do not have accounts on any social site, a much higher level of inactivity than Generation X or Y (see Figure 1).

Notes: 1) Sample size N= 1056. 2) Generation Y: People born between 1975 and 1992 (18 to 35 year olds); Generation X: People born between 1965 and 1974 (36 to 45 year olds); Baby Boomers: People born in or before 1964 (46 years olds and older). Source: IBM Institute for Business Value analysis. CRM Study 2011.

Figure 1: Who is using social media?

Baby Boomers are not alone in their love of social networking. These sites are by far the most popular for Generations X and Y as well. Media sharing

sites (e. g., YouTube, Flickr and SlideShare) rank second in popularity, but the number of accounts drops significantly. Generation Y still leads the pack at 57 percent, but fewer than half of Generation X has an account on these sites, and only a third of Baby Boomers do. Microblogging, e. g., “tweeting,” comes in third and is used mostly by Generation X and Y, with far less activity by Baby Boomers. People have even fewer accounts on the remaining types of social sites, such as blogs, wikis, social reviews and social bookmarking sites. 8

People are flocking to sites where their circles of influence reside. They are joining networking sites such as Facebook because this is where the conversations are taking place. In contrast, consumers are much less inclined to have accounts on more niche sites, such as those dedicated to authoring blogs or writing restaurants reviews. However, the picture is somewhat different in emerging markets, where blogging and micoblogging tend to be more popular (see sidebar: Trends in emerging markets).

Trends in emerging markets In emerging markets, particularly in China, online users report a larger proportion of social media accounts are devoted to microblogging (75 percent) and blogging (66 percent) than in other countries. In Asia, people blog to stay connected to friends and family; consequently, a blog’s range of influence tends to be relatively small, typically less than 11 people. In Western countries, however, blogging is viewed as a form of publishing, intended for larger audiences, which may also explain why fewer people in these geographies do it. 9 Emerging markets have embraced social media with gusto. Both India and Brazil



represent some of the most aggressive growth, where more than 90 percent of online survey respondents report having an account on a social networking site. The reasons for the rapid increase of social media usage in the emerging markets vary from country to country; however, the concentration of Generation Y and younger users in those regions, the cultural emphasis on maintaining regular contact with friends and family, and the influx of mobile technologies have contributed to this social media explosion.

Companies, keenly aware of this global social media phenomenon, are feeling intense pressure to get in on the action. Nearly 70 percent of executives say their companies will be perceived as “out of touch” if they don’t engage, and over half believe their competition is successfully reaching customers through social media. Not surprisingly, their rush to embrace social networking sites has mirrored consumers’ adoption, with 79 percent claiming a profile or presence on a social networking site, and over half use media sharing and microblogging sites (see Figure 2). Although the consumer stampede to social media is indeed impressive, companies also need to be aware the numbers can be deceiving. To get a better picture of actual social media interaction, we grouped consumers based on their social media engagement levels by asking them how they interact on social sites – whether they typically just read, occasionally interact or almost always engage. Our findings reinforce what other similar studies have also uncovered. 10 Only a small proportion of consumers – the Engaged Authors at 5 percent – nearly always respond to others’ comments or author their

own posts. The next and by far largest group, which we dubbed the Casual Participants (75 percent), occasionally will respond or post their own content.