



Early adopters are gaining real economic value from their investments in social media. Customers who engage with companies over social media are more loyal and they spend up to 40 percent more with those companies than other customers.

Putting social media to work

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Five years ago, few general managers outside of the tech industry had heard the term “social media.” As social networking services such as Facebook and Twitter broke loose on the mainstream business scene, the majority of companies stood on the sidelines trying to make sense of it all.

Despite the proliferation of corporate Facebook pages and Twitter accounts during the last couple of years, most businesses still effectively remain on the sidelines. The gap between the early adopters and those waiting to take the plunge has actually widened. While the average billion-dollar company spends \$750,000 a year on social media, according to Bain & Company analysis, some early adopters such as Dell, Wal-Mart, Starbucks, JetBlue and American Express invest significantly more. In some instances, the investment is tens of millions of dollars. Who is right—the early adopters or the companies still waiting it out?

Our research shows that several early adopters have captured real economic value from their investments. But the social media scene is so turbulent and frothy that many others have poured good money after bad in their attempts to engage customers. The leaders typically employ the same tried-and-true business principles—refined through traditional marketing, service and operations—

applied in new ways. While they often experiment and sometimes fail, they don’t allow themselves to fall into the trap of thinking that somehow “everything has changed” in this new world.

As part of a broader customer engagement strategy, social media can be an effective and cost-efficient marketing, sales, service, insight and retention tool. Our recent survey of more than 3,000 consumers helped to identify what makes social media effective. We found that customers who engage with companies over social media spend 20 percent to 40 percent more money with those companies than other customers (see Figure 1). They also demonstrate a deeper emotional commitment to the companies, granting them an average 33 points higher Net Promoter® score (NPS®), a common measure of customer loyalty (see sidebar, “NPS 101”).

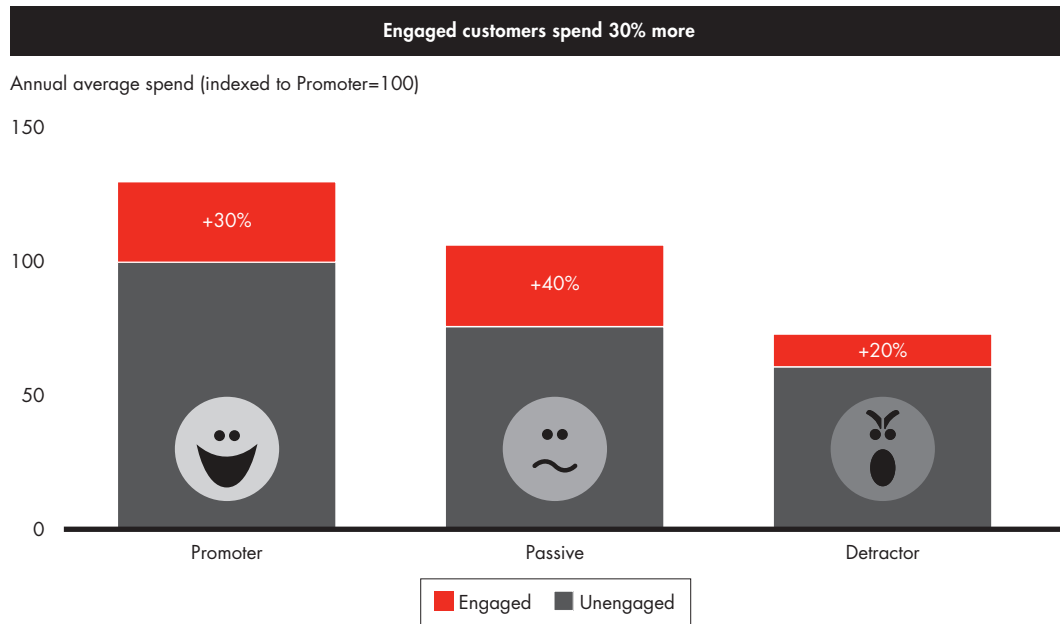
Embracing empowered consumers

More than 60 percent of Internet-connected individuals in the US now engage on social media platforms every day. The speed and access to information that they’ve come to appreciate has made them more demanding customers. For example, many now expect real-time customer service recovery and quick responses to their online feedback. Hyper-connected individuals regularly broadcast their opinions. And they rely on their friends and social networks for news, reviews and recommendations for products and businesses.

Social media leaders understand and appreciate the magnitude of the shift in customer empowerment and the opportunities and risks that these tools create. As a result, they approach their social media efforts differently. While the average company may maintain Facebook and Twitter accounts and have other discrete programs run by their marketing or customer service teams, in our experience, these efforts tend to be uncoordinated, with different business units, brands or geographies conducting their own social media experiments.

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Figure 1: Engaged customers spend more



Source: Social Media Consumer Survey (January 2011), n=3,019

By contrast, the leading firms invest significantly more. They pursue integrated social media strategies, with a more holistic assessment of the value that social media can create across the businesses, and with efforts directly tied to strategic business objectives. As the early adopters continue to invest, their peers take different approaches. Some feel that they have social media at least partially sorted out with their Facebook pages and Twitter accounts. But others are beginning to ask more questions:

- What is the business case for investing further in social media? Where and how much should we invest?
- Fundamentally, how much is consumer behavior changing? What are the biggest opportunities and threats? How aggressively are my competitors investing in these tools, and are they capturing differential advantage?
- What are the best practices in deploying social media strategies? What are the pitfalls to avoid?

- Should we build or buy our own “community” or partner with one of today’s leading platforms? Or both? Where should we place our bets?
- How should we organize and coordinate our efforts? Across brands? Across business units? Across geographies?
- How should we measure results? How do we know whether we are creating real business impact?

While no one can say for sure how social media will evolve, and no one can know which platforms will ultimately endure, the long-term winners are likely to take a systematic approach based on five key principles:

1. Link social media efforts to concrete business objectives

The roadmap for a successful business-to-consumer social media strategy starts first and

NPS 101

One effective way to measure the effect of a social media program on customer loyalty is with the use of a Net Promoter system.

To start out, one should measure a Net Promoter score (NPS) by asking customers the question: "How likely would you be to recommend [this company or product] to a friend or colleague?" Respondents who give marks of nine or 10 are promoters, the company's most devoted customers. Those scoring their experience seven or eight are passives, and those scoring it from zero to six are detractors. NPS is the percentage of promoters minus the percentage of detractors.

After ranking customers, companies create a closed-loop system to learn why customers are promoters, passives or detractors, and to deliver the feedback directly to employees who can act on that feedback. When appropriate, they follow up directly with customers.

Companies make it a priority to increase the number of their promoters and shrink the number of their detractors, discovering and investing behind the actions that improve the company's NPS in ways that are financially sound and that will result in profitable, sustainable, organic growth.

foremost with understanding the full value that social media can create as one tool in a broader customer engagement strategy.

Social media shouldn't be viewed as a mere channel for marketing or public relations or as simply an effective customer service tool. While many companies started out using social media to get the word out about products, the most successful have significantly expanded their efforts to engage their customers at every step of what we call the "customer corridor," touch points that start when a potential customer first learns of a product and extend through the moment they opt to make repeat purchases.

Social media can create value at each step along the way to:

- Generate awareness at a fraction of the cost of traditional advertising media and enable hyper-targeted marketing
- Prompt trials with daily and increasingly real-time, location-based promotions

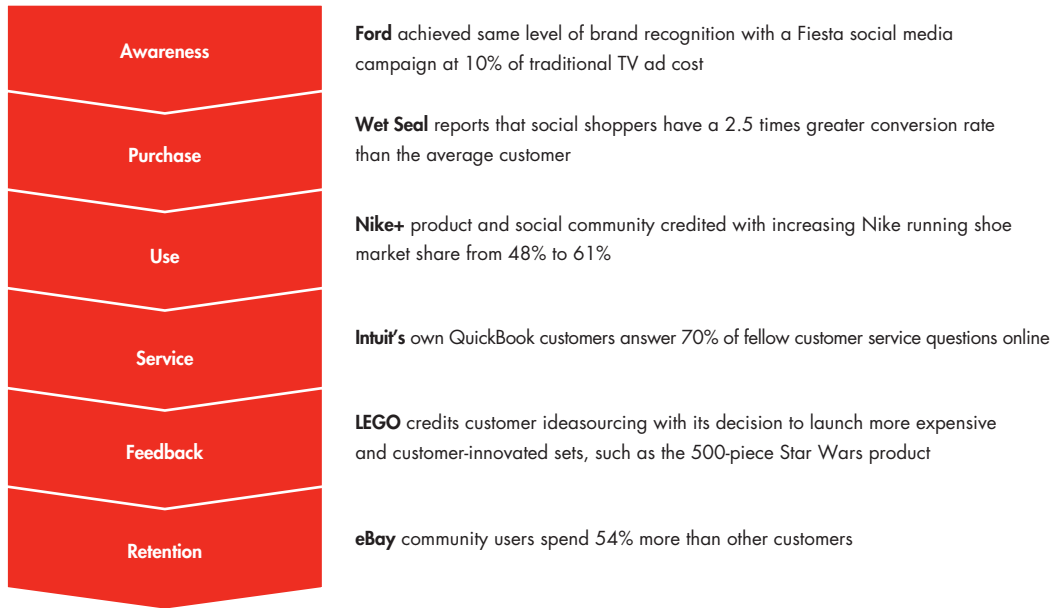
- Improve the product or user experience by embedding social capability; examples are social gaming, social television and social shopping
- Wow customers with real-time service response, recovery and technical support, with greater efficiency than traditional channels
- Capture torrents of consumer insights, and facilitate consumer-led innovation
- Build community and affinity through engagement, earning greater loyalty, spending and referrals

Several companies have registered real bottom-line results from their social media efforts (see Figure 2). Most impressive, however, are the companies that have stepped back and deployed holistic social media strategies aimed at unlocking value at each stage of the customer corridor.

Consider Dell and its broad use of social media. Dell's current social media efforts grew out of the

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Figure 2: Companies using social media to serve the needs of customers can achieve real returns at every touch point



Sources: Industry publications and websites; Bain analysis

company’s customer-centric and direct selling model, founder Michael Dell’s foresight of the power of online social engagement, and some infamous prodding on technology blogs. Brought to life as a way to respond to customer service issues, Dell’s social media efforts expanded in multiple directions, helping the company increase revenues and retain loyal customers. To boost sales, the company’s Dell Outlet site offers flash promotions through Twitter. The computer maker uses feedback generated on social media to improve its products and customer service: Direct2Dell facilitates active dialogue between customers and company leaders, while its IdeaStorm.com enables crowd-sourced ideas and gives customers the opportunity to collaborate and prioritize product and service improvements. Finally, the company relies on social media to activate promoters and acquire new customers: @Dell interacts with potential customers—and also facilitates promoter interaction with potential customers. End-to-end, social media is a key tool in Dell’s customer engagement strategy.

2. Focus and tailor your efforts to engage your key customers

Winning companies have learned that, while an effective social media strategy can reap big rewards, it also isn’t something that happens easily. It is obvious to many companies now that you can’t just put up a Facebook page and start broadcasting content. You can’t take for granted that fans will just stick around and allow their walls to be filled with marketing and promotions.

Bain & Company research shows that the average Facebook user will “like” no more than seven companies or brands. Facebook users must be selective or they will soon find their walls flush with corporate messaging and promotions, leaving little room for posts by friends and family. To increase the odds of capturing valuable real estate on a customer’s wall, it is critical to know your target audience and understand which social media platforms they frequent, as well as the type of content and engagement they find most

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compelling. Only then can you optimize your platform mix and tailor your content to reach those customers.

Our research has identified 10 segments of social consumers (see Figure 3). Members of these segments frequent different social media platforms and prefer different types of content and engagement models. For example, companies such as Disney, Wal-Mart and Mattel, who target “moms,” will find they are disproportionately “Social Butterflies” and “Social Gamers.” A key demographic on Facebook, “moms” as a group spend significant amounts of time playing social games. Companies such as Nestlé have found ways to embed their brands into the games that moms play online. For example, the company allows users to grow ingredients of its Stouffer’s brand prepared meals within the FarmVille game. It engages with key customers in the right platform, and with the content those customers find compelling. Alternatively, companies looking to capture the online attention

of the “Young and Mobile” will reach them through micro-blogs and location-based games, making the most of the platforms that are popular with this segment. As the social media ecosystem continues to evolve, it will likely further fragment, making consumer segmentation—and tailored social media approaches—even more important for success.

In addition to tailoring efforts to key customers, companies need engagement plans that explicitly target their promoters and detractors, as well as key influencers. Promoters are a company’s natural fans, though our research shows that a company’s Facebook fans and Twitter followers are actually a mix of promoters, passives and detractors.

Most companies dread the vocal and influential detractor. Social media offers these unhappy customers a platform from which to quickly broadcast their negative commentary. Companies such as JetBlue and Dell, who actively monitor social

Figure 3: Who’s online? Design the social strategy with target consumers in mind

Bain’s social media consumer segmentation				
18%	12%	12%	11%	10%
Social Butterflies	Fact Finders	Contributors	Blog Readers	Observers
<ul style="list-style-type: none"> • Heavy users of personal networks • Skew to female users, younger and working • “Moms” represent a large share 	<ul style="list-style-type: none"> • Heavy users of multimedia sites, ratings and review sites, branded communities • Skew to male users, older 	<ul style="list-style-type: none"> • Disproportionate creators and posters of content • Heavy users of location-based games, crowdsourcing sites, branded communities, social shopping 	<ul style="list-style-type: none"> • Moderate social media use and disproportionate presence on blog sites • Skew to male users, older 	<ul style="list-style-type: none"> • Maintain passive presence on social networking sites • Skew to female users, older
10%	9%	8%	6%	4%
Deal Hunters	Young and Mobile	Social Gamers	Showgoers	Professional Networkers
<ul style="list-style-type: none"> • Heavy users of ratings and review sites, group-buying sites, branded communities • Disproportionate share of spending occurs online 	<ul style="list-style-type: none"> • Heavy users of microblogs, social networking and location-based games • Skew to younger demographics, e.g., students 	<ul style="list-style-type: none"> • Active on social gaming and engaged in location-based gaming • Significant contingent skews older 	<ul style="list-style-type: none"> • Tend to be passive consumers of entertainment and content generated by others 	<ul style="list-style-type: none"> • Heavy users of professional networking sites and microblogs • Skew to male users, affluent

Source: Social Media Consumer Survey (January 2011), n=3,019

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Making the business case for social media

Many companies struggle to calculate an ROI on their investment in social media. And without confidence in clear returns, have difficulty securing the funds needed to scale their efforts. Companies that most successfully make the business case for social media use a two-pronged approach.

First, they set clear business objectives for using social media at each step across the customer corridor. They run small, contained pilots, carefully tracking returns to demonstrate whether further investment is warranted. For example, if the objective is to generate leads, the same metrics and measures used to assess the effectiveness of other marketing vehicles can be deployed to gauge the success of a social media pilot campaign. If the objective is to boost customer service, the effectiveness can be measured by service resolutions, relative cost and productivity, call avoidance and the ratios of detractors converted to promoters.

Second, companies further build the case by considering the broader value of social media. They articulate the value of engaging their customers where they are increasingly spending time and consider the real business value that authentic engagement can create. Again, customers who engage with companies over social media are more loyal and they spend 20 percent to 40 percent more with those companies than other customers do. Social media platforms are becoming increasingly important for companies to engage with, delight and retain their best customers.

chatter, engage detractors on a real-time basis in an effort to diffuse heated commentary. In the best outcomes, they successfully convert those detractors to promoters. Dell estimates that its customer service teams can convert a detractor to a promoter more than 30 percent of the time. JetBlue’s real-time Twitter customer service recovery force received much attention for its adept handling of last December’s “Snowmageddon.” JetBlue effectively converted stranded passengers from detractors to promoters by quickly rebooking them on new flights. And these successful recovery efforts were witnessed by JetBlue’s 1.6 million Twitter followers. Stories of the exceptional recovery reverberated broadly across the Web and beyond, as traditional media outlets picked them up. JetBlue estimates that its customer service recovery over Twitter is more productive than when delivered over alternative channels and that it can handle five customer-related tweets for every one call handled through a call center. As the company’s successes have grown, it has continued to invest further in its Twitter-enabled customer service team.

Social media leaders also think just as carefully about how they can effectively nurture and mobilize “Influencers”—those hyper-connected individuals who have disproportionate online clout. Companies such as Microsoft, Dell, and Procter & Gamble host events for Influencers, provide special online recognition, allow them to try and test products, and host online chats. They invest in the Influencers to magnify the impact of their engagement efforts.

3. Build a social media organization to deliver results

Once a company has linked its approach to business strategy and targeted its key customers, it needs to put in place an organization to follow through—an organization that’s designed to enable coordination and share best practices. Winning companies mobilize cross-functional teams spanning marketing, sales, public relations, corporate strategy, customer service, product development, IT, HR and legal.

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Many companies today have social efforts siloed across functions. Leaders align their organizations to more effectively coordinate and communicate. Why is this important? First, it allows the entire organization to learn from each customer touch point. Second, it better enables the company to deliver a consistent and seamless customer experience.

While the organization must ultimately be defined by a company's unique social media strategy, we've seen three successful organizational models deployed to coordinate social media efforts:

- **Empowered units.** Dell is a great example of a company with an empowered unit structure. Within this type of organizational model, the social media strategy is managed by a cross-functional team that can be staffed virtually or centrally—or a combination of the two. The head of the social media organization holds responsibility for integrating the vision, coordinating strategic initiatives and defining metrics and dashboards. Each function deploys its own social initiatives but circles back to the group with insights and best practices.
- **Command and control.** Starbucks' social media strategy is deployed by a single, central social media organization. Such a team may exist within a function or as an independent team under corporate. That approach allows for strong centralized control of consistent brand messages and customer experiences.
- **Decentralized.** Zappos and Best Buy both deploy social media in a decentralized fashion. In this model, a small central team coordinates the efforts of numerous employees who individually engage with customers via social media. Many companies deploying such a model report that empowering employees increases morale and retention. With this model, it is especially important to devise and communicate clear social policies and procedures in order to manage risk to the business and brands.

Leaders also look for ways to capture the greatest scale benefit from their investments in organization and tools. Social media organizations tend to grow as companies prove they are achieving benefits. While most companies build the social media organization initially to engage their customers, they often find that they can also use these same social teams and platforms to engage their own employees and their partners.

4. Monitor and measure the results—then close the loop

Creating the right dashboard to measure and track results is critical. There are a few challenges in measuring the return on investment (ROI) on social media efforts, and many companies will remain gun-shy about spending until they capture concrete evidence of ROI (See sidebar, "Making the business case for social media").

Leaders are quickly evolving their monitoring and measurement approaches. They are investing in the tools and methods to better integrate and connect social conversations, Web analytics, customer records and purchase data. The aim is to both improve the effectiveness of their social campaigns and to better capture the data needed on leads and conversion to calculate financial returns.

Generally, companies should think about measuring performance and tracking results in three key ways:

- **Engagement metrics.** Companies find it valuable to track the percentage of customers "engaged"—looking at such basic measures as site traffic, fans and followers. Additional engagement metrics include buzz and share of voice. While most companies rely on third-party analytics firms to capture these metrics, leaders such as Dell and Gatorade have invested in their own social media listening command centers. Within these centers, employees complement social media monitoring software with a dashboard of key metrics such

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as brand discussions, customer interactions and media campaign performance. These dashboards emphasize the role of listening as an organizational priority, and better enable companies to spot important trends quickly.

- **Customer metrics.** Social media leaders invest in the tools necessary to track shifts in loyalty and NPS. They also invest in the manual “cleaning” of listening and analytic tool output to capture shifts in sentiment.

Social analytics providers are still developing their machine-based algorithms to better capture sentiment trends, which are difficult to obtain with natural language translation (see sidebar: “A caution on sentiment analytics”). We expect that these firms—along with the broader set of social engagement, social management and social intelligence support tool providers—will continue to invest to improve their tools. We also expect further consolidation in this space as the market continues to evolve and mature.

- **Financial impact.** Leaders aggressively capture personal identifiers to link social media profiles and associated behavior to customer records databases. Contests and promotions that require registration of email addresses and Twitter “handles” help bridge social identities. Once the connection is made, companies can more easily track leads, conversion and ROI on social campaigns.

In addition to measuring the success of social media efforts, those companies that truly extract value from social media “close the loop.” They take the torrents of consumer insights captured via social engagement and

relay them back to the product and customer service teams. It is this closed loop that allows companies to strengthen the underlying business value proposition. Ultimately, that is how social media delivers long-term, sustainable value.

5. Be flexible and adaptive. It’s still early days

Social media is one area in which everybody is learning in real time. Just as companies need to continuously experiment to determine what works for them and their customers, they also need to negotiate an increasingly crowded playing field, with newcomers always joining the game. The companies that succeed will be those that are flexible and adaptable. They’ll be able to quickly try new approaches and just as quickly adjust—or abandon them. They’ll listen to social consumers and relay their findings back to product and service teams to strengthen the company’s underlying value proposition.

These still are the early days and we expect the gap between social media leaders and others to continue to grow. Consumer behavior will continue to evolve. New applications and social platforms will proliferate and enable even greater personalization and real-time, location-based engagement. Today’s social media winners won’t necessarily be tomorrow’s.

But amid the continuous disruption of a rapidly evolving game, companies that link social media to business objectives, target and tailor their engagement to key customers, build a coordinated organization, track results and close the loop, and stay flexible will significantly increase their odds of capturing real value from social media. 🔄

A caution on sentiment analytics

Companies considering hiring social media analytics firms should be advised that this science is in its infancy, with serious limitations. Machine-based analytics tools can measure the volume of posts, but they face significant challenges in accurately capturing sentiment. Raw online data may be full of misspellings and gibberish. Natural language is full of sarcasm and slang. As such, time-intensive manual manipulation is still required to accurately assess consumer sentiment and capture consumer pain points. Such limitations have prevented analytics companies from living up to their potential. One strong signal that they fall short: while most industries achieve an NPS of about 30 percent, the nascent social media analytics industry scores a -60 percent NPS, according to Bain research.

While we expect this young industry to consolidate and improve with further investment in tools, few customers of these companies today are promoters.



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