The ROI on Social Media Monitoring

Why it Pays to Listen to Online Conversation

October 2009

Jeff Zabin

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Executive Summary

To survive and thrive in an era of consumer control, most companies have no choice but to listen to the voice of the customer. This means, in large measure, keeping close tabs on what consumers are saying in online conversations and then generating actionable insights. Based on survey responses from more than 250 diverse enterprises as well as one-on-one interviews with more than 25 industry practitioners directly engaged in social media monitoring activities, this benchmark report provides a roadmap for companies that aim to use social media monitoring and analysis to achieve a variety of business objectives. These objectives include increased effectiveness and efficiency with respect to product marketing, public relations, market research, customer support, brand reputation protection, competitive intelligence and overall business innovation.

Best-in-Class Performance

Aberdeen used the following four key performance criteria to distinguish Best-in-Class companies:

- 75% improved customer advocacy

- 93% improved their ability to generate consumer insights that drive new product / service development

- 63% decreased customer service costs

- 82% improved their ability to identify and reduce risk to the brand

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- 63% have dedicated resources devoted to social media monitoring

- 47% have a process in place for disseminating customer insights gleaned from social media to key decision-makers

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Integrate social media monitoring activities with customer feedback management activities at a granular level

- Define event triggers and implement alerts to communicate insights that are urgent in nature

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Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

"Our use of social media monitoring has enabled us to strengthen customer loyalty and improve our communication with the marketplace."

~ Bruce Ertmann, Corporate Manager of Consumer-Generated Media, Toyota

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Chapter One:
Benchmarking the Best-in-Class

Should companies care about the messages scrawled on Facebook walls, the rantings of bloggers and the flapping of wings in the Twittersphere? Do they need to listen to the voice of the customer, no matter how loud or faint, as it reverberates across branded online communities and ratings and reviews sites? The answer is a resounding "yes." As control of a company's marketing messages—and, indeed, its very brand image—continues to migrate from traditional media to social media, it has become imperative that companies not only pay close attention to how they're being perceived in online conversations but that they also take appropriate action, based on the insights they glean. In many cases, their future depends upon it.

The Maturity Class Framework

The benefits of social media monitoring and analysis are clear and compelling, even if the metrics for measuring success are still evolving. For the purpose of this report, Aberdeen used four performance criteria to distinguish Best-in-Class companies from Industry Average and Laggard organizations. The criteria are:

- **Risk reduction.** Even as the online world unleashes new opportunities to attack a company's brand reputation, social media monitoring is providing much of the heavy artillery needed to identify and respond to these threats in a defensive (and even preemptive) manner. Beyond the spread of negative opinion, including false rumors about a brand, these threats can extend into the realm of brand infringement, information leaks and even illegal online distribution. Social media monitoring and analysis can serve as an early warning system, immediately alerting organizations of issues that pose potential threats to their brand reputation. As a result, companies can avoid—or at least mitigate—the impact of whatever detectable brand devaluation issues may arise. The business benefits include not only cost avoidance but also increased revenues and profitability. The correlation between positive brand reputation and increased shareholder value is obvious when one considers that a company's brand reputation accounts for most of the differential that exists between its book value and its market capitalization. A number of business magazines even publish "reputation rankings" to explain (and predict) financial performance.

- **Customer advocacy.** Using social media monitoring to identify and engage with "top influencers," as well as to respond to the key drivers of customer satisfaction and enhance customer experience quality for all customers, should naturally lead to an increased volume of positive word-of-mouth referrals. For most companies, no marketing lever is more efficient and effective than customer advocacy. Companies use a variety metrics, including likelihood-to-

Fast Facts

√ Best-in-Class organizations are 2.6-times more likely than Industry Average companies, and 93-times more likely than Laggards, to improve their ability to generate consumer insights that drive new product / service development

√ 72% of Best-in-Class companies, compared to 42% of Laggards, rank their experiences with social media monitoring as successful in terms of achieving the desired business results

√ Best-in-Class organizations that engage in social media monitoring and analysis activities are 3.3-times more likely than Industry Average companies, and 82-times more likely than Laggards, to improve their ability to identify and reduce risk to the brand

√ 78% of Best-in-Class organizations, compared to only 8% of Laggards, have improved their year-over-year customer retention rates

recommend scores such as the Net Promoter Score (NPS), to track and measure year-over-year improvement in customer advocacy and to try to understand the extent to which customer recommendations are influencing other consumers' purchase decisions. A good measure of influence is whether people are willing to talk broadly about a brand experience and inspire others to take action not only in terms of a buying decision but also in terms of engaging their own personal networks. The "network effect" of word of mouth can deliver ever-increasing value at little or no incremental cost. Increases in the likelihood that customers will recommend a given company's brand, product or service to other consumers should result in increased revenues and profitability.

- **Consumer insights generation.** Companies can glean invaluable insights by observing a universe of consumers freely discussing their brand experiences as well as their future wants and needs in social media. While it's uncertain whether social media monitoring will supplement or, ultimately, replace traditional research methodologies, there's no doubt that ongoing analysis of consumer-generated content can produce a vast array of strategic options, including insights into what products and services should be developed, what marketing messages should be communicated and what partnership opportunities should be pursued in order to maintain social currency. The insights can be used to enhance and inform a company's positioning and to extend its overall strengths and capabilities. Using social media as a research tool, companies might even uncover questions to ask customers they might not otherwise have thought to ask.

- **Customer service cost reduction.** Because peer-to-peer networks and online communities serve as public knowledge repositories comprised of thousands of question-and-answer pairs, social media can alleviate demand for traditional customer support services. After all, a large proportion of the online conversations taking place about a brand are about help, how-to, and support. In fact, for many companies, the starting point for building an effective ROI model for social media monitoring may lie not in the marketing department but in customer support. That's especially true when it's possible to know what the company spends on the call center and content development for customer care, what the content savings are for user-generated contributions, and what the online solve rate is, based on user-generated versus in-house-authored content. Online solve rate, which translates into call deflection, is a critical metric for measuring success. Can the inclusion of user-to-user conversation move the needle on "did you find your answer?" Clearly, there's economic value in knowing this information.

Taken together, these four performance criteria speak not only to some of the most compelling benefits that industry practitioners frequently point to after launching social media monitoring initiatives but to some of the key

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value drivers of practically any company competing in today's business environment. Table 1 illustrates how Best-in-Class, Industry Average and Laggard companies stack up against one another across these four criteria.

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	• 93% improved ability to generate consumer insights that drive new product/service development; the average increase was 11% • 82% improved ability to identify and reduce risk; the average improvement was 9% • 75% improved customer advocacy; the average increase was 9% • 63% decreased customer service costs; the average cost improvement was 7%
Industry Average: Middle 50% of aggregate performance scorers	• 35% improved ability to generate consumer insights that drive new product/service development; the average increase was 2% • 25% improved ability to identify and reduce risk; the average improvement was 1% • 32% improved customer advocacy; the average increase was 2% • 22% decreased customer service costs; the average cost improvement was 1%
Laggard: Bottom 30% of aggregate performance scorers	• 0% improved ability to generate consumer insights that drive new product/service development; the average <u>decrease</u> was 10% • 0% improved ability to identify and reduce risk; the average <u>decrease</u> was 1% • 4% improved customer advocacy; the average <u>decrease</u> was 2% • 4% decreased customer service costs; on average, costs <u>increased</u> by 5%

Source: Aberdeen Group, October 2009

The performance disparities that exist between Best-in-Class, Industry Average and Laggard companies are striking. Consider that Best-in-Class organizations are 2.6-times more likely than Industry Average companies, and 93-times more likely than Laggards, to improve their ability to generate consumer insights that drive new product / service development. While it's generally difficult to place a monetary value on these insights – and few, if any, companies currently measure the actual volume (let alone the potential value) of insights derived specifically from social media monitoring and analysis in the context of new product development – there's no question that such insights will increasingly serve as the lifeblood of any company whose viability depends on customer-centric business innovation.

"We pay close attention to what consumers are saying online and we make sure we understand how they're reacting. It helps us think about the right way to explain things to customers, to ensure the facts are clear, and, ultimately, to protect the reputation of our brand."

~ Margo Georgiadis, Chief Marketing Officer, Discover Financial Services

Aberdeen research reveals that Best-in-Class organizations that engage in social media monitoring and analysis activities are 3.3-times more likely than Industry Average companies, and 82-times more likely than Laggards, to improve their ability to identify and reduce risk to the brand. Again, as an early warning system, social media monitoring has the capacity to bring to light any number of current or imminent brand devaluation issues (see callout on Brand Reputation Management later in this chapter). The challenge, which is largely a matter of being able to identify, disseminate and act upon the insights in a time-sensitive fashion, ranks as a priority area for many companies, as evidenced by the fact that only 53% of Best-in-Class companies (and only13% of Laggards) are satisfied with their current ability to identify and reduce risk to the brand. Aberdeen research further reveals that Best-in-Class organizations are 2.3-times more likely than Industry Average companies, and 19-times more likely than Laggards, to improve customer advocacy, based on year-over-year improvement in the company's Net Promoter Score (NPS) or similar "likelihood to recommend" metric.

Finally, Aberdeen research reveals that Best-in-Class organizations engaged in social media monitoring and analysis activities are 2.8-times more likely than Industry Average companies, and 15-times more likely than Laggards, to decrease customer service costs. Not reflected here is the ability to improve customer service, as well, by providing a vehicle for speeding customer problem resolution, ultimately resulting in increased customer satisfaction and retention. According to research findings, 78% of Best-in-Class organizations, compared to only 8% of Laggards, have improved their year-over-year customer retention rates; 41% of Best-in-Class companies have done so by more than 10%.

> "When we first began tracking consumer sentiment in social media we discovered that there was a lot of disinformation out there about our company. I knew we needed to turn this perception around."
>
> ~ Torrie Dorrell, Senior Vice President of Global Sales and Marketing, Sony Online Entertainment

The Best-in-Class PACE Model

Despite the substantial cutbacks that most companies have been forced to make in light of the global economic recession that still beleaguers them in the fourth quarter of the 2009 calendar year, half (50%) of all survey respondents indicated that their companies are actually increasing their investments in social media monitoring initiatives. Aberdeen research also found that 72% of Best-in-Class companies, compared to 42% of Laggards, rank their experiences with social media monitoring as successful in terms of achieving the desired business results. Only 7% of Best-in-Class companies, compared to 16% of Laggards, deem their initial forays into the realm of social media monitoring to be unsuccessful to date.

Despite the success that many companies are enjoying with respect to social media monitoring, Aberdeen research reveals that, for many of them, the expenditure was not easy to justify, at least at the offset. In fact, over half of all companies indicate that it was either somewhat difficult (41%) or very difficult (10%) to make the business case for investing in a social media monitoring initiative, while a significantly smaller percentage indicated that it was either somewhat easy (19%) or very easy (7%) to do so. Part of the difficulty in securing funding is likely due to a lack of defined performance metrics and the challenge of translating these metrics into financial

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outcomes as well as a lack of compelling case studies about other companies that speak to the business benefits of listening to online conversation. Only now are these success stories becoming readily available.

To that point, it's important to remember that social media monitoring is a relatively new endeavor, with few companies able to boast a significant track record of achievement. In fact, only 27% of Best-in-Class companies have engaged in social media monitoring activities for more than two years while 44% have put their toes in the water only within the past 12 months. What's clear from all of the companies that have pioneered the use of social media monitoring is that achieving practically any of the business objectives outlined in this report requires not only the deployment of key enabling technologies, but also the implementation of a combination of strategic actions and organizational capabilities. While the list of both actions and capabilities is extensive, the top factors are summarized in Table 2.

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
▪ Need to improve customer loyalty (leading to increased retention)	▪ Analyze customer insights to improve marketing campaign effectiveness ▪ Establish a method for engaging consumers in online conversation	▪ Dedicated resources devoted to social media monitoring ▪ Process for using customer insights to drive product development ▪ Centralized repository for consumer-generated content and insights ▪ Process for disseminating insights gleaned from social media to key decision-makers ▪ Process for detecting potential threats to the brand ("early warning system") ▪ Process for enhancing social media capabilities over time	▪ Social software / online community platforms ▪ Social media monitoring tools ▪ Customer data repository ▪ Performance reporting tools / digital dashboards ▪ Customer data analytics software

Source: Aberdeen Group, October 2009

Best-in-Class Strategies

The recession is also forcing companies to focus on increasing customer advocacy, which emerged as the number one pressure compelling all companies, including those ranked as Industry Average and Laggards, to allocate resources toward social media monitoring. As companies shift more of their marketing spend from high-cost channels like traditional media to low-cost channels like social media, companies are launching word-of-mouth marketing campaigns enabled by all types of social media apps as well as branded online communities. Members of these communities naturally spend more time interacting with the brand, and they are likely to share their brand-related experiences more frequently. And because consumers need to register to join, companies can better track conversations at an individual customer level and, in many cases, correlate conversation to purchase behavior.

Figure 1: Top-Two Pressures - All Companies

Source: Aberdeen Group, October 2009
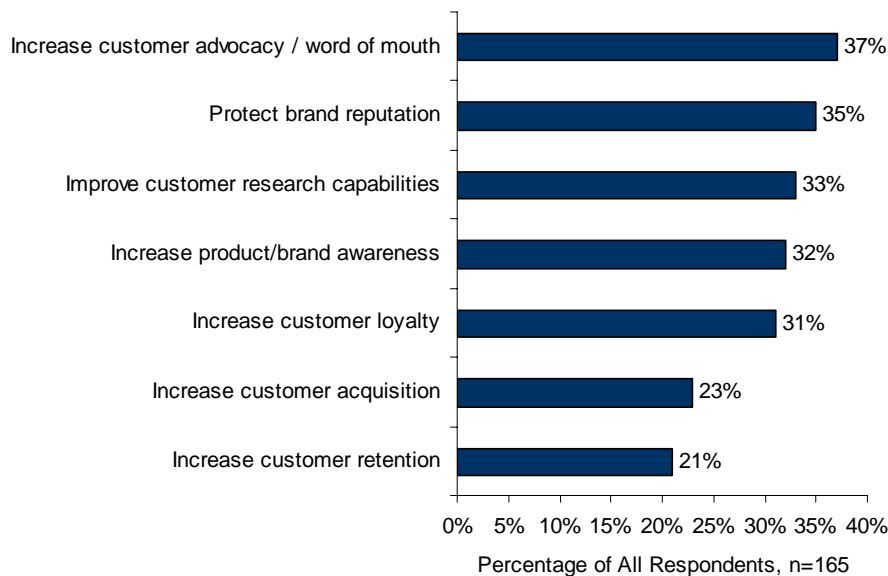
> "We monitor social media because it provides unsolicited and unbiased consumer opinions about our products and brands in real time. If a brand, messaging or product problem is identified by bloggers, we can fix the problem quickly before it gets too widespread. Also, positive comments help us understand early on if something is working particularly well."
>
> ~ Christine Stasiw Lazarchuk
> Director, Global Market
> Research, Ford Motor
> Company

Another pressure that topped the list of reasons that companies are implementing social media monitoring is the need to protect their brand reputation, as shown in Figure 1. As discussed previously, companies now have an unprecedented opportunity to glean a vast array of actionable insights that may reveal issues that pose a threat to a company's brand reputation—or, worse, brand devaluation activities already in progress.

The need to improve customer research capabilities also factors into the equation. With the advent of peer-to-peer networks, especially branded online communities, companies can further automate and expand their efforts to involve customers in the innovation process. For most companies, customer-centric innovation is the only sustainable competitive advantage; hence the need to open a window onto the unmet wants and needs of customers, and even solicit their direct input into the ideation of future products and services. Monitoring consumer-generated content such that consumers become an additional voice into the product development cycle also provides some assurance of sufficient market demand once the new product or service is made available. The ability to conduct market research through social media monitoring may also mitigate the need to use focus groups and panel studies, resulting in substantial cost savings. While social media monitoring may never completely eliminate traditional research practices, it can certainly drive greater efficiency in the process.

When it comes to Best-in-Class companies, Aberdeen research reveals that increasing customer loyalty is the number one pressure compelling them to implement a social media monitoring initiative. In fact, 47% of Best-in-Class companies, compared to 30% of Industry Average companies and 21% of

Laggards, view "increasing customer loyalty" as a top pressure. To be sure, companies must continuously show that they are listening to the voice of the customer, resolving customers' problems, implementing their recommendations, and working to improve the overall customer experience. Doing so will invariably lead to increased customer loyalty and retention. In the current economy, customer retention has supplanted customer acquisition as the primary focus of most companies' marketing and customer service efforts.

In order to alleviate the pressures driving social media monitoring and analysis, Best-in-Class companies tend to take various strategic actions. Some of these actions are illustrated in Figure 2.

Figure 2: Strategic Actions - Best-in-Class Companies
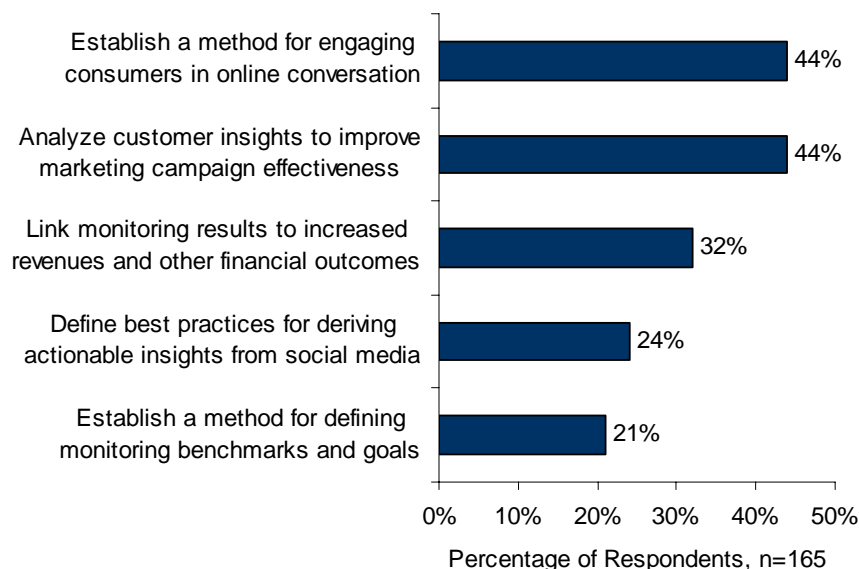
Source: Aberdeen Group, October 2009

It's no surprise that "analyzing customer insights to improve marketing campaign effectiveness" emerged as a top action. After all, social media monitoring and social media marketing (and all other types of marketing, as well, for that matter) can be viewed as two sides of the same coin in that the former can reveal how a company's current brand messages and marketing campaigns are resonating and being perceived in the marketplace. It can also help marketers understand what new messages and campaigns to develop and launch. As such, it's useful to think of social media as a closed-looped process that involves listening to customers, then talking to them, then listening some more, and so on.

Nor is it a surprise that "establishing a method for engaging consumers in online conversations" emerged as a top action. The approach that Best-in-Class companies are taking to social media is rapidly evolving from "monitor the conversation" to "join the conversation." Rather than just passively

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listen to consumer conversations, they are also actively contributing. In fact, 82% of Best-in-Class companies, compared to 55% of Laggards, are not only monitoring and analyzing consumer conversations but are also actively participating in the conversations.

Aberdeen Insights — Brand Reputation Management

The most valuable asset of a company is its good name. Yet the rapid growth of the Internet and the explosion of social media, in particular, have made it infinitely more challenging for a company to protect its good name. For that reason, companies are embracing brand reputation management as a strategic imperative and are increasingly turning to online monitoring in their efforts to prevent their public image from becoming tarnished.

Online brand reputation protection is broad in scope. It can mean monitoring for the misappropriation of a brand trademark by fraudsters intent on confusing consumers for monetary gain. An all-to-common example is phishing attacks, which often result in large financial losses and, in some cases, an erosion of brand trust. Another example: fraudsters who set up online pharmacies that ship bogus drugs. These criminal operations promote themselves through social media, often shutting down shop just in time to evade law enforcement officials.

Online brand protection and reputation management can also mean monitoring for less malicious, although perhaps equally damaging, infractions, such as the unauthorized use of a brand logo. And, importantly, it can mean monitoring for negative brand information (and misinformation) from online consumers that appears on peer-to-peer networks and other social media platforms. The red flag can be something as benign as a blog rant about a bad hotel experience or an electronic gadget that functions improperly or simply below expectations. Companies have every reason to want to catch these issues at the first possible moment and take appropriate action.

"By understanding which consumers are the influencers and which are the followers, and by allocating increased marketing spend toward the influencers, marketers can have a very powerful multiplier in terms of marketing efficiency and effectiveness."

~ Arie Goldshlager, Vice President, Marketing, Suntrust Bank

According to Aberdeen research, 90% of Best-in-Class companies, compared to only 8% of Laggards, have improved their ability to listen to the voice of the customer over the past 12 months. The next chapter will examine some of the technologies, organizational resources, business processes and performance metrics that top performers have put into place in order to achieve these gains.

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Case Study — Intuit

With $3 billion in revenues and more than 8,200 employees, and with the recent acquisitions of PayCycle and Mint.com, Intuit has become the dominate provider of financial software and related services for small businesses and individuals. The company's recent growth and high customer satisfaction ratings can be largely attributed to social media monitoring, which includes listening to the voice of the customer in its popular online communities for users of QuickBooks, Quicken and other products.

According to Scott Wilder, General Manager of User Created Content, Community and Social Media, Intuit strives to integrate "community" and "social" into all of the company's desktop products and websites and to provide in-product, contextual help powered by tens of thousands of small business owners and experts. "We want to make it easy for customers to engage in the conversations," he says. At the same time, the company is keen to pay close attention to the conversations and learn from them.

While the social media monitoring initiative is owned by the marketing organization, the insights are used by all different parts of the organization. "Customer care, product development and customer relations all need to have access to the information," says Wilder. These teams rely on the information to inform their day-to-day activities and drive business success.

Probably no group benefits more than product management. "Monitoring social media is a great way to spot trends in terms of future product development," says Wilder. A good example relates to the introduction of a new feature in the latest release of QuickBooks. While software operations were performed solely in U.S. dollars, Intuit discovered that more and more small businesses were now outsourcing overseas. "The drumbeat got louder on the web," says Wilder. "It got to the point that a multicurrency feature was something Intuit needed to address." With the new feature, businesses can track sales, purchases and banking activities in more than 100 world currencies. "The need for this feature is just one of the things we learned from online conversation," says Wilder.

While Intuit makes a point of identifying and engaging with influencers, it pays attention to everyone. "We try to track the long tail of what people say on the web," says Wilder. "If somebody is starting a blog that expresses a concern or negative sentiment about Intuit, we get alerted to that and take action."
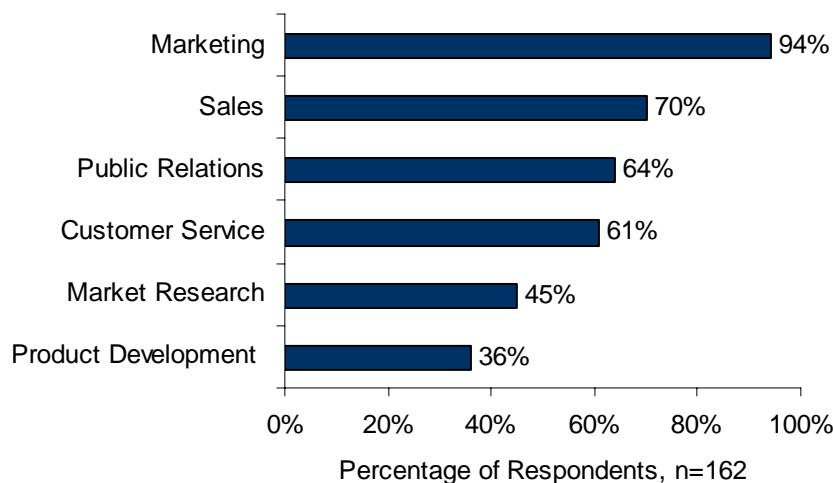
He continued, "Intuit's social media monitoring services inform us of emerging small business trends and help us keep a pulse on what people are saying on the web, alerting us about potential customer service issues. The services enable us to respond quickly to customers needs, reinforcing our brand attributes of being accessible and putting the customer first."

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Chapter Two:
Benchmarking Requirements for Success

Consumer insights derived from social media monitoring and analysis can benefit multiple parts of the organization. Some groups can readily quantify the value while making an equally strong case that to ignore consumer-generated content may be to put the company as a whole at a competitive disadvantage and even erode shareholder value. Yet the question of which group or groups within the organization should take the lead on sponsoring, funding and "owning" the social media monitoring initiative poses a challenge for many companies. The challenge is not unique to social media monitoring, of course, but is one that tends to confront large companies whenever it comes to any new business initiative that cuts across multiple departments and lines of business.

In many organizations, the marketing organization was the earliest adopter of social media monitoring and analysis and continues to be the group that utilizes the consumer insights gleaned from online conversation the most, as illustrated in Figure 3. It seems that marketers realized, if only on a gut instinct level, that social media could provide a new window into consumer behavior and serve as a valuable tool for driving marketing improvement. The sales organization, too, soon realized that social media monitoring tools could be used to identify, and subsequently engage, target prospects.

Fast Facts

√ Only 56% of Best-in-Class companies (and only 30% of Laggards) that are currently engaged in social media monitoring activities are also deploying customer feedback

√ Best-in-Class companies are twice as likely as Laggards to have a process in place for using customer insights gleaned from social media to drive product development

√ 47% of Best-in-Class companies have established a process for disseminating social media monitoring findings internally to key decision-makers

Figure 3: Top Users of Social Media Monitoring Data - Best-in-Class Companies

Category	Percentage
Marketing	94%
Sales	70%
Public Relations	64%
Customer Service	61%
Market Research	45%
Product Development	36%

Percentage of Respondents, n=162

Source: Aberdeen Group, October 2009

PR agencies also arrived early to the social media monitoring party. It's no surprise given that the role of the PR agency is to help clients establish a trusted voice in the marketplace. In part, that means understanding the

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sources from which consumers get their information and how the media environment is changing over time. With expertise in understanding the subtleties of human relationships, including how they form and how they grow, PR agencies already possessed the core skills needed to derive insights from social media data. Whether the conversation is about the client or any number of relevant issues, most PR agencies have become adept at using social media monitoring to understand who the influencers are that are driving the conversation, as well as the tone and language they use.

Case Study — StubHub

StubHub, which was founded in 2000 and acquired by eBay in 2007, is a leading online marketplace for buyers and sellers of tickets for concerts, sports events and live theatre. In early 2009, StubHub implemented a systematic solution to monitor and analyze consumer-generated content.

Among the beneficiaries is the customer care department. From a service recovery perspective, the group not only monitors consumer sentiment on a passive basis but also actively engages with customers who may have had an unfavorable experience with the brand. "We try to turn that experience around in a public manner," says Jackie Tichner, Executive Customer Care Manager. "We've had a lot of success with resolving open issues. Some customers are genuinely pleased and appreciative. They, in turn, tell other people that we're paying attention."

StubHub prides itself on its strong service commitment, and social media monitoring has helped the company to better enforce that commitment. In fact, as a result of online monitoring, the company has implemented several policy changes and has even modified partner agreements. One example relates to negative sentiment that surfaced with respect to a third-party fulfillment issue that prevented tickets from being electronically delivered to customers in a timely manner.

The customer care department works on a day-to-day basis to identify exception experiences and then influence change, primarily from a quality and training perspective. "We want to see if we're driving any repeat behavior or repeat purchases over time," says Tichner. Tracking those changes, however, can be a cumbersome process that involves mapping online conversation to user account information.

For its part, the marketing department uses the solution to gain insights into how to better message to target audiences. Meanwhile, the PR department pays particular attention to capturing consumer sentiment as it relates to national StubHub-sponsored events and campaigns. Both departments have implemented alerts based on multiple keywords.

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Case Study — StubHub
While there isn't yet a coordinated effort between the marketing, PR and customer support departments when it comes to social media monitoring activities, the company aims to move in that direction. Ideally, it would also like to integrate customer survey feedback with consumer-generated content in a centralized data warehouse where the data can then be sliced and diced by the internal BI group to gain additional insights around the voice of the customer. Meanwhile, according to Tichner, there's enormous value in a dashboard that enables HubStub to make sense of all the noise in social media with respect to concerts and sporting events. The solution provides a clear picture of the competitive threats, and where the company is falling down. It also points to opportunities for future business growth.

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Process for using customer insights gleaned from social media to drive product development:		
	62%	28%	31%
	Process for disseminating customer insights gleaned from social media to key decision-makers:		
	47%	32%	33%
	Process for detecting potential threats to the brand ("early warning system"):		
	47%	25%	20%
Organization	Dedicated resources devoted to social media monitoring:		
	63%	33%	33%
	Dedicated resources devoted to online community management		
	61%	33%	26%

"There are a lot of people, especially in the research bowl, who still don't fully understand social media and its implications. They don't pay attention to what customers are saying online. In some cases, the volume of information is just too overwhelming. 'You expect me to read 30,000 posts about Oreos? At the end of day, I'll read 3 good ones, 3 not-so-good ones and 3 that basically just mention the product. So what am I supposed to do with this?' And that's the problem. Companies need help in discerning what it all means, in trying to make sense of it."

~ Frank Cotignola, Customer Marketing Analytics Manager, Kraft Foods

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	Best-in-Class	Average	Laggards
Knowledge	Centralized repository for consumer-generated content and insights:		
	48%	28%	20%
Technology	Social media technologies currently in use:		
	▪ 85% Social software / online community platforms ▪ 68% Social media monitoring tools ▪ 67% Customer data repository ▪ 58% Performance reporting tools / digital dashboards ▪ 48% Customer data analytics software	▪ 55% Social software / online community platforms ▪ 45% Social media monitoring tools ▪ 37% Customer data repository ▪ 34% Performance reporting tools / digital dashboards ▪ 36% Customer data analytics software	▪ 53% Social software / online community platforms ▪ 49% Social media monitoring tools ▪ 21% Customer data repository ▪ 26% Performance reporting tools / digital dashboards ▪ 14% Customer data analytics software
Performance	Defined performance metrics:		
	▪ 39%	▪ 20%	▪ 11%

Source: Aberdeen Group, October 2009

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with industry practitioners, Aberdeen's analysis of the Best-in-Class demonstrates that these organizations are ahead of the curve in the following areas: process, organization, technology, and performance management.

Process

Best-in-Class organizations have well-established processes in place for maximizing the value of their investments in social media monitoring. They are 42% more likely than Laggards to have a process for disseminating insights gleaned from consumer-generated content to key decision-makers, for example, and also twice as likely to have processes for applying the consumer insights in the context of specific needs, including product development and brand reputation management. Resulting actions might mean identifying a new feature or line extension opportunity, in the case of product development, or instructing an employee to remove a trade secret from a public blog or addressing a consumer's scathing comment about a negative brand experience, in the case of brand protection. Best-in-Class companies also understand that social media monitoring should be treated

"We're looking at not just the volume or clickcount or number of conversations taking place, but also what's the tone of the conversation and what are the conversation drivers and are we getting our key messages out or are there issues bubbling up that we weren't aware of and need to address. Right now, we're making a big push for 'bags fly for free on Southwest,' and that's one of the messages were actively monitoring in the social media space. We're trying to help our advertising counterparts by letting them know if people think this is great or if nobody really cares and aren't talking about it."

~ Ashley Pettit, Manager, Public Relations, Southwest Airlines

as a continuous improvement process and are more than twice as likely as Laggards (42% versus 18%) to have a process in place for enhancing their social media monitoring capabilities over time as technologies improve, performance metrics evolve, and the value of social media monitoring is proven out across different parts of the organization.

Organization

In order to ensure that the processes a company implements are successful with respect to social media monitoring, it is necessary to instill adequate organizational support and deploy the right resources. Currently, Best-in-Class companies are 1.9-times more likely than Laggards to have dedicated operations resources devoted to social media monitoring, analysis and reporting. In addition, Best-in-Class companies are 2.3-times more likely than Laggards to have dedicated resources devoted to online community management Beyond putting the right resources in place, success in social media monitoring may also mean launching a steering committee that can help break down the organization silos to create cross-functional, enterprise-wide business processes to not only collect, manage and share information with relevant stakeholders but also to educate employees about the value of consumer-generated content and why it should matter to them in the context of their specific areas of accountability.

Knowledge

While social media monitoring and analysis should be championed, supported, and utilized by multiple departments that pool resources from across the enterprise and the "function" treated as a shared services organization, only 47% of Best-in-Class companies have established a process for disseminating social media monitoring findings internally to key decision-makers and relevant third parties. Roughly the same percent (48%) of these companies have implemented a centralized data repository for housing the insights for easy access across all parts of the organization. A centralized data repository is a key component in that it enables a company to archive, access (often through a web portal or digital dashboard), and share the insights gleaned from consumer-generated content. It also provides the foundation upon which the analytic capabilities are built. In addition, it also allows a company to analyze the content over time, to identify patterns, including changes in consumer sentiment.

Technology

A growing number of companies are deploying branded, software-as-a-service social software / online community platforms as the basis for enabling online community features and functionality as well as for managing customer activity and performance reporting. Companies are also implementing a variety of other technologies to identify key influencers, understand consumer sentiment and glean actionable insights from the online conversations that are taking place about the brand on an ongoing basis. Best-in-Class organizations are also more than twice as likely as

"Intuit's social media monitoring services inform us of emerging small business trends and help us keep a pulse on what people are saying on the web, alerting us about potential customer service issues. The services enable us to respond quickly to customers needs, reinforcing our brand attributes of being accessible and putting the customer first."

~ Scott Wilder, General Manager, User Contribution Systems and Online Communities, Intuit

Laggards to use digital dashboards for delivering insights into online conversation. These dashboards also make it possible to do deeper dives into specific data, and to slice and dice the data in multiple ways to reveal additional patterns and insights. It's worth noting that Best-in-Class companies are beginning to adopt text mining software that uses natural text processing for deriving actionable insights from unstructured data.

Aberdeen Insights — Technology

While social media monitoring and analysis solutions are generally designed to deliver very similar benefits, the underlying technologies can vary dramatically. For example, different solutions take different approaches to the types of social media content they index, the types of live data they serve in the application, their sentiment scoring algorithms, their analytic and their performance reporting integration functions.

Different social media monitoring solutions screen consumer-generated content through different lenses. While some solutions are focused specifically on brand reputation management, others are designed to serve the needs of a public relations or market research. Some solutions rely heavily on natural text processing, semantic indexing and sophisticated algorithms to derive actionable insights from unstructured data (i.e., consumer-generated content). Other solutions place emphasis on the "human analysis" component for interpretation, with knowledge domain experts scouring for insights and their findings delivered via a PowerPoint presentation rather than an automated digital dashboard.

Some solutions are oriented toward online monitoring on a passive basis. They determine the ratio of positive-to-negative sentiment around a particular brand or, in some cases, at a more granular product level. Other solutions allow users to jump right into the conversation and engage directly with consumers, providing the opportunity to correct a misstatement, to resolve a problem or, just as importantly, to influence positive consumer sentiment.

Performance Management

Defined performance metrics make it possible to measure and increase the value of social media monitoring activities over time. Yet, as a relatively new focus area, the ways in which companies typically measure the success of their social media monitoring and analysis activities tend to be somewhat experimental, involving such metrics as reduction in inbound customer support calls and increases in positive consumer sentiment around a specific product or brand. In many cases, defined metrics for key benefit dimensions are nonexistent. Such performance metrics might relate, for example, to the quantity and quality of customer insights. Of the relative small percentage of companies that currently have defined performance metrics in place, as indicated in Table 3, 52% of Best-in-Class companies, compared to 36% of Laggards, track metrics around the quantity of customer insights while 48%

of Best-in-Class companies, compared to 32% of Laggards, track metrics around the quality of customer insights.

Aberdeen Insights — Customer Feedback Management

When it comes to listening to the voice of the customer, social media monitoring and customer feedback management go hand-in-hand. Yet only 56% of Best-in-Class companies (and only 30% of Laggards) that are currently engaged in social media monitoring activities are also deploying customer feedback management solutions.

Best-in-Class companies collect customer feedback using multiple types of mechanisms, including periodic relationship surveys, transactional / event-driven surveys at key touch points, and website effectiveness surveys. This often means including a feedback icon on each webpage that launches a context-sensitive survey window.

As with social media monitoring, the insights gleaned from customer feedback can benefit multiple parts of the organization, and each group has a different use for the information. The customer service department may use the insights to measure and improve performance in terms of problem resolution and call center deflection. The marketing organization may use the insights to understand what specific messages and offers are likely to resonate in the marketplace and elicit a favorable response by narrowly-defined customer segments or for improving website performance or any other aspect of the customer experience. The operations team may use the insights to streamline business processes and improve service quality. The product management team may use the insights as the basis for developing, testing and refining new products and services. The market research department may use the insights to identify consumer trends and competitive activity.

Ultimately, the worlds of social media monitoring and customer feedback management are bound to collide and converge from a solutions perspective. In some cases, this is already beginning to happen.

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Chapter Three:
Required Actions

People tend to think of online conversation as a living, breathing, always-being-written memo and social media monitoring and analysis solutions as a big cheat sheet. If only it were that simple. Whether a company is trying to move its performance in social media monitoring from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Define performance metrics.** This first recommended action applies not only to Laggards but also to Industry Average and Best-in-Class companies, since all perform poorly in this area, as indicated in Table 3. Part of the challenge, of course, relates to the fact that social media monitoring is a relatively new focus area for most companies and year-over-year metrics for tracking and measuring improvement in social media monitoring are still evolving. Part of the challenge, too, is that the metrics vary dramatically from one department to another, depending on business objectives. That said, this report outlines a number of different performance metrics that companies might adopt, from the number of potential brand devaluation issues, resulting in cost avoidance, to the number of inbound customer support calls, resulting in cost reduction.

- **Train employees to engage in online conversations with consumers.** According to Aberdeen research, 55% of Laggards, compared to 85% of Best-in-Class companies, actively engage in online conversation in peer-to-peer networks and / or branded communities. The various partners and departments authorized to participate on behalf of the brand can include the product marketing group, corporate communications, consumer affairs, the PR agency, the customer service department, the digital media agency and the market research department. The individuals in these groups need to possess the requisite level of experience and skills around diplomacy and problem resolution, in general, and online community interaction, in particular. They also need to engage in a way that provides full transparency, lest they end up making a bad situation worse.

Fast Facts

√ Only 20% of Laggards, compared to 52% of Best-in-Class companies, are satisfied with the timeliness of their marketing decisions

√ 88% of Best-in-Class companies, compared to 59% of Laggards, currently identify key influencers in social media

√ 36% of Industry Average companies conduct geo-demographic segmentation of consumers engaged in online conversations about their brands while 30% of Industry Average companies, conduct behavioral / psychographic segmentation

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Aberdeen Insights — Intuit's Rules of Engagement

Intuit encourages all employees to participate in online conversations and offers a number of general guidelines, including the following:

- Stay coordinated. We are stronger when we pull our efforts together, versus having each group do their own, which can be difficult to maintain and create a "piecemeal" public appearance.

- Engage with the Social Marketing, PR and Community teams for support of specific launches / programs.

- Identify yourself. If you are engaging online as a representative of Intuit, always let it be known you are an employee.

- Be courteous – remember that you represent the company!

- Feel free to be scrappy about engaging in relevant dialogue on blogs and discussion boards, but be careful not to spam.

- When engaging with customers, if you don't know the answer to a question, it's OK to say "I don't know," but find the answer and be sure to follow up!

- Don't proactively engage with influencers. The PR team has a strategy in place for outreach. If you are contacted by an influencer, let the PR team know.

- **Host one or more branded customer communities.** A growing number of consumer brands are transforming their existing static websites into interactive online communities. In fact, 53% of Laggards, compared to 85% of Best-in-Class companies, currently use an online community platform. The advantages are tremendous in terms of social media monitoring, given the ability to capture personally-identifiable information about participants during the registration process and then solicit feedback from them on an ongoing basis so as to further enhance their customer profiles as well as, potentially, to track their purchase behavior. At the same time, online communities are generally only successful when companies build them for their customers rather than to merely achieve a specific set of business objectives. Beyond a compelling design and easy-to-use platform, companies need to find the right customer value proposition. They need to ask: "If I were a target member, would I join and would I participate?"

Industry Average Steps to Success

- **Identify and measure the value of key influencers.** Companies use multiple approaches to identify the individuals who wield the greatest amount of influence in any given topic area and to track changes in their influence over time. In the past, the key

"We monitor in excess of 1,500 discussion threads a day on very specific topics where we think we can add value to the conversation. It's not possible to participate in all of the threads, but there are ways to identify which conversations are the most influential, which ones have the greatest reach, and those are the ones in which we're most likely to participate. We've also created a consumer advocate community as well as a platform that we'll be launching in a few weeks to support their activities."

~ Marty Collins, Senior Product Marketing Manager, Windows Live, Microsoft

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metrics revolved around the notion of "authority," which generally equated to the number of inbound links on the web and / or how many "friends" or "followers" a user has. A good measure of influence may simply be whether people are willing to talk broadly about a brand experience and inspire others to take action and engage their own networks. According to Aberdeen research, only 18% of Industry Average companies, compared to 33% of Best-in-Class companies, "extensively" identify key influencers, defined as those individuals whose voices are "loudest" and who can play an instrumental role in driving brand advocacy. Of course the factor that would seem to matter most is purchase intent correlation. One advantage of monitoring customer conversations in private online communities, as opposed to external networks, is that, by integrating transaction data, companies can draw this correlation.

- **Identify and segment consumers engaged in online conversations about the brand.** The challenge can be daunting, especially when it comes to monitoring external peer-to-peer networks, yet generating actionable insights from social media monitoring often requires that companies try to gain a clear sense of who is talking about their brand by age, gender and geography, if appropriate, and even based on various psychographic and behavioral attributes, in order to learn from and engage with them in a more relevant and context-sensitive manner. Social media monitoring and analysis capabilities that utilize natural text processing and / or tags to gain relevant insights can play an instrumental role in terms of customer segmentation. Currently, only 36% of Industry Average companies conduct geo-demographic segmentation (by age, gender, geography, etc.) of consumers engaged in online conversations about their brands while only 30% of Industry Average companies conduct behavioral / psychographic (by browsing behavior, purchase behavior, etc.) segmentation.

Best-in-Class Steps to Success

- **Conduct sentiment analysis at a granular level.** Tracking the ratio to positive-to-negative consumer sentiment around a brand on an ongoing basis can provide valuable insights when it comes to brand reputation management. Extreme spikes or other deviations from normal sentiment patterns, on both the positive or negative ends of the spectrum, that don't correlate to new product releases, marketing campaigns or other events may signal a brand devaluation issue. Even more valuable is the ability to understand consumer sentiment at a product or service level. Some social media monitoring solutions come with sophisticated sentiment analysis tools while 48% of Best-in-Class companies use customer data analytics software to further enhance their capabilities in this area.

- **Implement time-sensitive performance metrics.** Some online conversation needs to be identified and addressed as quickly as

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possible. Yet few companies have metrics in place to track and measure success around time-sensitivity. Currently, only 52% of Best-in-Class companies are satisfied with the timeliness of their marketing decisions. Time sensitivity is especially important in the context of brand protection. The sooner a company is able to gauge a threat to its brand integrity and future profitability, the sooner it will be able to take action to resolve the issue at hand, including working to diffuse negative publicity or consumer sentiment that may otherwise spiral out of control. One metric, therefore, might revolve around reduced latency in terms of communicating time-to-brand threat information, defined as the time lapse that exists between identifying a potential threat and informing the right decision-maker within the organization. Currently, only 65% of Best-in-Class companies are satisfied with their ability to identify and reduce risk to their brand. Again, as an early warning system, social media monitoring can play an instrumental role in helping a company further reduce that risk and protect its good name.

"Our discussion boards are closely monitored… Not only does that allow us to bring issues to the attention of engineering the same day they get communicated, but we can also sometimes resolve the issues and roll the changes back out to the participants for testing the same day, as well."

~ Kim Josephs, Director, Online Communities, Sage Software

Aberdeen Insights — Summary

If consumers are talking, companies need to listen.

Listening to the voice of the customer means not only actively soliciting customer feedback on an ongoing basis but also tuning into the cacophony of conversations taking place every second of every day across the entire universe of social media. The benefits of doing so are manifold, and they transcend all parts of the organization.

To that point, companies that monitor social media only to gauge consumer reception to a new product launch or sentiment around a new marketing campaign are failing to take full advantage. By the same token, companies that disseminate the insights gleaned from consumer-generated content only to the marketing department, the public relations department or, for that matter, the market research department, may one day look back on a litany of missed opportunities.

The good news is that a growing number of companies are coming to view consumer-generated content from a broader perspective. They are systematically analyzing the endless flow of unstructured data to generate actionable insights. They are working to ensure that the insights reach the right decision-makers, wherever they may reside, in a timely and contextualized manner. And, importantly, they are tracking and measuring the results to drive continuous performance improvement.

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Appendix A:
Research Methodology

Between June and August 2009, Aberdeen examined the use, the experiences, and the intentions of more than 250 diverse enterprises with respect to their social media monitoring activities. Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on social media monitoring strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: Director (21%), CEO/President/Chairman (19%), Manager (17%), EVP/SVP, Vice President (9%), and other (34%).

- *Department / function:* The research sample included respondents from the following departments or functions: Marketing (47%), Business Development (20%), Operations (6%), Customer Service (5%), and other (22%).

- *Industry:* The research sample included respondents from the following industries: Software/Hardware Supplier (17%), Publishing/Media/Public Relations (18%), IT Consulting/Services (10%), and other (55%), including Financial Services, Education, Government, and Consumer Goods.

- *Geography:* The majority of respondents (73%) were from North America. Remaining respondents were from Europe (18%), the Asia-Pacific region (8%) and other parts of the world (1%).

- *Company size:* Sixteen percent (16%) of respondents were from large enterprises (annual revenues above US $1 billion); 15% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 69% of respondents were from small businesses (annual revenues of $50 million or less).

- *Headcount:* Twenty-three percent (23%) of respondents were from large enterprises (headcount greater than 1,000 employees); 21% were from midsize enterprises (headcount between 100 and 999 employees); and 56% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Respondents completed an online survey that included questions designed to determine the following:

√ The social media monitoring activities organizations currently undertake

√ The maturity of social media monitoring initiatives

√ The success of social media initiatives in terms of the achieving the desired business results

√ The groups within the organization that utilize the insights gleaned from consumer-generated content

√ The metrics currently used to track and measure social media monitoring outcomes

√ The organizational capabilities in place to support social media monitoring

The study aimed to identify emerging best practices for social media monitoring, and to provide a framework by which readers could assess their own social media capabilities.

Table 4: The PACE Framework Key

Overview
Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows: **Pressures —** external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive) **Actions —** the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy) **Capabilities —** the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing) **Enablers —** the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, October 2009

Table 5: The Competitive Framework Key

Overview	
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance: **Best-in-Class (20%) —** Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance. **Industry Average (50%) —** Practices that represent the average or norm, and result in average industry performance. **Laggards (30%) —** Practices that are significantly behind the average of the industry, and result in below average performance.	In the following categories: **Process —** What is the scope of process standardization? What is the efficiency and effectiveness of this process? **Organization —** How is your company currently organized to manage and optimize this particular process? **Knowledge —** What visibility do you have into key data and intelligence required to manage this process? **Technology —** What level of automation have you used to support this process? How is this automation integrated and aligned? **Performance —** What do you measure? How frequently? What's your actual performance?

Source: Aberdeen Group, October 2009

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.

Source: Aberdeen Group, October 2009

Appendix B:
Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- *The Future of Online Communities: Leveraging Social Interaction to Drive Business Value;* June 2009

- *Brand Reputation Management: Using Online Monitoring to Protect the Company's Crown Jewels;* April 2009

- *The ROI on Customer Feedback: Why it Pays to Listen to the Voice of the Customer*; March 2009

- *The ROI on Social Media Marketing: Why It Pays to Drive Word of Mouth;* February 2009

- *Harnessing the Power of Word of Mouth by Recruiting an Army of Brand Evangelists*; November 2008

- *Companies Search for, and Find, Metrics to Measure Social Media ROI*; September 2008

- *Social Media Marketing: The Latest Buzz on Word of Mouth*; July 2008

- *The Rise of Social Media Integration: Monster and Wal-Mart Lead the Way*; February 2008

- *Social Media Monitoring and Analysis: Generating Consumer Insights from Online Conversation*; January 2008

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

Author: Jeff Zabin, Research Fellow, Customer Management Technology, (jeff.zabin@aberdeen.com)