

FUTURE OF CUSTOMER SERVICE:

THE RISE OF THE SOCIAL CUSTOMER

A report from ItsOpen and first direct

Report by
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Executive Summary by
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Executive Summary

Natalie Cowen, *Head of Brand and Communications*, first direct

“Companies also need to understand the operational and staffing requirements of social CRM technology before retooling their existing customer service infrastructure”

This report examines the role played by social media within the rapidly-changing landscape of customer service. The report was commissioned by first direct and is based on the insights of executives, technologists and theoretical experts.

Last year (2011) proved to be the tipping point where social media entered the mainstream. Over 44% of adults now use the web to share grievances about products, with customers expecting to interact with companies online and get a speedy response. The social customer has given rise to the social company - one that listens to its customers in real-time and asks them to collaborate in future developments. In turn this has led to the emergence of hosted community platforms, through which companies are able to harness the support of their most loyal and passionate customers.

The report includes numerous case study examples of the ways in which companies are using social media and the benefits they are enjoying as a result. It also describes the cultural, functional and technical changes that are required to build the social enterprise. These start with support at the highest level: executive leaders should stop treating social media as a passing fad and recognise the enhanced customer service and satisfaction it delivers and potential cost savings it can bring, as customers themselves take on activities previously carried out by the customer service and marketing functions.


Executives are further urged to:

- make themselves more visible, especially when public crises occur.
- provide all employees with the training, tools and authority to engage with customers.
- look beyond standard metrics to the value of brand loyalty, advocacy and a sense of community.

The report emphasises the importance of CRM software as a means to harness the collective knowledge within the company. This offers a means to tap into a powerful analytics and monitoring platform without the need for a significant capital investment. The report goes on to describe how companies are building online support communities with the participation of their most loyal customers. It further recommends that:

- the customer service operation is equipped to monitor and engage with a targeted spectrum of media.
- companies fully understand where, why and how their customers are using social media before making any changes.
- a balance is struck across different types of media - telephone, email, web, social and mobile.
- the power of online communities is recognised, and customers are encouraged to help each other.
- relationships are nurtured with advocates who wield particular influence on the Internet.
- specialist tools are used to measure the impact of customers' online activity.

In conclusion, the report warns against any hasty investment in specialist tools before the social dynamics of the company's customer interactions are fully understood. Companies also need to understand the operational and staffing requirements of social CRM technology before retooling their existing customer service infrastructure. However these caveats should not be allowed to disguise the real benefits of moving towards the social enterprise, in terms of reducing costs, strengthening customer loyalty and raising positive brand awareness.



*“2011 is the year
that 20th century
customer service begins
to disappear”*

Paul Greenberg

I. Introduction

Report by Dr Andrew Currah

In this report, we argue that customer service has a bright social future. Once confined to its own silo inside companies, customer service is becoming a keystone of communications and strategy. To succeed, companies increasingly need to attract, engage and delight a new generation of 'social customers', who have grown accustomed to the simplicity and speed of conversing and sharing on the modern web.

2011 arguably marked a tipping point, as the combined weight of customer expectations and technological innovation pushes industries and institutions into a new era of social power. *'The Arab spring will soon be followed by a corporate spring'*, argued Marc Benioff at last year's Dreamforce event:

'We've seen Mubarak fall, we've seen Qaddafi fall. When will we see the first corporate CEO fall for the same reason because his or her customers are rising up, or not listening to their employees, or not paying attention? It is more important to listen than ever before. This is the social revolution.'

The rise of the social customer demands that companies evolve into a fully fledged 'social enterprise' that prizes openness and thrives on collaboration. As we explain, the lifeblood of the social enterprise is a set of reliable and realtime flows of information, which span every level of the company and involve every employee.

Philosophically, this means placing the customer at the very heart of the company's vision, so that the entire workforce is equipped with the tools to ensure customer satisfaction, both directly and indirectly. Operationally, this means investing in the systems, training and guidelines that will

facilitate realtime communications between employees and with customers.

The social enterprise will need to listen and engage across a range of media - telephone, email, mobile, web. The catalyst for the social enterprise is argued to be the next-generation of customer relationship management (CRM) technology, which is largely platform-agnostic:

'CRM is a philosophy and a business strategy, supported by a technology platform, business rules, workflow, processes and social characteristics, designed to engage the customer in a collaborative conversation in order to provide mutually beneficial value in a trusted and transparent business environment. It is the company's response to the customer's ownership of the conversation' (Paul Greenberg).

This report examines the rapidly changing landscape of customer service. Based on a combination of primary and secondary research, we consider the implications of the social customer (in Part 2) and then outline the key features of the social enterprise with respect to customer service (in Part 3).

In the course of the research, we sought the insights of 11 professionals, who are grouped into three categories: experts (consultants and thought leaders with knowledge of the wider market); practitioners (executives with direct oversight of customer service); and technologists (entrepreneurs and executives involved in the development of social CRM solutions). At the request of participants, we have used anonymized quotes (indicating only the respective category to which they belong).

2. The Rise of the Social Customer

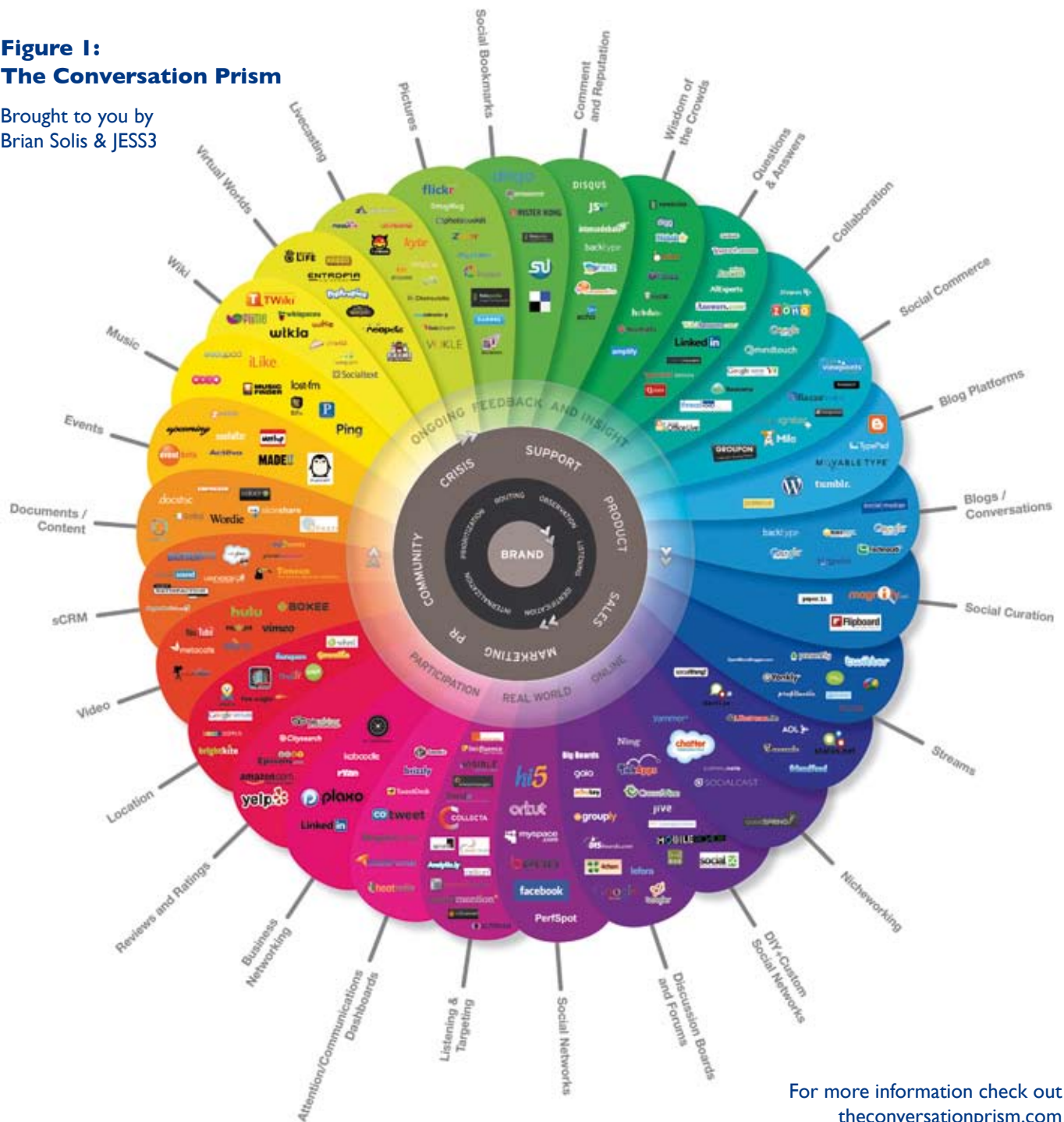
‘The institutions of modern developed societies, whether governments or corporations, are not prepared for this new social power. People are changing faster than companies’ (David Kirkpatrick)

Social media underpins what Brian Solis (a principal at the Altimeter Group) terms

a ‘conversation prism’; a constantly evolving array of channels and applications through which individuals can share information on a one-to-one and one-to-many basis (see Figure 1). At no other point in human history have we ever had access to so much information or freedom of expression.

**Figure 1:
The Conversation Prism**

Brought to you by
Brian Solis & JESS3



For more information check out theconversationprism.com

The result is a new era of collective social power, which is transforming the relationship between individuals and institutions. In particular, as Paul Greenberg argues, companies face a radically different ecosystem in which the customer has much greater influence over the flow of information. The rise of the social customer demands that companies become more open, authentic and responsive in their communications.

Growing numbers of customers are turning to social media to research, rant and rave about their experiences. By aggregating and amplifying customer experiences, social media has the potential to make and break company reputations.

According to a recent survey by IAB and Lightspeed, over 44% of adults now use the web to share grievances about products and services. The result can be disastrous, as brands worldwide have already discovered. *'Social media has the power to bring a company to its knees', cautioned an expert: 'news of problems, failures and mistakes are now reported at breathtaking speed. The company has lost control'.*

Ensuring quality of service is therefore paramount to every company. *'Social media has propelled customer service to the front of strategic thinking', noted another expert: 'to stay ahead of the competition, it is essential that companies understand the expectations of the [social] customer'.* Our research suggests that the following expectations are hallmarks of the social customer:

a. A desire to be heard and respected

The social customer increasingly expects an immediate reply when they interact with a company via social media. For example, a survey by Useful Social Media suggests that 55% of customers expect a response the same day (yet only 29% receive one); similar research by Cap Gemini suggests that 20% of Facebook users expect a reply within 60 minutes when they post on a company's page.

b. The ability to obtain support via any channel

The social customer expects a company to offer a variety of service options, including self-service websites and knowledge bases, email, live web chat, telephone contact numbers, in addition to mobile and social media applications. In each channel, the social customer increasingly expects communications that are clear, authentic and reliable. As a practitioner emphasized:

'Providing a seamless experience across channels is especially critical... Agents need access to as full account of the customer as possible and/or the ability to connect in realtime with the necessary expertise inside the company. Now, more than ever, shuttling customers between agents and/or sending mixed messages is a recipe for failure'.

c. A customer-centric approach to interface design

The social customer has grown accustomed to intuitive applications that simplify access to information; now they demand the same from companies. As a technologist explained:

'The latest social media applications have raised the quality threshold in terms of user interfaces - customers expect companies to meet or exceed that threshold in every aspect of their customer service'.

The adoption of devices such as smartphones and tablets is also driving demand for intuitive applications, which are tailored to customer requirements. In 2010, global shipments of smartphones and tablets surpassed personal computers for the first time. According to Wireless Intelligence, worldwide mobile phone usage was expected to have reached 6 billion users by the end of 2011. In short, we are entering a 'post-PC' era in which mobile apps and mobile-optimized websites become increasingly pivotal channels of communication between companies and their customers.

d. Opportunities to collaborate with the company

The social customer has the capacity to connect, create and share in ways that can benefit the profile and profitability of companies.

By listening and engaging with social customers, companies have the opportunity to incorporate new ideas into their operating practices - in areas ranging from product development to sales and even customer service.

'Transparency at every level is the surest route to winning the trust of the customer' (practitioner):

'Information is power used to mean that hoarding information gave you power. Now we're seeing that sharing information is power. The more you can share, the more you can help other people - and the more it becomes apparent you're an expert and a valuable contributor' (David Sacks, CEO, Yammer, quoted by David Kirkpatrick).

In summary, the social customer is *'naturally attracted to companies that are willing to participate in a two-way dialogue'*, observed an expert: *'indeed, companies are realizing that they can only really scale their customer service operations online if they enroll the support of [customers] themselves'*.

The result, as we describe below, is the emergence of hosted community platforms, through which companies are able to harness the support of their most loyal and passionate customers.

However, many companies are struggling with 'the realization that they must cede some control over communications in general and customer service specifically' (practitioner). The corporate world is naturally resistant to the principles of openness and engagement that the social customer now expects. As management expert Gary Hamel recently explained: *'The underlying principles on the web of natural hierarchy, transparency, collaboration and all the rest - those characteristics are going to have to invade management. The idea of a hierarchy that fundamentally empowers the few and disempowers the many is now more or less dead'* (quoted by David Kirkpatrick).

As we argue below, the rise of the social customer heralds a transformation in the design, function and philosophy of customer service. To meet the expectations of the social customer, companies increasingly need to think, operate and communicate as a 'social enterprise'.



The rise of the social customer heralds a transformation in the design, function and philosophy of customer service



3. Building the Social Enterprise

‘We have entered an era where customers, vendors and partners are no longer anonymous segments that you “source”, “manage” and “market to”. They are people. People you connect with. Talk to. Advocate for. Listen to. And if you’re lucky, they sell for you, solve problems for you, defend you, listen to you and build your business for you, one conversation at a time, while you sleep’
 (Marc Benioff, CEO, Salesforce)

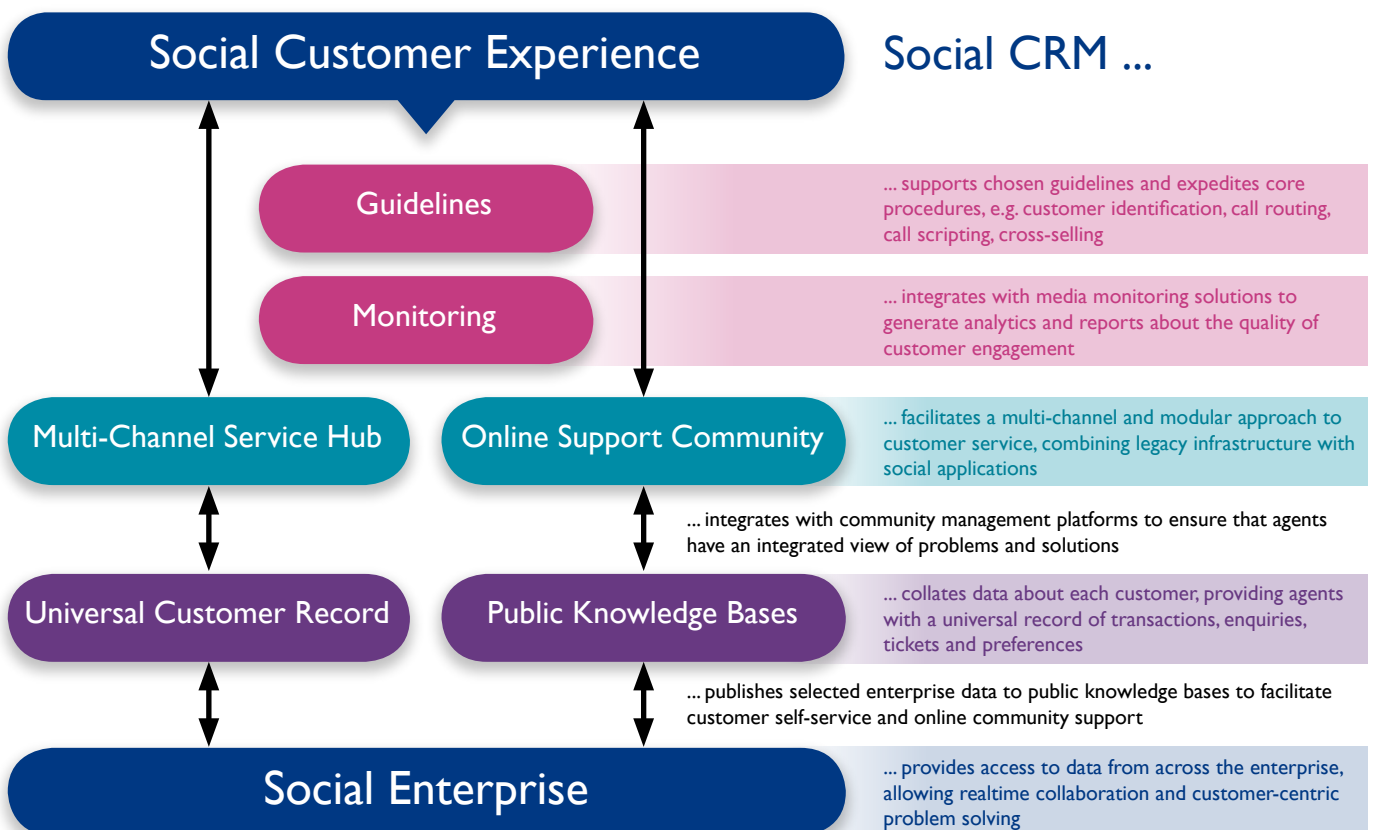
Traditionally, companies have preferred to treat customer service as a distinct silo, where problems can be funneled, contained and addressed - largely on a reactive basis by a separate group of staff and as cost-efficiently as possible. The digital landscape demands a radically new approach to customer service, which is causing companies to dismantle inner boundaries and adopt a more unified view of the social customer: *‘Once viewed as a cost centre, where transactions should be minimized, our view of customer service is evolving to take*

account of the ideas, brand loyalty and value we can build through proactive engagement with customers’ (practitioner).

And so, in markets worldwide, companies are beginning to place the customer at the very heart of their operations, distributing responsibility for customer service and customer engagement more broadly throughout the enterprise. *‘Customer service has to become a strategy and a philosophy; to be of real service, we have to be more open and responsive at every level of the company’* (practitioner). In short, the rise of the social customer has triggered the rise of the social enterprise.

As we explain in this chapter, building the social enterprise will rely on a combination of cultural, functional and technical changes. The chapter is structured around a visual framework (Figure 2), which identifies the key components of the social enterprise with respect to customer service.

Figure 2: Customer Service in the Social Enterprise



The social enterprise is only possible with the highest levels of executive support

As our framework shows, social CRM technology is integral to every level of customer service in the social enterprise. The key contribution of social CRM is its ability to enable the realtime flow of information between the customer service operation and the rest of the social enterprise. In this way, social CRM equips employees in the frontline of service with the necessary data to build and sustain customer relationships. As we explain below, social CRM must be coupled with media monitoring and community management platforms to reach its full potential.

3.1 The key to success is an executive culture that recognizes the value of customer engagement through a genuinely social enterprise

The social enterprise is only possible with the highest levels of executive support. To take root, the social enterprise will depend on an executive leadership that recognizes the long-term value of its core elements - namely, the social workforce (which works openly and collaboratively, across geographies and organizational boundaries) and the social customer (which increasingly expects reliable and consistent communications from institutions and companies). Our research suggests that companies must overcome the following hurdles if they are to start building a social enterprise that is properly equipped for the future of customer service.

3.1.1 Executive leaders need to take digital engagement far more seriously

In boardrooms across the world, as Amy Martin recently argued in the Harvard Business Review, *'a remarkably naive cynicism about social media persists'*; typically, it is minimized, or worse dismissed, as being a fad, a distraction, or tangential to core business objectives - even though there is growing evidence to show the positive contribution to productivity and profitability. As Martin goes on to explain, *'cost savings are actually the low-hanging fruit for monetizing social media'*.

The financial benefits of social media are increasingly evident in customer service. In particular, self-service websites and social media can help to deflect enquiries away from real agents, which are by far the most expensive component of a customer service operation. Realtime monitoring of social media can also be used to update service channels, resulting in improved call deflection, faster resolution and substantial cost savings.

In 2010, for example, a stream of Tweets alerted Comcast (a cable company) about a broadcast outage in Philadelphia (during a major ice hockey game). Comcast was subsequently able to add an automated IVR message to its customer service telephone line within 7 minutes. According to Paul Greenberg, Comcast saved \$1.2 million as a result of the associated call deflection. Similarly, Activision (a video game company) has recently seen telephone calls to its centres reduce by 25% due to the combined deflection effect of IVR and social media self-service.

In addition to recognizing the potential cost savings, executives also need to be available and willing to communicate with customers via social media: *'Perhaps the most powerful change of digital is that customers now expect top executives to play a more visible part in customer service... companies can turn a PR disaster on its head if they are smart enough to make their executives available to interact with customers via digital media, even if that means answering difficult questions'* (expert).

The crisis faced by Toyota in 2010 is illustrative. Following the historic recall of 2.3 million vehicles due to safety concerns, Toyota allowed the public to submit questions to Jim Lentz, its President of North American Sales, in the form of a Digg Dialogg. Users submitted and voted for over 3,200 questions, the most popular of which were then directed to Lentz in a 28-minute video interview. The YouTube video eventually received over 1.2 million views, and according to YouGov's Brand Index, helped to stabilize the amount of negative coverage about Toyota online following the crisis.

3.1.2 Executive leaders also need to recognize that digital engagement must permeate every level of the company

It is not enough to limit social media to a select group of staff; authenticity and transparency can only be achieved if employees from every unit are given the training, tools and authority to engage with customers. According to Jeremiah Owyang, of the Altimeter Group, 70% of companies still choose to give their marketing teams responsibility for handling all social media, including customer service enquiries. Brian Solis of the Altimeter Group makes the point very clearly: *‘Consumers want to be heard. Social media will have to break free from the grips of marketing in order to truly socialize the enterprise to listen, engage, learn, and adapt. You can’t create a social business if the business is not designed to be customer-centric from the outside-in and the inside-out’.*

‘By creating silos in social media, companies are in danger of creating inconsistent messages that confuse and anger customers - exactly what social media is supposed to avoid’, warned an expert. *‘Although guidelines are obviously needed to manage what employees talk about and where, its essential that we make our [digital] conversations with the customer as relevant as possible... Recycling the voice of traditional marketing is a recipe for failure’*, added a practitioner.

At the very least, companies need to establish a customer service-specific presence in digital media. For example, fashion retailer ASOS has a variety of Twitter accounts, each serving a targeted purpose: the @ASOS_Hereto help account is only for customer service. In the UK, BT has integrated its @BTCare Twitter account with the RightNow CRM platform: when a Tweet demands further investigation, @BTCare directs the customer to a form on bt.custhelp.com (which also collects the respective Twitter username so that the incident can be tracked from origination to resolution). Tesco has chosen to integrate a ‘customer service’ and ‘discussions’ tab into its Facebook page, both of which are supported by a dedicated team of staff.

3.1.3 Executive leaders should recognize that the social enterprise will yield value in ways that are not necessarily captured by existing metrics

Although there is growing evidence to show that the social enterprise can contribute to the bottom line through cost savings and improved productivity, it is arguably the intangible aspects that make it so important to the future of customer service. In the words of Frank Eliason, former Director of Digital Care at Comcast: *‘This is new media and yet we’re already focusing on old metrics... Companies must simply care. New metrics must surface that place the customer back in customer service’.* As one expert explained: *‘Thinking about digital customer service just in terms of standard metrics can sideline some of the more interesting benefits to the company... Any return on investment in the [social enterprise] has to take into account intangibles like customers who are energized by a positive experience with the company’.*

As discussed earlier, the amplification afforded by social media means that the successful resolution of service problems can convert critics into advocates. A commitment to excellent customer service, both philosophically and operationally, can become integral to the identity and success of a brand, as companies such as Zappos illustrate so powerfully. A practitioner explained: *‘Using the best of social media to speak directly, openly and regularly to your customers is a clear way to build loyalty, advocacy and a sense of community.. It also keeps the company open to fresh ideas which may eventually find a way into product development or marketing’.*

3.2 - The collective knowledge of the social enterprise must be readily available to the frontline of customer service

CRM software is the hallmark of the social enterprise. Designed to record the collective knowledge of the enterprise, as well as ongoing interactions with customers,

“By creating silos in social media, companies are in danger of creating inconsistent messages that confuse and anger customers - exactly what social media is supposed to avoid”

the latest social CRM software is widely argued to have transformative implications for the future of customer service.

3.2.1 Social CRM applications provide customer service agents with an integrated and realtime view of enterprise data

Led by vendors such as Salesforce, RightNow, Yammer, Jive and Zen Desk, social CRM applications now provide customer service agents with an integrated dashboard through which they can visualize, navigate and access relevant information from across the enterprise. In fact, customer service is only one element of a rapidly growing marketplace for social enterprise applications; for example, the Salesforce App Exchange currently hosts over 220,000 apps for enterprise activities ranging from finance and legal to operations. An expert observed: *'It is becoming increasingly difficult to think about customer service in isolation from social CRM [applications]...The breadth and detail provided by these dashboard environments is astonishing compared to the legacy systems that prevail in most companies.'*

Most significantly, social CRM applications mean that a company can tap into a powerful analytics and monitoring platform without the need for a significant capital investment. Hosted in the cloud, social CRM is a more scalable and cost-effective approach to the rapidly evolving technology of customer service.

By incorporating a range of analytics and insights into a single interface, social CRM applications enable *'agents to source the most relevant information and consequently resolve customer queries in less time'* (technologist). The software also expedites core procedures, such as customer identification, call routing, call scripting and cross-selling. Illustrating the potential benefits, a practitioner explained that Yammer provides an *'incredibly open window on the business... and allows agents to solicit ideas and solutions from staff, often within minutes. In short, it helps us help each other to help the customer.'*

3.2.2 A key benefit of social CRM is that it enables a universal customer record, which can expedite enquiries and improve satisfaction

Realtime connectivity with enterprise data is proving especially valuable due to a perceived increase in the complexity of customer service queries, namely via telephone. As one practitioner explained: *'Consumers are doing considerable homework online before making first contact, so they tend to have more complicated and extensive questions by the time they reach an agent. As a result we have seen longer call times. This spurred us to adopt a [social CRM] solution to streamline agents' access to the most useful information.'*

A recent study by Nicola Millard at BT Global Services supports this trend: *'the way we seek advice is changing - 56% of online consumers agree that their calls are more complex as simple transactions are often automated, and 64% say they would rather use the phone than a website FAQ to sort out problems.'* As a result, consumer expectations are changing: *'The social customer expects a consistent service experience, regardless of the contact method... whether the communication is via telephone, web, social or mobile, the agent needs to know as much as possible about that customer and their history of contact with the company'* (practitioner).

To that end, a key area of innovation in the social CRM arena is the development of the so-called 'universal customer record'. That is, the leading application vendors are seeking to integrate customer data from every channel, so that companies can provide a more personalized and contextualized service: *'Increasingly customer satisfaction will depend on companies taking a 360-degree view of their customers and giving agents the power to log and resolve problem across any channel. It is all too easy to have online agents simply push customers back to the main customer service help desk. Doing [social service] properly means giving agents the power to resolve issues or at least quickly connect the customer with those who can'* (technologist).

Social CRM applications mean that a company can tap into a powerful analytics and monitoring platform without the need for a significant capital investment

A photograph of two business women in a meeting. The woman on the right is blonde, wearing a dark blue pinstriped blazer over a white collared shirt, and is looking down at a document. The woman on the left has her hair in a bun and is also looking at the document. They are both holding pens, suggesting they are reviewing or discussing the document. The background is blurred, showing what appears to be a modern office or conference room setting.

*Executives confirm
that the rise of social
CRM is exposing the
underlying strategic and
organizational value of
customer service*

To provide a consistent customer experience, social CRM applications integrate current and completed incident tickets for any given individual. Another added: *'Practically this means matching agents and other staff with customers based on their previous history, cross-referencing social media incidents with other known customer data, and tracking the genesis of queries - for example, from Twitter to the call centre'* (technologist).

It also means applying clear guidelines to ensure that private details are only communicated offline in a secure channel - especially in sectors such as healthcare and financial services, where particular safeguards are necessary to ensure legal compliance.

3.2.3 Social CRM places customer service at the heart of the enterprise

The net result of these trends is that social CRM applications are transforming customer service into a multi-channel hub at the heart of the company. This means that customer service must be designed, on the one hand, to harvest relevant information from across the enterprise, and on the other hand, to put this information to good use in dialogue with customers, whatever the channel.

In our research, executives confirm that the rise of social CRM is exposing the underlying strategic and organizational value of customer service. Once viewed as a distinct silo, customer service is increasingly regarded as a potentially creative and innovative layer that can connect the entire enterprise. Although customer service needs a degree of operational centralization, social CRM enables a wider group of staff to participate in the resolution of problems, both indirectly (via internal collaboration with service agents) and directly (via dialogue with the customer).

'With realtime feedback from the customer, we can spot good ideas and inform a range of internal efforts, be that research, product development, marketing, or even after sales support' (practitioner). Social CRM applications are therefore helping to create new flows of information between customer

service and other parts of the enterprise. *'Realtime management of customer queries via the [social CRM application] has allowed us to harvest customer feedback and address gaps in our own internal knowledge bases'* (practitioner). For Brian Solis, this openness to the customer will increasingly set companies apart from the competition: *'it is their ability to truly listen, and their openness to allow conversations to reverberate throughout the entire organization, that serves as the next-generation model for customer-centricity'*.

3.3 The customer service operation must be equipped to monitor and engage with a targeted spectrum of media

The greatest challenge facing customer service is the impermanence of social media. Although there is some degree of consolidation, particularly around platforms such as Facebook and Twitter, the relentless pace of innovation means that there is an ever-widening array of channels through which companies can communicate with their customers. The recent launch of Google+ has added yet another channel to the mix.

As Brian Solis has observed, companies face a 'conversation prism' comprising hundreds of channels and thousands of potential applications and websites. It is therefore vital that companies fully understand where, why and how their customers are using social media before they upgrade their customer service operation:

'An external audit of social media is a definite prerequisite to social [customer] service... resources need to be carefully targeted to the spectrum of social media that is relevant and useful to the company's customer base' (practitioner).

Moreover, the customer service operation will need to strike a balance across different types of media - telephone, email, web, social and mobile. At an aggregate level, for example, social media still only accounts for a small (but rapidly growing) proportion of investment. Social

CRM applications are enabling a multi-channel approach to customer service, which necessarily blurs the boundaries between traditional and social media.

Our research suggests that the customer service operation of the future will combine realtime monitoring with realtime engagement across a range of media, against a backdrop of rapid technological innovation. Typically, social CRM allows for both by integrating with monitoring solutions and allowing for the modular development of communications channels (see Figure 2).

3.3.1 Analytics from realtime monitoring are increasingly integral to the design of social CRM applications and the quality of customer service

This applies not only to enterprise data and customer-specific data but also to a broader cloud of behaviour and sentiment; in other words, *'what people are buying and saying about the company on all platforms'* (technologist).

Realtime monitoring is quickly becoming the sine qua non of effective customer service, not least because customers expect virtually instantaneous responses online. Realtime monitoring also functions as a *'weather vane to spot the clouds of customer dissatisfaction'* (technologist).

To that end, the market has seen a flurry of related start-ups, leading to a bewildering array of monitoring plug-ins, tools and software suites. As Brian Solis has cautioned: *'the wide array of [monitoring] options and capabilities are nothing less than baffling, requiring expert analysis prior to committing any significant investment of finances or organizational resources now and over time'*.

Reflecting the perceived value of the social monitoring market, Salesforce acquired one of the leading vendors, Radian6, for \$326 million in May 2011. However, the existing generation of monitoring tools are still somewhat crude, especially in terms of their ability to analyze the meaning and influence of media content.

At present, for example, the sentiment of customer conversations is generally

reduced to a simplistic trichotomy of positive, neutral or negative. Adding context and detail to those analytics will greatly expand the capabilities of customer service. Similarly, notions of digital influence need further development to understand the social connections of customers and to find 'hidden influencers' - for example, customers that are not necessarily valued by existing influence-scoring tools such as Klout (see more below).

3.3.2 Monitoring must be coupled with realtime customer engagement across media channels

To succeed, companies arguably need to use the analytics from their monitoring efforts to inform and sustain customer engagement strategies: *'In so many cases, companies think all they have to do is listen to the conversation. A recent Cap Gemini study showed that 60% of companies don't respond to customers via social media, even if a direct question is posed'* (expert).

As we have suggested, customer engagement is increasingly becoming a multi-channel endeavour. To stay competitive, companies need to ensure that their customers can seek advice, information and support via a range of channels - at any time, at any location - from traditional telephony to social media and mobile apps. Moreover, companies need to ensure that the quality of customer service is consistent across media: *'Customers don't care about the difference between business units; all they want is accurate, up to date information whatever the point of contact'* (practitioner).

'The objective is to achieve a unified approach to service that avoids silos', as one consultant explained; 'every touchpoint should be plugged into the same databases and have access to the same universal [customer] record' (practitioner).

In this regard, social CRM applications have the potential to 'future proof' infrastructure and allow the modular development of new communication channels' over time (technologist). Achieving consistency, while remaining agile and innovative, is 'now a benchmark of success

To stay competitive, companies need to ensure that their customers can seek advice, information and support via a range of channels

in customer service and will likely shape the long-term success of a brand' (expert).

3.3.3 The quality of customer engagement is being transformed by a combination of technologies

The result is a combination of incremental and disruptive innovations in the quality of customer engagement. On the one hand, we are witnessing improvements to traditional contact methods, such as call centres, notably through advances in call management and call back technology.

For example, customers are increasingly able to request a call back via interactive voice prompts, websites or mobile apps, thereby removing the need to wait through lengthy telephone queues. Generated by a social CRM platform, the call back can then directly address a specific enquiry and connect the agent with the necessary data. Companies are also choosing to send customers direct messages through Twitter or Facebook so that they can transfer the conversation offline (to phone or email) to protect the security of specific account details.

Adoption of smartphones, and hence customer demand for mobile apps and mobile-optimized websites, is also spurring the development of cleaner, more intuitive customer interfaces:

'Social CRM is proving to be a trojan horse for superior [user interface] design... as more companies opt for hosted customer service solutions such as Salesforce, RightNow or Zen Desk, the customer often benefits from better designed self-service websites and discussion forums' (expert).

On the other hand, we are also witnessing the emergence of a new digital paradigm of customer service, which is characterized by a greater degree of personalization, interactivity and information sharing.

At the forefront of this paradigm is the development of 'augmented reality' technology. AR works by overlaying information onto visual or graphical representations of the world - for example, a live camera view or a map - and is made possible by location-aware devices such as

smartphones. AR can also be integrated with QR codes: for example, by scanning a QR code with their smartphone, a customer can reveal information about a product or place.


Although AR is still relatively immature, and frequently over-hyped, the applications in customer service are becoming clearer. In an award-winning approach, Gatwick Airport recently installed giant QR codes as a trigger for audiovisual content to show visitors the planned result of major building work. AR can also work by targeting information based on the location of a customer; for example, to show directions to a location or event. In the future, more sophisticated applications may include *'automatic product recognition as well as live visual instructions on things such as product assembly or after sales support'* (technologist).

The proliferation of cameras in computers and mobile devices is also enabling novel forms of interaction between companies and their customers. Live video chat, for example, is poised to become an integral feature of online customer service. Free applications such as Skype and Google+ Hangouts allow one-to-one and one-to-many video chat respectively. Companies such as Dell have announced plans to deploy video chat across their customer service operations, potentially with group chat functionality to simultaneously address multiple customers facing similar technical issues.

A vivid illustration of where interactive video technology might lead is the new 3 Live Shop in Sweden, a mobile phone website that attempts to combine the ease of online shopping with the personalization of a store visit. The website connects customers via a video link with agents in a custom-built contact centre. Equipped with touchscreen displays, agents can drag, assemble and customize mobile phone packages, all while chatting with the customer.

Notwithstanding the power of one-to-one digital engagement, companies are also realizing that they need to nurture communities around their customer service operation. As we explain below, the scalability and sustainability of customer

Notwithstanding the power of one-to-one digital engagement, companies are also realizing that they need to nurture communities around their customer service operation

A hand with a pointing index finger is shown against a blue background. The finger is pointing towards a glowing white checkmark icon that is centered within a series of concentric white circles. The background features a gradient of blue and faint, larger concentric circles, creating a sense of depth and focus on the central icon.

By monitoring the connections and impact of customers' online activity ... and other channels, companies are increasingly seeking to engage, surprise and impress an elite group of advocates, or 'digital influencers'.

service will depend to a large extent on whether a company can enroll the support of its most passionate customers.

3.4 To scale their customer service operations, companies must harness the power of brand advocates and online communities

The rise of the social customer is exposing the resource limits of the social enterprise. As Jeremiah Owyang recently put it: *'companies are unable to scale to meet the needs of social. No matter how many community managers a company hires, they'll never be able to match the number of active customers... who generally know more about the company's services and products'*.

As a result, 'self-care' and 'community-based support' are arguably integral to the future of customer service. *'Rather than trying to own the entirety of customer service, companies should also let customers help each other'* (expert). Added another: *'Tapping into a loyal following allows a company with a skeleton staff to provide support to millions of customers'* (expert). Recognizing the benefits of a collaborative approach, companies are starting to harness the power of brand advocates and online communities.

3.4.1 Amidst the noise of social media, companies are nurturing close relationships with advocates who wield digital influence

There is a growing movement to segment customers into groups according to their digital influence across the social web. By monitoring the connections and impact of customers' online activity, via Twitter, Facebook, LinkedIn, Google+ and other channels, companies are increasingly seeking to engage, surprise and impress an elite group of advocates, or 'digital influencers'.

Tools such as Klout, Kred or Peer Index have laid the foundations for a new kind of digital reputation scoring, somewhat akin to credit scoring, which quantifies the 'referral impact' of particular customers: *'As it becomes easier to map the anatomy of online*

sharing, and with it the influence of power users, we will see companies begin to attach more weight to metrics like customer referral value, rather than simply the individual lifetime value of a customer' (technologist).

For the company, there is a good chance that these influencers will share their experience with their friends and followers, thereby triggering an avalanche of follow-up publicity. For the customer, digital influence typically translates into faster responses to questions, access to exclusive or pre-release information, as well as promotional offers and even surprise gifts.

Companies are reportedly incorporating Klout scores into their customer service operations - for example, as a basis for expediting tickets or processing upgrades. In a recent case, Mortons Steakhouse even arranged for the surprise delivery of a deluxe meal at Newark airport, after noticing that Peter Shankman (an influential entrepreneur and investor with 100,000 followers on Twitter) had tweeted the following message mid-flight: *'Hey @Mortons - can you meet me at newark airport with a porterhouse when I land in two hours? K, thanks :)'*

The effort won Mortons considerable publicity, via traditional and social media, and demonstrated their ability to engage creatively with loyal customers. As one technologist noted, *'few companies would be agile enough to pull off a stunt like that in under 3 hours - it says a lot about the freedom that Mortons have chosen to give their social media team'*.

By combining marketing with service, this kind of targeted digital engagement with advocates is likely to become more prevalent as companies seek to nurture their most influential and loyal customers: *'There is frequently a heroic element to engaging and problem solving in public forums... Done effectively, it can even create new brand advocates who want to share their experience'* (practitioner).

The danger, however, is that companies allocate excessive resources to a tiny elite, leaving the majority of customers feeling disconnected or excluded. In numerous interviews, practitioners confirmed that digital influencers are consuming disproportionate

amounts of time and resources. For these reasons, companies are beginning to supplement their targeting of specific advocates with a broader and more inclusive process of online community engagement.

3.4.2 Companies are also building online support communities, which largely depend on the participation of their most loyal customers

'Advocates and communities necessarily go hand in hand', commented one expert: 'advocates can drive and enliven support communities; at the same time, the community setting can encourage new advocates to participate'. To scale their customer service operation, companies therefore need to provide an online platform around which a vibrant community can coalesce.

The social CRM market has seen considerable innovation in the area of hosted community management tools. Vendors such as Bazaar Voice, Fuze Digital, Get Satisfaction, Lithium and Parature provide tools that enable companies to harness the collective knowledge of their customers. Typically, these tools integrate with wider social CRM applications so that selected enterprise data is also made available to the customer community (as shown in Figure 2).

'Encouraging participation through incentives is especially important to these community platforms', emphasized a practitioner; 'game dynamics, rewards, community recognition and special privileges - these are all ways to drive participation and discover a wider spectrum of advocates'.

For example, DirecTV (with a customer base of 18 million) has 8 of its customers handling 228,000 queries per month. DirecTV supports these 8 customers with the information they need and also grants them special privileges. Similarly, Best Buy has used the Lithium platform to enlist the support of its most passionate customers; its community support site is now visited by 6 million customers (in addition to 3000 employees).

One of the world's most successful online support communities has been created by Giff Gaff, a UK-based virtual mobile phone

provider that runs on the O2 network. The company has created a robust platform through which customers can suggest improvements to the service and help other customers, in the process earning community recognition and points-based rewards.

According to Giff Gaff, customers solve 95% of questions and most questions are answered in 3 minutes or less. What is most revealing is that Giff Gaff enjoys a Net Promoter Score of 73% (a measurement that indicates what proportion of customers are promoters versus detractors). As a comparison, Apple and Google have an NPS of 74% and 73% Giff Gaff has also responded to customer suggestions, implementing over 100 improvements to date, including changes to the pricing structure. As an expert observed: *'By placing the community at the very heart of the company, Giff Gaff has reduced the cost of support and galvanized customer loyalty in a way that few other initiatives could do'* (expert).

Similarly, O2 UK has built an active community around its O2 Guru TV channel on YouTube. Nationwide, O2 has over 300 'gurus' across its network of retail sites. O2 Guru TV aggregates the insights and knowledge of those gurus into a single web platform where products are reviewed, technical issues addressed and customer questions answered. *'O2's Guru Tv channel is another attempt at digital self-care', commented a consultant; 'it provides bitesize tutorial videos that are fun to watch and easy to understand'.*

In a range of spheres, companies are now exploring the benefits of community engagement, which go far beyond customer service - to areas such as product development, operations and marketing. As the social media landscape has matured, and as hosted community management tools have developed, companies have begun to shift their focus away from an exclusive focus on elite influencers. As a practitioner commented:

'The preference today is to find ways of engaging with a wider and more nuanced group of advocates... The first generation of influence radars - like Klout - are in danger of missing a huge and important group of advocates that can make small but vital contributions to specific areas of [customer service]'.

To scale their customer service operation, companies therefore need to provide an online platform around which a vibrant community can coalesce.

3.5 To prepare for the social future of customer service, companies need to take the following actions

Based on the analysis presented, our recommendation is that companies consider taking the following sequence of actions to prepare for the social future of customer service:

1. Appointment of an executive team to oversee the transition to social CRM, comprising representatives from a cross-section of the enterprise
2. A detailed audit of the social customer to understand the conversation prism that currently encompasses and influences the company's brand
3. Identify areas of the conversation prism in which the company needs to establish a presence, adjusted for legal and regulatory obligations
4. Create a multi-channel strategy for customer service, taking into account the conversation prism and the capabilities of the existing operation
5. Update staff training and communications guidelines to incorporate desired best practices relating to customer engagement via social media
6. Review opportunities to strengthen and streamline connections between the customer service operation and key business units
7. Define the operational specifications of social CRM, incorporating results of steps 3-6, as a basis to identify a short list of suitable vendors
8. Evaluate the cost and features of chosen vendors, including their ability to integrate media monitoring and/or community management platforms
9. Consultation period with chosen social CRM vendor to plan for the process of implementation and staff training
10. Define metrics to assess the performance of social CRM in terms of customer satisfaction and operating costs

In summary, the key recommendation is that companies should work back from the experience of the social customer - particularly taking into account the parts of the conversation prism where they are active - to devise the strategic and operational requirements of social CRM. Once in place, moreover, companies should commit to the ongoing review of social analytics, via media monitoring, to ensure that the customer service operation is engaging with the social customer to its full potential.

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4. Conclusions

2011 arguably marked a tipping point in the evolution of social media. The scale of participation in social media has pushed industries and institutions into a new era of social power. With 800 million users worldwide, Facebook is leading the transition to greater openness and transparency. At the recent F8 conference, Mark Zuckerberg announced radical changes to the design and operation of Facebook - heralding what he termed 'frictionless sharing'.

The identity and success of companies will increasingly depend on their ability to participate in this new sharing economy. To attract and engage the social customer, companies will need to think, operate and communicate as a fully fledged social enterprise. The hallmark of the social enterprise is its customer centricity; the creation and dissemination of information is driven by the pursuit of customer satisfaction. The social enterprise places the social customer at the very heart of its day-to-day operations. Social CRM technologies enable employees at every level to play a more active role in customer service, both indirectly (through internal collaboration and problem solving) and directly (through a multi-channel service hub).

Evidence continues to affirm the financial benefits arising from the social enterprise - namely, the opportunity to reduce costs and strengthen customer loyalty:

- **First, by empowering customers with online service tools**, companies are able to nurture a greater degree of 'self-care' and deflect enquiries away from real agents.
- **Second, by equipping agents with realtime analytics and enterprise data**, companies are able to resolve enquiries more quickly and exploit opportunities for targeted cross-selling.
- **Third, by investing in hosted community management platforms**, companies are able to scale their service operations with the support of their most passionate customers - and in the process, cultivate relationships with a variety of influencers and brand advocates.

The momentum towards the social enterprise continues to develop worldwide, as witnessed by the record attendance at last year's Dreamforce events (hosted by social CRM leader Salesforce). As a result, the social enterprise is taking root in a widening array of markets, including otherwise conservative and heavily regulated domains such as financial services.

In the UK, for example, HSBC recently launched an online newsroom that is envisioned as a 'centre for customer engagement'; integrating Facebook and Twitter, as well as blog posts across the company, the newsroom will outline the company's position on key issues and actively seek the engagement of customers. Similarly, in a recent change of policy, the UK's Financial Ombudsman Service (FOS) announced plans to significantly expand the use of social media in the resolution of disputes between customers and financial service providers.

Despite this momentum, however, it is important to recognize the following caveats. The technology behind the social enterprise is still extremely young; companies need to fully understand the online social dynamics of their respective customers before committing to any investment in social CRM.

Any company should conduct a wide ranging audit of their customer base to identify in which parts of the 'conversation prism' they need to establish a presence, and what types of engagement would be appropriate in the context of the wider market and regulatory obligations. In parallel, it is vital that companies understand the operational and staffing requirements of social CRM technology before retooling their existing customer service infrastructure. In particular, this means that companies must develop training and communications guidelines that are tailored to both a wider corporate social media policy and the capabilities of the chosen social CRM system. *'No matter how sophisticated, [social] CRM technology is only as effective as the people that man the frontline of customer service'*, commented one practitioner.

A hand with the index finger pointing upwards towards a blue rectangular button with rounded corners. The button has the text "I LIKE" written in white, bold, sans-serif capital letters. The background is a light blue gradient.

I LIKE

In conclusion, this report envisions a bright social future for customer service. The rise of the social customer has powered a broader transition to the social enterprise, which is seeking to emulate the speed and simplicity of the social web. In the future, we can expect to see a new kind of realtime and 'frictionless sharing' begin to reshape the modern enterprise, in turn transforming the relationship between managers, employees and customers.

Acknowledgements

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Selected Reading

To explore social CRM in more detail, we recommend the following reading:

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