



## **Creating customer experiences in a digitally connected world**

Shaun Smith

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## What is Social CRM and why is it important?

Social CRM can be defined as the 'business strategy for intentionally using social media to engage with customers and deliver an experience that builds brand loyalty.' There is research to show that in doing so organisations drive up revenues and profits. A 2009 study found that *"companies that are both deeply and widely engaged in social media surpass their peers in terms of both revenue and profit performance by a significant difference."*<sup>1</sup> Now the data does not prove a causal relationship; merely that those brands that engage the most with customers also happen to be more financially successful, but you don't need to be a rocket scientist to understand that when you are more engaged with customers they are likely to be more engaged with you.

Perhaps that is why a recent Forrester forecast predicts that spending on interactive marketing will reach \$55 billion by 2014<sup>2</sup>. This will be driven by spend on social and mobile marketing that will see compound annual growth rates of 34% and 27% respectively through 2014.

There is no doubt that marketers are excited at the potential for reaching new audiences in new ways and positively influencing consumer word of mouth on the grand scale – the 'Twitter effect'. However, the reality may not be as seductive as the hype. As Google guru Avinash Kaushik tweeted: "Social media is like teen sex. Everyone wants to do it. Nobody knows how. When finally done there is surprise it's not better."

So what are some lessons for those organisations wishing to get into digital marketing and Social CRM?

### 1) Being in the flow

Social media is happening whether you are there or not. A recent RightNow paper – 'Socialisation of Customer Experiences' – concluded that *"brands are frequently left out of critical discussions, and when they don't participate or respond, the discussion continues without them – for better or worse."* First Direct, the telephonic and on-line bank, monitors social media commentary and reports what its customers are saying live on its 'Talking Point' web page. Customers can view the topics and post their own contributions so that the bank is constantly in the flow of feedback.

This is easier said than done however. Dipping into social media is like sipping from a fire hose – you may end up with more than you can handle! This means that you need good technology to help you sort the important from the irrelevant and, more importantly, help your people respond appropriately.

### 2) Dealing with detractors

The RightNow research found that nearly a quarter of British adults have posted a negative comment about a company on a social networking site. Of these 'detractors', 65% want to inform others about their negative experience, 46% want to vent their frustration and 30% want to discourage others from buying from the

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<sup>1</sup> 'Engagement' by Altimeter Group and Wetpaint 2009

<sup>2</sup> The State of Customer Experience 2010. Forrester.

company – and they frequently succeed. The study also found that a massive 39% percent of consumers decided not to buy from a company following something they read on the social web.

We used to say that a dissatisfied customer would tell 9-10 others. In today's socially connected world that has multiplied several-fold. Convergys, the contact centre company, found that the average detractor will tell 45 friends via a social media site<sup>3</sup>. However, that figure hides a wide range of potential impact. There is the well known example of Dave Carroll, the United Airlines customer, who created a YouTube video of himself and his band singing a song called 'United breaks guitars'. His song relates the story of how, whilst travelling on United, his guitar was damaged and, despite all his efforts to claim for the damage, he was unable to get United to listen to him. Finally, in desperation he wrote a song about his experience and posted it on YouTube on July 6<sup>th</sup> 2009. United was quick to respond via Twitter and offered to compensate him but by then it was too late – the damage was done. By the end of July the video had been viewed 4.5 million times and, as of February 2011 over ten million people have viewed the video with thousands more posting comments about it. It is impossible to gauge the damage this has done to United's reputation, but imagine how much the average company might need to spend in order to create and air an advertisement that attracted ten million willing viewers.

The lesson we should take from the United story is that monitoring social media is one thing; using it to deal with customers effectively quite another. But when you do the benefits are amazing.

### **3) Turning fans into customers**

In November 2009, Burberry launched a web-site called 'artofthetrench.com' and invited customers to upload images of themselves wearing the brand's iconic trench coats. Within the first week 400,000 people from 191 countries had done just that. Within nine months the site had been visited 9 million times. Delighted with these results the brand started a Facebook page and now has five million followers. The question though, is how do you convert social media fans into paying customers?

High fashion brands promote themselves primarily through annual shows in Milan, Paris, London and New York. The problem is that only a small carefully chosen audience is able to experience these and it is then months before the products are available via the stores. Burberry launched a concept called 'Runway to Reality'. Its shows are now broadcast real-time in 3D to cities around the world to an audience of thousands. Simultaneously the shows are streamed live over the Burberry web site to a potential audience of a million who can view via their computer or iPad™. Those viewers are then able to immediately click on the products they like and the products are delivered to the customers' home a few weeks later; and if the product doesn't fit or the customer doesn't like it? No problem, return shipping is free as well. No wonder then, that Burberry has seen such a growth in its sales over the past year.

The RightNow study found that 46% of respondents become 'brand fans' on social networking sites and 21% will seek an emotional connection with a brand and become members of the company owned community. Burberry and the mobile phone operator O2, both have brand communities. O2 calls it customers 'fans' and has a 'fan club' that provides privileged access to entertainment at the O2 Arena and sporting events. In the

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<sup>3</sup> Convergys 2010 Scorecard Series

process the brand has attracted more users than any other company in the market place and has the highest NPS rating (Net Promoter Score, a measure of advocacy) in the industry.

For organisations wishing to use e-commerce and Social CRM as part of their marketing mix and make it a fundamental element of their customer experience there are some important lessons to be bear in mind.

## **The need for a strategy**

The 'State of Customer Experience 2010' report by Forrester found that 90% of the 141 US executives surveyed thought that customer experience was very important for their companies and 80% were trying to differentiate by using it but they felt the biggest obstacle to success was a clear strategy for implementing it. We have found in our work with brands around the world that organisations take a very fragmented approach to implementing customer experience and we suspect that social CRM will be the same. The tendency will be to rush into buying technology with no clear customer experience strategy in place. A client of mine recently hosted a dinner in London with a number of executives who were invited to talk about the trends they were seeing as well as some of the challenges. I had the good fortune to be asked to facilitate the event and was fascinated to hear the issues that these executives spoke of. One was the perception that many organisations use technology to distance themselves from customers rather than to engage with them. Self-help, automation, IVR's etc are all seen as ways of reducing interactions and therefore costs rather than a means for providing choices that create value for customers. Another insight was that customer experience is actually the differentiator and CRM technology the enabler and yet many organisations approach it the other way round.

We only need to look back a few years to see the consequences of believing technology is the answer in the absence of strategy. At the peak of CRM hype, expenditure on CRM systems was estimated to have increased from \$20billion in 2001 to \$46billion in 2004, yet one survey by Gartner estimated that 55% of CRM systems drove customers away and diluted earnings. We believe that unless organisations have a clear strategy for embracing social media and incorporate it as integrated component of the end-to-end customer experience it will fail to deliver the promised results.

There will be a time in years to come when we look upon the internet and our iPad (or whatever version of iThing Apple has launched at that time) in the same way as we think about our telephone line or handset today. The web is, after all, just a communications channel, no different to any other except in its ability to broadcast our voice to a much larger audience. So it follows then, that we should not treat Social CRM as a silver bullet that is going to transform the fortunes of our organisation overnight. To do that we need a vision of how we wish to use it and how it can contribute to our overall customer experience strategy.

## Customer Experience Management Model

We have found that using our customer experience model really helps clients to ensure that technology enables the customer experience rather than driving it. The tail wagging the dog doesn't work in the canine world and it certainly doesn't work in business.

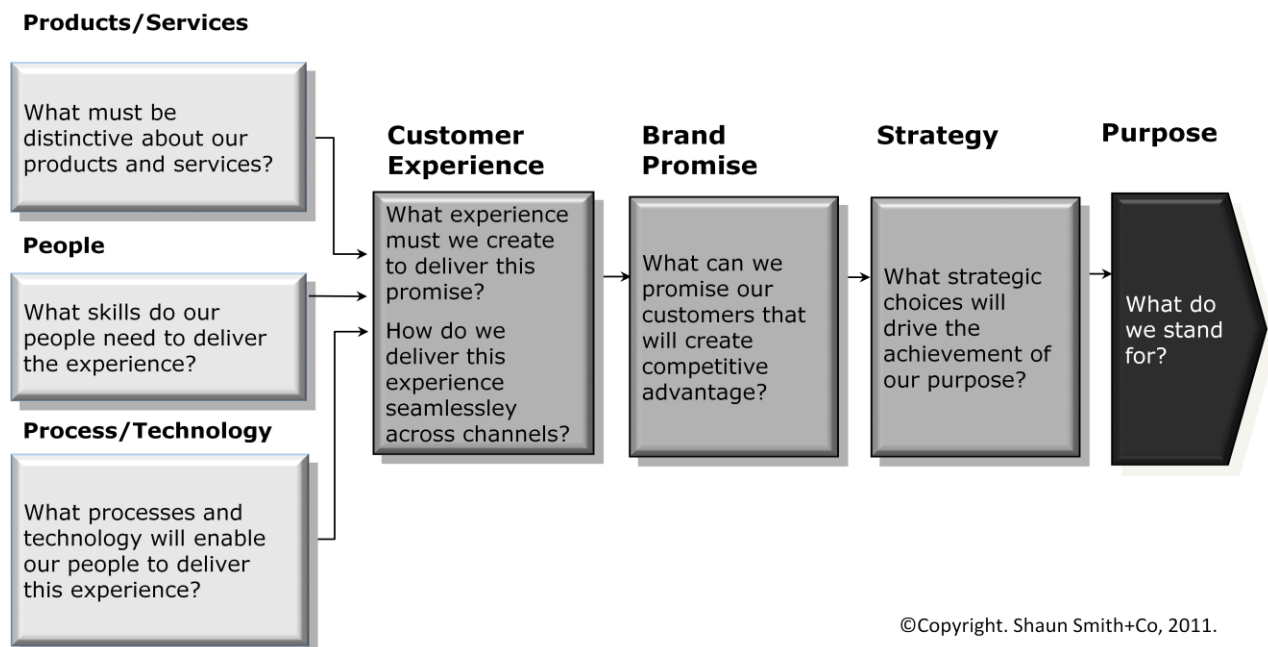
My co-author, Andy Milligan, and I have just completed two years of research for our new book '**Bold – how to be brave in business and win**' ([www.boldthebook.com](http://www.boldthebook.com)). It tells the story of 14 brands that are redefining their markets through the delivery of dramatically different customer experiences. Many of the brands we studied – for example, AirAsia X, O2, Burberry, Zappos, Chilli Beans – have differentiated through creating engaging experiences for their customers on-line just as much as off-line.

So what is our customer experience model and how might you use it in your own business?

### 1) Be clear about what you stand for as a brand

It starts with defining your purpose. Many brands have a vision or mission statement but they are often uninspiring or so vague as to be useless. If you do not have a clearly stated purpose start here because it really does determine everything you do. For example Zappos, the US on-line retailer started out selling shoes on-line. They were building a great reputation and steadily growing their business. But then Tony Hsieh, the CEO, and his team started asking themselves what they wanted the business to be in the future. They asked, "Do we want to be selling shoes, or do we want to be doing something bigger than that?" Zappos defined its purpose as 'delivering happiness'.

## Strategic Alignment



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## **2) Make strategic choices that are aligned with your purpose**

The next step is to take strategic decisions that are in keeping with that purpose. For example, Zappos decided that first and foremost, they were going to deliver an exceptional customer experience and therefore their people, their processes and their products needed to be aligned with this end. Unfortunately all too often, what companies say and what they do in practice are very different.

## **3) Define a Brand Promise that clearly communicates what customers can expect from you**

Zappos promises their customers what they call 'WOW' service and they go on to define what this means. In essence it means going beyond what customers expect and surprising them. This is a bold promise because it raises a very high expectation that customers then hold the brand accountable for delivering. Many organisations confuse a clearly articulated and specific brand promise with the ubiquitous advertising tag-lines composed by copy writers which are often so banal as to be meaningless.

## **4) Design the Branded Customer Experience**

Now that you have your promise you can design an experience that is so distinctive that it becomes synonymous with your brand. You then need to decide how this can be delivered along each touch-point of the customer journey and across channels. In the case of Zappos the question became "How do we deliver a 'WOW' experience through our contact centre agents, via social media, email and our delivery process?"

One example is when Wendy Fitch, a regular Zappos customer, posted an 'out of office' announcement in her Outlook saying that she was away on a charity run for breast cancer. When the Zappos e-mail letter she subscribed to bounced back, one of the agents in the call centre picked it up. During her lunch break the agent purchased a gift card and sent it to Wendy with this message;

*'Hello Wendy, while working through e-mails from our amazing customers, I came across your auto-reply. Normally we mark them as auto-replies but yours caught my eye. I just wanted to let you know what an admirable thing you are doing. We at Zappos are proud to have you as a customer and as a part of our family. Thank you for being a wonderful person'.*

So what was it that enabled the agent to take that action?

## **5) People**

That agent embodied the Zappos values. There are many bright, well-qualified people that you can hire, but only a few of them will be the right fit for your brand. We tell our clients 'hire for DNA not MBA'. In other words find the people who share your values and teach them the skills they need. Zappos uses a 360 degree interview process to find the right people for the brand and then offers the new hires \$2,000 at the end of their first week of training to leave the company. Why? Because Tony Hsieh only wants people who are passionate about the brand and committed to what it stands for.

## 6) Processes.

The processes and technology you use must support and enable the agents or front-line employees to focus on the customer. It needs to provide them with the right information at the right time about the right customer leaving them to focus on creating the right emotional connection. The agent desktop needs to centralise and integrate the various channels and present the information to the agent in the best way possible. RightNow calls this the 'contextual workspace'.

Today, customers expect you to offer a range of communication options – phone, email, web-site, chat, on-line forums and communities, fax, traditional mail, and in person. Many customers will use these channels interchangeably, so they must be integrated. This takes the multi-channel concept beyond just providing operational efficiency, it also provides customers with choices about the kind of experience they wish to have and how they wish to have them.

It is important not to assume a 'one size fits all' approach. Different customers will interact with you for different reasons at different times. Convergys found that although 43% of 'Millennials' were using social media to interact with brands, only 28% of 'Baby Boomers' did<sup>4</sup>. Millennials were also more than twice as likely to use 'self-help' and automation as older customers. However, all customers, regardless of demographics, prefer to talk to a real person when there is a major problem. The take away here is that all channels have to be integrated so that they provide choices to customers and the means for your people to provide a seamless customer experience

In the case of Zappos the management realised that they needed to engage with customers using social media because how else can you create that level of intimacy when you never actually meet your customers? All the contact centre employees are encouraged to tweet and the brand monitors and responds promptly to its customers who tweet about them. Tony Hsieh leads by example and has 1.75 million followers on Twitter.

## 7) Products and services

Finally, you need to ensure that your products and services are consistent with your strategy. Having decided that its purpose was to deliver 'WOW' experiences, Zappos came to the conclusion that what they happened to sell would be secondary to how they sold it. That led the brand to broadening its range beyond shoes into many other areas that provide value to their customers which they discovered through listening to them.

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<sup>4</sup> Convergys 2010 Scorecard Series

## Conclusions

There is no doubt that e-commerce and social media are now main-stream and often the default choice for consumers when they interact with brands. This means that organisations must stop treating social media as an interesting, but peripheral, part of the marketing mix and start integrating it as a fundamental sales and service channel. This in turn requires managers to create a strategy that aligns processes, technology and people so that the experience that customers receive is consistent, intentional, differentiated and valuable irrespective of the channel used to deliver it. This is particularly important in the contact-centre because all so often this is the only contact that customers have with the employees of the brand. Tony Hsieh of Zappos sums this up well:

*“We really care about each telephone interaction, and treat it, not as an expense to minimise or an opportunity to get revenue, but one of the best branding opportunities out there. What we’ve found is that, if we get the interaction right, then customers will remember that for a very long time and tell their friends and family about it.”<sup>5</sup>*

So if you are one of the organisations intending to contribute to that estimated \$55 billion spend on social media marketing by 2014, better start getting your customer experience strategy in place soon.

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*Shaun Smith speaks and consults internationally on the subject of the customer and employee experience. His first book ‘**Uncommon Practice – people who deliver a great brand experience**’ investigates how leading brands differentiate, his second book ‘**Managing the Customer Experience – turning customers into advocates**’ is considered to be a landmark text book on how to create branded customer experiences. Shaun’s new book ‘**BOLD – how to be brave in business and win**’ will be published in April 2011.*

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<sup>5</sup> Source. ‘BOLD – how to be brave in business and win’ Shaun Smith and Andy Milligan. Kogan Page 2011