
Original Article

Community relationship management and social media

Received (in revised form): 13th December 2010

Lawrence Ang

is Associate Professor of Marketing at the Faculty of Business and Economics, Macquarie University, Sydney, Australia. He teaches and researches in customer relationship management, advertising and marketing research. When he is not teaching or consulting, you can find him enjoying a glass of Australian wine on the beach.

ABSTRACT Despite the growth in social media, managers are still unclear as to how it can be used to benefit their organisations. Part of the problem stems from confusing customers with online community members through the popularisation of the term ‘social customer relationship management’ (social CRM). This term is a misnomer because online community members are not necessarily customers of the organisation. A better term is community relationship management (that is, CoRM) because it more accurately reflects what people do in online communities – connect, converse, create and collaborate. Organisations can take advantage of these predispositions by using marketing research and public relations, nurturing opinion leaders or advocates, placing and creating advertisements, developing new products, lowering the cost-to-serve, building brand loyalty and sales, and amplifying buzz and visibility for the organisation.

Journal of Database Marketing & Customer Strategy Management (2011) 18, 31–38.

doi:10.1057/dbm.2011.3

Keywords: social media; social networks; facebook; customer relationship management; community relationship management; online community

INTRODUCTION

Social media (SM) is now a game changer in the marketplace because millions of users have become enamoured with this new medium. The growth of SM is phenomenal. The most popular SM is Facebook. In the space of 6 years, Facebook has grown to more than 500 million users (and climbing), with more users outside the United States (70 per cent) than inside.¹ If Facebook were to be a country, it will be the third largest, after China and India. It is also predicted that the usage of SM for marketing in the United States will grow from \$716 million in 2009 to \$31 billion by 2014.²

However, despite the growth, managers are still uncertain as to how SM can be used in marketing, some dismissing it as more hype than reality.^{3,4} This is because managers are not sure how to monetise SM.⁵ The aim of this article is to rectify this by first drawing a distinction between managing customers and managing SM users. Managing customers falls into the well-known area of customer relationship management (CRM), but managing a community of online users is quite different. This article will outline these differences and suggest the term, ‘community relationship management’ (that is, CoRM) be adopted. The article

Correspondence:

Lawrence Ang
Level 6, Building E4A,
Department of Business,
Faculty of Business and
Economics, Macquarie
University, North Ryde,
Sydney, NSW 2109,
Australia
E-mail: Lawrence.ang@
mq.edu.au

will next present a framework, called the 4Cs of CoRM. This represents connectivity, conversations, content creation and collaboration. Finally, the article will conclude with some case studies of how companies use SM to manage their online communities more effectively and convert SM users to customers.

COMMUNITY RELATIONSHIP MANAGEMENT (CoRM)

With the rise of SM, vendors of CRM enterprise systems are beginning to ask how data from the SM can be integrated into the customer database of organisations,⁶ or how technologies like forums, customer feedback tools, blogs, wikis and community platforms can be incorporated into their existing CRM system.⁷ The term 'social CRM' is often used in this regard.⁸ However, in doing so, the distinction between online community members and customers becomes blurred. This term is misleading because users of SM are not necessarily customers of one's organisation. Adding to this confusion are statements like 'Facebook is the CRM for our social lives',^{9,10} or 'Facebook, Twitter and other social sites have become CRM for individuals',¹¹ which imply that users of SM manage their social lives the way organisations manage their customers using CRM. Statements like these can only muddy up what CRM really means.

The principal objective of CRM is to manage customer relationships so as to maximise their life-time value for the organisation. This means, applying the right strategic, analytical and operational tools so that the management of customer relationships is easier and in some cases fully automated.¹² This includes having a 360° view of all customers, managing the customer lifecycle, developing customer portfolios, migrating customers from one segment to another, managing the customer experience across segments, developing and communicating offers to the right segment

at the right time and so forth. However, applying such a managerial approach to the users of SM, as implied by the term 'social CRM', may be counterproductive, if not impossible, for the following reasons:

First, users of SM are not necessarily customers of an organisation; likewise, not all customers of an organisation use SM. The term 'social CRM' lumps these two groups of people together – note: the 'C' in this term stands for 'customer', which is not necessarily the case in social networking. People who use SM share something in common – either in friendship or a mutual interest (for example, they like fine wine). They use SM platforms (for example, Facebook, MySpace, Twitter, Bebo) to facilitate their social interactions with each other, and here, there is nothing commercial about such relationships. They are just people interacting with each other; they are not customers. In fact, users of SM tend to eschew having anything commercial impinge on their social milieu.¹³ Their interactions are in fact governed by different norms.¹⁴

Second, in CRM, organisations know their customers intimately. However, the same level of intimacy does not exist (so far) between organisations and users of SM. For instance, there is currently no way of knowing who just posted a blog about a product (unless the blogger chooses to self-identify). This means that it is not possible to apply sophisticated strategic, analytical and operational tools of CRM to SM data. Indeed, one of the major challenges facing organisations experimenting with social networking is that of deciphering and integrating personal information from SM back into the CRM system.¹⁵ Furthermore, organisations that have contractual arrangements with call centres as part of their CRM practice may find this integration difficult. One recent study found that only 6.5 per cent of contact centres have support for SM.¹⁶

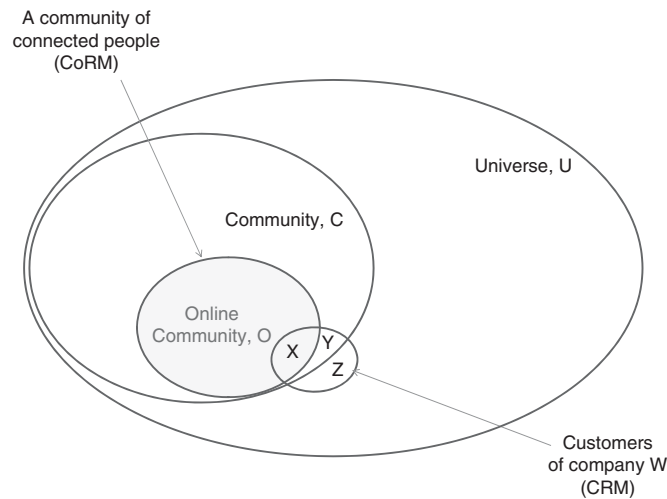


Figure 1: A schematic diagram showing the target difference between CRM and CoRM.

Third, in CRM the emphasis is on building a business relationship with one's customers, as exemplified by the notion of one-to-one relationship marketing.¹⁷ Communication is assumed to flow between the organisation and their customers. Customer-to-customer communication, on the other hand, is never acknowledged in traditional CRM. In fact, organisations may not necessarily want their customers to interact with each other for fear that the customers may discover they share similar bad experiences, for instance. Sharing of information between customers is not necessarily a good thing for an organisation. This is not the case with social networking – in fact, it is the *raison d'être*. Individuals are encouraged to share with each other in social networks.

Bearing these differences in mind, it can be argued that the term 'social CRM' is a misnomer. The users of SM are primarily a community of people bonded together by a common interest – not necessarily customers of organisations. Indeed, one can even venture to suggest that the term CoRM is more accurate than social CRM. Furthermore, managing a community of online users requires a different mindset,

skills and technologies. Anecdotal evidence suggests that organisations should hire younger and more online-savvy people (for example, active bloggers or twitterers) to manage their online communities. They have been found to be effective in reeling in the prospects.¹⁵ Traditional CRM practices with older workers may be less effective.

Figure 1 encapsulates the key ideas discussed above. Schematically, it shows that the online community, O, is a small part of a larger community, C. This community might be a community of fine-wine lovers who regularly go for wine tasting, vineyard tours and so forth. If company W is a purveyor of fine wine, the figure shows that it has potentially three groups of customers: those connected to this online community of fine wine, X; those not connected, Y; and, finally, those not part of the fine-wine community at all, Z. CRM is concerned with managing the relationship between all customers (that is, X, Y, Z). CoRM, on the other hand, is about managing the connected community of fine-wine lovers (that is, O). Note that, in this example, only a small proportion of the online community, X, are customers of

this company. In terms of online strategy, organisations can do two basic things:

- (i) manage their own connected customers, X, more effectively;
- (ii) convert as many of the prospects in the connected community, O, into customers, hence growing the size of X.

There are many ways in which an organisation can achieve these two objectives. Some applications will be given later. The 4Cs framework of CoRM will be discussed next in order to aid our understanding of these applications.

THE FACILITATIVE ASPECT OF THE 4Cs MODEL OF CoRM

If an organisation wants to manage the connected community, it first needs to understand how SM facilitates the formation of relationships among users. This article proposes that SM relies on four major pillars, called the 4Cs model of CoRM, to achieve this. These are (1) connectivity, (2) conversations, (3) content creation and (4) collaboration.

Connectivity

For social networking to grow and prosper, it must first try to create a large community of users. Connectivity is paramount. This is achieved by creating a platform (for example, Facebook, Twitter, Bebo, LinkedIn) that is easy for users to connect with each other. The prime example of this facilitating technology is the 'friending' application in Facebook. With a push of a button, it allows you to invite people to join your network. Once joined, you can get access to their network of friends, and they yours. Furthermore, if Facebook discovers that you have mutual friends who are not connected, it will automatically send you an email asking if you would like them to join your network. And if you have not responded to these or other

'friending' invitations, Facebook will send you a reminder. Thus, through the clever use of technologies, SM platform helps a person build his/her social networks. The average number of 'friends' an individual has on Facebook is 130.¹

Conversations

With connectivity come conversations. Although email is still the basic form of communication online, Facebook has evolved the technology to a much sophisticated level: News Feed. This allows all the latest information about a person to be simultaneously posted onto the Facebook 'walls' of those connected. And unlike emails, which can be long, 'wall' messages are more like snippets. This allows you to glimpse into the lives of those connected very quickly. For instance, you can read who has 'friended' whom, who updated their marital status, who had changed their lists of favourite movies and so forth. These snippets in turn encourage people to respond, which fuel more exchanges, and so on. Such devices are very powerful because changes are interesting.¹⁸

Content creation

Human beings also like to create and share. When this occurs on the internet, it is dubbed 'user-generated content', which is the defining characteristic of Web 2.0. Elements like blogs, diaries, forums, picture and video uploads and so forth, all give users an opportunity to show off. Indeed, the success of YouTube relies on this basic human motivation. The creators of videos are often motivated by fame, 'I seek fame. I want the world to see my videos'.¹⁹ To stimulate conversations, users are invited to comment on the video, thus fuelling more conversations within the community. When creations are good, it will attract a big buzz. However, it should be noted that only a small percentage (about 5–10 per cent) of online users contribute.¹⁹

Collaboration

With the ease of content creation and sharing comes collaboration. Collaboration means that multi-users can contribute cooperatively to the completion of a project/s (dubbed 'wikis'). This often requires a specific online destination where users can come and work together. The classic example is Wikipedia. It is the multi-person contributions that add value to such project/s.

APPLICATIONS

How can organisations taken advantage of these 4Cs either singularly or in combination? Below are some applications:

Marketing research and public relations

Through conversations, organisations can find out what people like or dislike about their products or services.²⁰ People like to share their experiences. Currently, there are more than 68 million bloggers who post reviews and recommend products and services.²¹ Some companies like Amazon and TripAdvisor actively encourage their customers to rate their experiences online, which is then available for everyone to read.

Although monitoring of word of mouth has always been a challenge offline, this is easier online, with the availability of tracking technologies (for example, Radian6, BuzzMetrics or Cymfony) and private community panels (for example, Passenger). Organisations can now obtain a net sentiment score for their brand/s by analysing the amount of good or bad conversations that occur online. A summary score, called the Social Influence Marketing (that is, SIM) score, for a brand can be derived by adding all positive and neutral conversations minus negative ones, divided by the total conversations about the brand. That number is further divided by the net sentiment score for the category. In the US car industry, Ford has the highest SIM

score of 31, while GM has the lowest of 5.²²

Organisations should actively monitor all conversations because people are 65 per cent more likely to buy a product after engaging with the community of customers and experts.² One in three internet users says product reviews influence their purchase decision,²³ while online reviews of movies have been found to be predictive of box office sales.²⁴ Consumers perceive these online feedbacks of others to be useful in their decision making, mainly because they are considered to be trustworthy and important.²⁵

As an example of best practice, one consumer electronic company responds to all comments within 24 hours. Negative comments were followed up with solutions to the problems, while positive comments were rewarded with a 'thank you' and an invitation to become fans on Facebook.²⁶

Nurturing of opinion leaders and advocates

With tracking methodologies, organisations can also find out who is the most influential in the community. These opinion leaders can then be carefully nurtured. A case in point is a recent Proctor and Gamble (P&G) initiative. The company set up a website, called Vocalpoint, consisting of a network of influential mothers. These mothers share their experiences using P&G's new products with members in their networks. What they found is that markets with active Vocalpoint influencers resulted in twice the product revenue compared to those markets without Vocalpoint.²¹

Facebook has recently unveiled a new initiative, called Open Graph, which allows users to express their approval by clicking a 'Like' button licensed to appear next to a piece of content on a website (for example, an ad). This information is then automatically filed under the person's Facebook profile, which allows others to

see and comment. Marketing research company, Nielsen Research found that an ad will achieve 30 per cent higher recall of the message if users see their friends indicate that they like it or have commented on it.²⁷

Placing and creating of advertisements

By eavesdropping on the community and by users volunteering this taste and preference using the 'Like' button, Facebook can begin to develop a finer granular segmentation of its users. Barring privacy concerns, this will allow organisations to insert even more relevant ads on the homepage of users.²⁸

Organisations can also encourage the community to create and upload their own ads and allow others to comment. This will increase the level of involvement²⁹ and, if successful, can have a viral effect. When Nick Haley, a Leeds university student and an Apple enthusiast, uploaded his iPod Touch ad on YouTube, he garnered four stars out of possible five with a stream of positive comments from the YouTube community. He was hired as a consultant when Apple's advertising agency (TBWA\Chiat\Day) decided to reshoot the commercial in high definition.³⁰ At last count, this ad had approximately 2.5 million hits on YouTube.³¹ The current iPad ad uses the same creative idea.³²

New product development

Besides conversations, organisations can also tap the principle of collaboration. Organisations can ask their communities to assist in product development, either through solicitation of ideas and/or by implementation. When well executed, this can greatly shorten the development cycle.

Dell launched IdeaStorm in February 2007. This is an online-destination website created for the sole purpose of obtaining new product ideas from its customers. Over 10 000 ideas were captured, of which 400 were implemented.³³ In the same vein,

Facebook recently created a special website to marshal its community into helping it translate its website into 70 languages. With 300 000 users recruited, its French site took just one day to be translated.²¹

Lowering the cost-to-serve

Organisations can also use the community to lower their cost-to-serve. Tapping on the principle of collaboration, Dell created a community of users to help each other. This community has helped over 35 000 customers, even from people who were no longer Dell's customers. Similarly, Intuit hosts customer support communities for its products by encouraging the more experienced customers to give advice to the less experienced. Those who contributed the most successfully were rewarded by having the number of 'thanks' from others posted on the website. It is estimated that this reduces the cost-to-serve by 90 per cent compared to what it would have cost Intuit if it had solely relied on call centres.²¹ It should be noted that online helpers are often driven more by status within the community rather than monetary gains.³⁴

Building brand loyalty and sales

Organisations can use SM to build brand loyalty. By creating brand-specific online destinations like fan page, users of SM can visit the brand sites 24/7. This is quite useful because it allows organisations to impart information about new initiatives and collect personal information of prospects. When Honda Japan decided to launch its new CR-Z car, it created a social networking site called Mixi, where people can register for more information. It also ran a competition where registered users can win a car. What is quite ingenious is that these registered users had the suffix 'CZ-R' added onto their login names (for example, 'Larry CZ-R'). This helps increased brand awareness prior to launch among non-registered acquaintances, whose curiosity is piqued by the 'CZ-R' suffix of

their registered friends. Pre-launch order reached 4500 units, with actual sales of 10 000 in just the first month.²⁶

Of course, if an organisation knows who their fans are, a brand-specific online destination can also give the organisation the opportunity to sell. Royal Opera House in London, which has 20 000 fans now, sells 30 per cent of its sales through its fan page.³⁵

Amplifying buzz and visibility

Finally, any of the above applications can result in buzz and visibility for the organisation. When this occurs, organisations should take advantage of this by using SM technologies or even traditional media to further publicise the news. For instance, American Express created a project for their members to promote their favourite cause. A prize of \$5 million will be given to the cause that garnered the most support. Using a central website, American Express offered SM tools that allow members to rank various charity causes, create blogs about them, distribute widgets and so forth. The initiative became a runaway success attracting the interest of main-stream media (for example, TV). Even celebrities got involved, tagging the content onto their personal Facebook pages. It helped build the American Express brand with very little cost incurred in traditional paid media.³⁶

CONCLUSION

This article shows many examples of how organisations can benefit from the use of SM. It also criticises why the term 'social CRM' is misleading and instead suggests the term CoRM be used because it more accurately reflects the notion of people interacting with each other in a community. People like to connect, communicate, create and collaborate with each other. Organisations can take advantage of these predispositions by using marketing research and public relations,

nurturing opinion leaders or advocates, placing and creating advertisements, developing new products, lowering the cost-to-serve, building brand loyalty and sales, and amplifying buzz and visibility for the organisation.

REFERENCES AND NOTES

- 1 Facebook. (2010) Facebook statistics, <http://www.Facebook.com/press/info.php?statistics>, accessed 30 November 2010.
- 2 Tsai, J. (2009) Everyone's social (already). *CRM Magazine* 13(6): 34–38.
- 3 Precourt, G. (2009) Social media trends in the United States. World Advertising Research Centre (WARC), November, <http://www.warc.com.simsrad.net.ocs.mq.edu.au/ArticleCenter/Default.asp?CType=A&AID=WORDSEARCH90405&Tab=A>, accessed 30 November 2010.
- 4 Tummier. (2009) Social networking – fancy fad or future money spinner? World Advertising Research Centre (WARC), February, <http://www.warc.com.simsrad.net.ocs.mq.edu.au/ArticleCenter/Default.asp?CType=A&AID=WORDSEARCH88980&Tab=A>, accessed 30 November 2010.
- 5 McKay, L. (2009) Social CRM showdown. CRM Evolution 09 Conference – Day 3 <http://www.destinationcrm.com/Articles/CRM-News/Daily-News/Social-CRM-Showdown--55762.aspx>, accessed 30 November 2010.
- 6 McKay, L. (2008) CRM's a social animal. *CRM Magazine* 12(7): 14–15.
- 7 Band, W., Natalie, L. and Petouhoff, N. (2010) Topic overviews: Social CRM goes mainstream. Forrester Report, 5 January, updated 26 January.
- 8 Myron, D. (2010) Social CRM is growing up fast. *Customer Relationship Management* 14(6): 4.
- 9 Shih, p. 31, cited in Lager, M. (2009) No one's social (yet). *CRM Magazine* 13(6): 29–33.
- 10 Shih, C. (2011) *The Facebook Era*. Boston: Prentice Hall, p. 49.
- 11 Shih, C. (2009) Facebook is the future of CRM. *CRM Magazine* 13(11): 12.
- 12 Buttle, F. (2009) *Customer Relationship Management: Concepts and Tools*. Oxford, UK: Elsevier Butterworth Heinemann.
- 13 McKay, L. (2008) Marketers pounce on social networking, but users shy away. 26 November, <http://www.destinationcrm.com/Articles/CRM-News/Daily-News/Marketers-Pounce-on-Social-Networking-But-Users-Shy-Away-51731.aspx>, accessed 30 November 2010.
- 14 Kozinets, R., de Valck, K., Wojnicki, A.C. and Wilner, S.J.S. (2010) Networked narratives: Understanding word-of-mouth marketing in online communities. *Journal of Marketing* 74(March): 71–89.
- 15 Musico, C. (2009) You're not social (enough). *CRM Magazine* 13(6): 39–43.

- 16 Fuss, D. and Rogers, M. (2010) The growth of social media in customer service. *CRM Magazine* 14(9): 8.
- 17 Stone, M., Woodcok, N. and Machtynger, L. (2000) *Customer Relationship Marketing: Get to Know Your Customers and Win Their Loyalty*. London: Kogan Page.
- 18 Berlyne, D.E. (1960) *Conflict, Arousal and Curiosity*. New York: McGraw-Hill.
- 19 Bughin, J.R. (2007) How companies can make the most of user-generated content. *McKinsey Quarterly*, August, https://www.mckinseyquarterly.com/How_companies_can_make_the_most_of_user-generated_content_2041, accessed 30 November 2010.
- 20 Burmaster, A. (2008) Online word of mouth and brand DNA. World Advertising Research Centre (WARC), March, <http://www.warc.com.simsrad.net.ocs.mq.edu.au/ArticleCenter/Default.asp?CType=A&AID=WORDSEARCH87669&Tab=A>, accessed 30 November 2010.
- 21 Bughin, J., Chui, M. and Manyika, J. (2010) Clouds, big data, and smart assets: Ten tech-enabled business trends to watch. *McKinsey Quarterly*, August, https://www.mckinseyquarterly.com/Clouds_big_data_and_smart_assets_Ten_tech-enabled_business_trends_to_watch_2647, accessed 30 November 2010.
- 22 Klaassen, A. (2009) What's your brand's social score? *Advertising Age* 80(2): 4.
- 23 Wasserman, T. (2007) Survey gives good reviews to online product reviews. *Brandweek* 48(15): 12.
- 24 Delrocas, C., Zhang, X. and Awad, N. (2007) Exploring the value of online product reviews in forecasting sales: The case of motion pictures. *Journal of Interactive Marketing* 21(4): 23–45.
- 25 Liu, R. and Zhang, W. (2010) Informational influence of online customer feedback: An empirical study. *Database Marketing & Customer Strategy Management* 17(2): 120–131.
- 26 Edelman, C. and Salsberg, B. (2010) Beyond paid media: Marketing's new vocabulary. *McKinsey Quarterly*, November, https://www.mckinseyquarterly.com/Beyond_paid_media_Marketings_new_vocabulary_2697, accessed 30 November 2010.
- 27 Stone, B. (2010) Facebook friends for sale as advertisers seek clicking cliques. *Bloomberg*, 23 September, <http://www.bloomberg.com/news/2010-09-23/facebook-friends-for-sale-as-advertisers-seek-clicking-cliques.html>, accessed 30 November 2010.
- 28 Fletcher, D. and Ford, A. (2010) Friends without borders. *Time* 175(21): 32–38.
- 29 Medeiros, A. and Needham, A. (2009) Co-creating with consumers: A new way of innovating. *Market Leader* Quarter 1 (January): 48–51.
- 30 Elliott, S. (2007) Student's ad gets a remake, and makes the big time. *New York Times*, 26 October, <http://www.nytimes.com/2007/10/26/business/media/26appleweb.html>, accessed 30 November 2010.
- 31 Apple iPod ad on YouTube by Nick Haley <http://www.youtube.com/watch?v=KKQUZPqDZb0>, accessed on 30 November 2010.
- 32 Apple iPad ad on YouTube http://www.youtube.com/watch?v=jHbf5SE_3A&NR=1, accessed 30 November 2010.
- 33 Martinez, J. (2010) Marketing to a community. *CRM Magazine* 14(6): 30–35.
- 34 Zeisser, M. (2010) Unlocking the elusive potential of social networks. *McKinsey Quarterly*, June, https://www.mckinseyquarterly.com/Unlocking_the_elusive_potential_of_social_networks_2623, accessed 30 November 2010.
- 35 Clift, J. (2010) Social media present and future: Insights from Social Media World Forum (SMWF) 2010. World Advertising Research Centre (WARC), April, <http://www.warc.com.simsrad.net.ocs.mq.edu.au/ArticleCenter/Default.asp?CType=A&AID=WORDSEARCH91421&Tab=A>, accessed 30 November 2010.
- 36 Edelman, C. (2010) Four ways to get more value from digital marketing. *McKinsey Quarterly*, March, https://www.mckinseyquarterly.com/Four_ways_to_get_more_value_from_digital_marketing_2556, accessed 30 November 2010.