Editorial

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We are returning, this month, to social customer relationship management (CRM): a topic of increasing interest – concern, even – to business managers. Social CRM, online social networking – and its business counterpart, online business networking – virtual customer management. Even, virtual relationships.

These are all activities to which businesses are devoting increasingly significant amounts of focus, budget, time and resource. Yet the feedback, from conferences, managers and others who have been involved in developing new approaches in this area, is that in many cases it is not entirely clear what is being achieved, what might be achieved, or even whether businesses are yet obtaining any meaningful return on investment from their activities.

This is, in a sense, a continuation of a discussion begun in the last edition of the *Journal of Database Marketing*. In that, we looked at the issues that may confront organisations making use of the new virtual reality provided by initiatives such as ‘cloud computing’ to outsource, as well as the challenges that businesses need to overcome as they attempt to display their ‘cutting edge’ credentials on the Internet by offering a range of services to customers that mimic the current state of the art in respect of social networking.

Our start point in that issue was how service provision and outsourcing intersect. If an organisation is providing services that are not part of its core offering, it needs to rely more and more on others to provide those services and associated software. This, in turn, makes businesses vulnerable to the

performance of others, whose philosophy, culture and even commercial aims are as far removed from the front-line operator as it is possible to be.

While this is first and foremost an issue of management, ensuring that your business is able to manage the services it provides adequately, it quickly blends with other issues around just what the point is of all the online ‘froth’ that now seems to beset otherwise level-headed businesses.

In referring to ‘froth’, we are making a definite distinction from core business activities, which may justifiably be moved online, with consequent reductions in administration and operating costs. If moving 10 per cent to 20 per cent of renewals for a given product online means that a business can put off setting up an entire new call centre operation, that is significant saving. It is also a useful increase in coverage, as it is clear that there are now customer segments that actively prefer to interact and do business online. Failure to provide that facility is effectively to turn down all possibility of winning that business.

In contrast, there are also customer segments that are unlikely to want to interact online at all in the foreseeable future, preferring more traditional means such as telephone or mail as their way of interacting with an organisation. As ever, this sets up strategic choice. To cover the entire spectrum of customer needs, a business must now offer the possibility of interacting through all media.

That is the route that most businesses are expected to take – although some, as always, will take the niche route, actively

deciding to highlight their contact options as a strategic benefit. In the past, operations such as Direct Line used the fact that they did not have a branch network and traded entirely by phone – and later over the Internet – as a means to support claims that they provided value for money. Other businesses, perhaps fewer in number, may take the opposite stance, highlighting to customers that they are a branch-only operation and focussing on the interpersonal service that they provide.

Yes: there is a place for online virtualised products and services. But social networking and its attendant growth area, social CRM, are something else altogether. They seem to be premised on a certain species of trendy optimism – a sort of ‘if we build it, the customers will come’ attitude – which is all very well as pioneering spirit, but may well fail the various tests applied by cold hard business sense.

Having worked on one such project over the last 12 months, I find the business theory seems to be approximately thus: the net is a social space where most of our customers (and potential customers) go at some point in their lives. They like visiting interesting sites and we (the company in question) already have some significant international reputation for our service.

Let us, therefore, build a massive public forum, containing pretty much everything anyone could ever wish to know about our specialist area. The forum would include a range of expert commissioned articles, sponsored blogs, chat boards and moderated forums. The cost of such an enterprise is immense: immensely more, too, than the sort of corporate PR that might have taken place in the old days: newsletters distributed to customers, or, for the more adventurous, consumer-focused organisations, public PR, including events, demonstrations and shows.

For, although the spur to this sort of activity is not dissimilar to the impulse that organisations had, once upon a time, to spend money on ‘good things’ in the hope

that thereby they would find favour with the general public and therefore improve their chances of doing business with them, two things have changed.

First, there is the type of business that might consider indulging in this sort of behaviour. Historically, there are those businesses in which, for good or ill, it was felt that having a high public profile was a necessary support to the bottom line. Alcohol, tobacco and perfume companies all fell into this category – with the first two increasingly involved in high-profile public events as their access to other advertising media was progressively restricted or, in the case of tobacco, choked off altogether.

So too for mass market brands such as Nike or Coca-Cola. If your business model is predicated on millions of regular small purchases by an essentially non-tied customer base, then being out and about in public was more than just ‘good for your image’: it was an essential part of building brand, and as a result, increasing market share.

Evidence is patchy: but it does seem that more businesses appear to consider creating some sort of social net presence to be a useful business tactic than used to indulge in large-scale corporate PR.

At the same time, the effort behind this work is being allocated greater resource, and gaining a higher profile within companies. Again, there were notable exceptions to this pattern: but for many businesses, the business of marketing was about manipulating the tried and trusted major communications channels: TV, radio, press, mail. That was the focus of marketing activity, with other activities receiving budget but otherwise operating outside of, and to one side from, the mainstream.

No more. The shift to social media seems to have been brought about almost by accident: to be the answer to one of those ‘I would not start from here if I were you’ type of questions.

Marketing latched on to social media, because social media and the Internet held out the promise of almost unlimited benefit at near zero cost. For a short while, that may have been true, with budgets set on the basis that the cost of an e-mail campaign included the fixed costs required for copy and design, but that the communication itself cost next to nothing to send.

That is no longer the truth – if ever it was. Design and development of web sites, online forums, e-mail campaigns and similar all now demand cost and investment that puts them, if not on a par with more traditional media, at least well beyond the realms of the ‘free lunch’ they were once thought of as being.

So: the online grew up within the marketing department as the low-cost option. It is no longer low cost. It also offered, originally, access to a new form of direct promotion. However, as Internet function and usage has grown, so the online function within marketing has grown and, even in departments whose primary activity is still focussed on sales and promotion, there now exists a very large, virtual cuckoo, whose entire *raison d’être* is about developing the latest online techniques in ways that will satisfy both customers and non-customers.

The entire edifice has grown, become far larger, far less focussed. One of the main clues to this widening of focus, as explained by Woodcock *et al* in the last issues, is in the fact that online social CRM is no longer aimed at customers, nor even, in many instances, at prospects.

Rather, it is about developing a highly unfocussed, feel-good environment to which customers and non-customers alike may be directed to marvel at both the cleverness and magnanimity of the hosting organisation.

This shift in direction brings many problems in its wake. It means a lot of effort is being focussed in a direction where there

is little measurable benefit – we have been avidly looking for good studies that demonstrate measurable benefit from this use of social media – and where the down side can be considerable.

In terms of results and cost benefit analysis, the entire basis on which these initiatives grew up in the first place is increasingly being questioned. That is, the resource was developed within a culture that talked of Internet presence as a virtually cost-free means to achieve significant customer return. Actual costs and response ratios suggest that this is no longer the case, if ever it was. But still, the ethos remains, leading some companies to continue to invest in their Internet presence almost ‘on faith’.

The non-customer focus is also critical. Maintenance of a web presence, along with functions such as chat or discussion groups, requires considerable monitoring, if the effort is not to pose the ever-present risk of running into serious PR difficulties. McDonalds is a case in point: they continue to maintain significant online presence, with forums on mainstream sites such as Facebook.

Unfortunately for them, they are also the focus of much high politics, with various protest groups – from animal cruelty lobbies to climate change activists – having an axe to grind as far as they are concerned. McDonalds must, in turn, keep an eye on any place where customers, non-customers or even activists may place comment and be prepared to respond – or delete – if the comment starts to get out of hand.

Unfortunately, deletion sends a message of its very own: that McDonalds is not interested in debate. They might argue, on their behalf, that they are not in any way obliged to debate issues with any and every group that has a fancy to take them on: those groups, in turn, can argue back that if McDonalds puts itself out on the web, then it must be prepared to engage with all comers.

In another case study that we published recently, Simon Quance looked at the problems that Toyota faced as a direct result of its failure to follow social media etiquette. In this instance, the problem was one of dealing with customers, as opposed to prospects and beyond.

It is arguable, too, that in this case Toyota did not directly create the issue that threatened to trip it up. However, once more, it was failure to understand the power of social networks and forums, and failure to engage with the online dialogue that tripped the company up.

In 2009 and 2010, there were problems with Toyota's flagship Prius model. Owners started comparing notes across the web. Complaints circulated. A sense of customer unease, both with the product they had bought and the way in which the company was responding to that unease, grew and grew. Toyota, however, continued to ignore the online debate, preferring to respond through traditional media until the moment when the story came off the web and into the worldwide press. At that point, Toyota was quickly forced into the ignominy of a re-call, which, coupled with a wave of negative sentiment, led to a run on their shares that wiped \$34billion from the company's value.

What, then, are the lessons from all of the above? First, online social networking

is an important part of the development of customer thinking today. Companies need to understand it: they also need to have in place the skills and the mindset to enable them to read it and to react swiftly and appropriately as necessary.

At the same time, companies need to start asking hard questions about their own online presence, if any. Why are they there? What is the target audience? And what is this presence doing for the companies themselves?

Is it adding in any way to the brand and reputation of the company? Or is it merely opening a back door into that reputation, sapping resource, focussing effort on activity that is essentially low value, and giving critics a platform from which to attack?

The general trend remains one of companies becoming slicker, fancier, more interesting on the net. The problem with following trends is that sometimes, often, the trend itself satisfies no real business need. So if a company can not really explain what it is doing online, or dabbling in 'social CRM', then there is a very good argument to suggest it should not be there at all.

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