

## Social media and the value of customer network analytics

Social media presence is the current hot topic. Everybody says it's important. But what should the 'social media strategy' *achieve*?

Consider this situation 15 years ago: The 'web' was the hot topic. Every company had to have a website, no matter the reason. You built the web site expecting... what was it exactly? For most brick & mortar companies if you did not do sales or service online, websites had a budget because 'websites were hot'. The only apparent function was to be an online company brochure.

Today's Facebook sites and Twitter accounts are not very different. Think about it – what is your social media budget supposed to achieve? Can you measure it by any other yardstick than 'likes' and 'retweets'?



Well, something is different: Putting up your contact information and talking about your products or campaigns are not adding much value anymore. You probably already did that on your website, where it is likely to get more attention.

### **Social media is not just a broadcast medium like TV – it should not be handled like one**

The problem regarding 'social media' is foremost about perception: Many managers still perceive social media as the new broadcast platform, not as the space where the company interacts and collects actionable information on customers.

On Facebook and Twitter, we create, consume and interact. A corporation has to win the customer on every mouse click, again and again – friends on the newsfeed are vying for attention, so why click on corporate updates?

Think about it: Even when we restrict our social media activity to 'consumption' (just following our friends' posts, not posting our stuff) we tend *not* to visit company pages. Research shows that fans are '40 to 150 times more likely to consume branded material in the news feed than on the [company] fan page'<sup>1</sup>. Are Facebook pages and videos really that interesting that they can compete with photos of a birthday celebration, message from a girlfriend or congratulations on a graduation?

And what do web surfers usually do if they want to find out something about a company: Type up a company name on Facebook, Twitter or Foursquare? I rather suspect a visit to Google is in order.

And how does a company allocate money on social media initiatives? Social media are supposed to be media, so probably the PR or marketing communications department gets the budget. Advertising agencies get the cash. We propose that social media should be a true marketing and service activity: It should have measurable goals tied to revenue, customer satisfaction and ROI.

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<sup>1</sup> <http://mashable.com/2011/11/26/facebook-analytics-fans-report/>

**It is possible to gather customer data from social media, and use that information to take action on increasing offline sales, reduce customer risk or increase customer satisfaction**

Maybe we have to think of a different way to describe social media: It can be characterized as an interactive channel where an immense amount of information about customers can be discovered: It is possible to discover gender, place of birth, residence, number of friends, type and intensity of relations to these friends, where the customer is or where he/she intends to be. There is also a lot of online behavior data that offers clues: If somebody is always commenting or retweeting someone else's posts or if someone is checking into Foursquare together with a friend, the relationship between these two individuals is obviously strong. This data can be leveraged online or offline in a number of ways:

- *For monitoring customer sentiment:* Detect comments about the company and react to those people who are close or influential to other customers. Positive responses can be amplified, negative responses can be reacted to, VIP's can be won over to tour viewpoints. It is possible to detect trends regarding positive or negative sentiment on products or services – the company's own or the competitors'
- *For preventing customer loss (churn):* It is possible to detect influencers and stop customer defections that occur in 'referral chains' - Valuable customers should not be lost due to negative-sentiment referrals by close friends or relatives.
- *To increase customer-lever revenue or decrease financial risk:* Leverage customers to power referral programs or detect patterns among your customers that would amount to customer credibility risk.

In order to meet these ends you will have to:

1. Gather appropriate social media data and match it to company customer data
2. Find relationships among customers
3. Determine the reach (number of friends, friend's friends etc.), influence (amount of responses, retweets etc.) and sentiment of customers
4. Create a model that puts a context dependent (sales, churn or risk value) financial value on the customer so it is possible to act with an appropriate tool (promotions, phone calls, credit approval or refusal etc.)

**Don't focus exclusively on just social media: In-house can be used to discover relationships between customers**

Look at in-house customer data again and ask yourself this question: What has the company done to detect networks among customers? Do banks track who holds joint savings accounts, credit cards to leverage this for credibility or marketing information? Do repetitive payments of two customers at roughly the same time signify a relation? Do Pay-Tv companies use second names and detailed addresses to discover who is in the same household or who is related?

This data can be leveraged to build a customer relationship network with just in-house data.

**How does customer network analysis and social media relate to the big CRM picture?**

Social media is a treasure trove of information about customers, potential customers and the relationships between them. So tune out the 'broadcasting' hype and tune into the targeted relationship management opportunities on the social media and on the in-house customer database.