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For more information on this study and Avanade's CRM expertise, please visit www.avanadeadvisor.com/CRMSocialmedia.

CRM and Social Media: Maximizing Deeper Customer Relationships

Attracting and retaining customers, and growing customer relationships, have always been top priorities for business. But in a globalized economy it is more critical – and challenging – than ever to build vibrant customer relationships across geographies, industries and at all levels throughout organizations.

An independent market research firm recently completed a groundbreaking global survey of companies and how they use social media technologies to attract and retain customers. Several key themes emerged:

- ⇒ Social media technologies have the potential to transform the way companies build and manage relationships with their customers.
- ⇒ Apathy, fear and uncertainty – more than costs – are preventing companies from formally adopting social media technologies.
- ⇒ Social media technologies are invading the workplace undetected. Companies know this, but most have no formal plan to manage them.

Companies that understand the impact of these trends can improve their competitive position in the market. Those that do not adapt to rapid changes or move fast enough to respond to those changes will lose customers and fall behind in the market.

Social media technologies are reaching a turning point – no longer lingering outside the domain of IT departments. Facebook, LinkedIn, blogs, wikis, instant messaging, live Web chat, short-text blogging such as Twitter, and user comments such as product reviews and submissions to sites such as Digg have combined to create a powerful means of communications, collaboration and knowledge sharing for large and small businesses.

The study by [Coleman Parkes Research](#) revealed the following data:

- ⇒ More than 75 percent of companies worldwide admit that social networking will come into the business undetected if not proactively managed.
- ⇒ Approximately 60 percent of respondents say integrating social media technologies is not on the agenda.
- ⇒ Only 18 percent of respondents have any kind of strategy in place to integrate these technologies within the company for employees.



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The key barriers to adoption of social media technologies are:

- Concerns about security (76 percent).
 - Senior management apathy (57 percent).
 - Fear of using unproven technologies (58 percent).
 - Half of companies fear a negative impact on productivity.
- ➔ 58 percent of companies agree that senior managers do not understand the potential that social networking offers both for employees and customers.
 - ➔ Two-thirds of companies see improved customer satisfaction from the adoption of social media and 64 percent report an improved reputation in the marketplace.
 - ➔ Already 2 in 5 companies can directly associate an increase in sales with the move to using new forms of media.

The full findings of the study, conducted by Coleman Parkes Research on behalf of Avanade, underscore the unprecedented confluence of social media and customer relationships.

The “CRM and Social Media: Creating Deeper Customer Relationships” study examines fundamental factors shaping the impact of social media on company performance and customer relationships, including user adoption, customer engagement, barriers to deployment and employee retention. The full report covers three major areas of social media technologies in a business setting:

- ➔ Social Media Technology Use by Employees for Business Communications
- ➔ Social Media Technology Use by Customers with Companies
- ➔ Company Use of Social Media in Customer Relationship Management

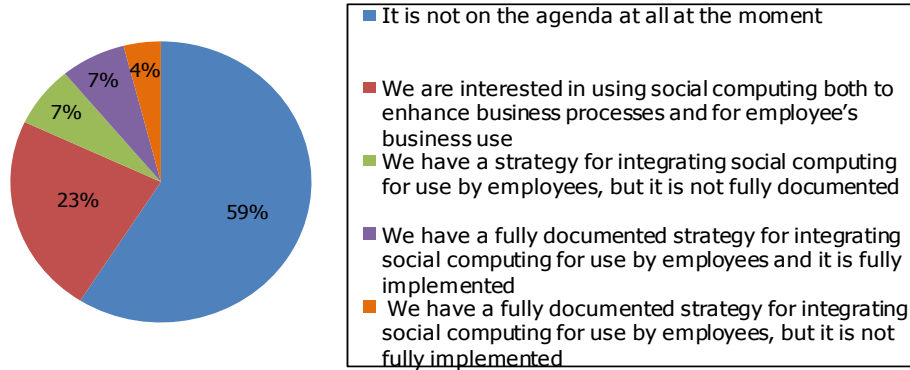
This study was conducted in May 2008 and includes 541 phone interviews with top executives that include senior management, lines-of-business management, IT managers and customer service, sales and marketing executives at the top 500 companies in each country. Countries that took part in this research include:

- ➔ Western Europe: Italy, Netherlands, Spain, Britain
- ➔ ASG: Germany, Switzerland
- ➔ Gallia: France, Belgium
- ➔ Nordics: Denmark, Sweden, Norway, Finland
- ➔ North America: Canada, United States
- ➔ Asia Pacific: Australia, Japan, Singapore

Top-Line Findings

Social media is storming the workplace, often undetected, through a grassroots movement by employees. While business management is aware of the trend toward social media, most have no plan in place to manage the formal adoption of these technologies. With respect to the approaches being taken to integrating social media technologies in the company for access and use by employees, there is a clear message that things are only just starting (Figure 1). Over half of companies (59 percent) have yet to put social media on the corporate agenda.

Figure 1



The survey highlights apathy at the executive level, particularly prevalent in Western Europe, to utilize social media within organizations. Moreover, the results suggest that IT staff fear a loss of control and security risks to their infrastructure. Fear at the IT level is especially strong in Germany and Switzerland. Finally, concerns over productivity loss due to social networking are highest in Asia Pacific countries and North America (see Figure 2). Together, these factors – apathy, fear and concerns over productivity – have caused organizations to turn a blind eye to the ongoing invasion of social media in the enterprise. However, early adopters are reporting improved customer relationships, better corporate reputation and increased sales. Businesses face competitive risks if they fail to embrace the technology going forward in a controlled and strategic manner.

Figure 2

Barrier (all figures in percentages)	All	NA	WE	ASG	Gallia	Nordics	APAC
The cost	46	37	48	40	38	50	57
Fear of using unproven technology	58	53	52	80	63	63	60
Fear of a negative impact on productivity	49	65	45	20	25	42	67
We are waiting for better technologies	33	19	36	20	31	45	30
I do not understand how we can benefit from them	30	32	31	70	38	19	33
Concerns about security	76	79	69	70	69	78	83
Senior management apathy – they do not understand it	57	61	62	40	75	50	50

Key Data: The Business Impact of Social Media Technologies

Although today's use of social media technologies is limited, there is evidence that companies see great benefit in their use, which will drive better use of the technologies going forward. Overall, the main benefits mentioned by customers (see Figure 3) include improved feedback (78 percent overall); creating a perception of the company as forward looking (75 percent overall); and, the reduction in time to resolution for support issues (71 percent overall).

Additionally, 40 percent of companies (47 percent in North America) can already associate an increase in sales with the move to using new forms of media.

Figure 3

Benefit (all figures in percentages)	All	NA	WE	ASG	Gallia	Nordics	APAC
Improved feedback	78	86	72	80	81	78	67
Greater customer satisfaction	66	65	57	70	69	73	60
Reduction in time to resolution for support issues	71	83	69	60	58	64	77
Improved/increased sales	40	47	40	30	31	42	27
Creating a perception of the company as forward-looking	75	84	69	70	75	81	57
Improved market reputation	64	70	62	60	50	67	60

Key Data: Benefits of Social Media on Customer Relationship Management

Social media technologies have the potential to transform the way companies build and manage relationships with their customers. And, in today’s economic climate, it is becoming increasingly important for companies to find new ways of adding value to customer interactions. Figure 4 shows a high-level of agreement across all regions, especially strong in North America, that “as we enter a possible economic downturn we need to focus on new ways of communicating with customers who add real value.”

In addition to providing a new channel for customer contact, 77 percent of all companies also agree that social media will allow them to add new value to their customer interaction – a clear indication that social media technologies play a major role in customer relationship management. Two-thirds of companies also feel that social media technologies provide an excellent means of uplifting customer relationships.

The study clearly shows that social media technologies have an important and positive role to play in the enterprise. Companies can already articulate some key benefits and those that have implemented the technologies report significant business impact. As more companies begin to implement, the benefits will grow as new ways of using the media come to light.

Figure 4

Statement (all figures in percentages)	All	NA	WE	ASG	Gallia	Nordics	APAC
Social media is the next major step in collaborative activities and technology for a business	61	67	69	63	61	55	48
Social media is simply a young persons technology with limited business appeal	24	14	23	17	15	32	41
Companies that fail to embrace social media technologies for business purposes will be left behind	52	62	55	46	46	55	29
Social media will become a key communications activity with customers	61	75	66	34	63	59	41
As we enter a possible economic downturn we need to focus on new ways of communicating with customers which add real value	78	84	82	60	71	79	74
Social media technologies provide an excellent means of uplifting our customer relationships	64	70	75	43	76	65	40
Social media will allow us to add value to our customer interaction	77	80	83	69	83	84	55

Key Data: Introducing Social Media Into the Enterprise

Along with clear business drivers for the use of social media technologies, there will be added pressure to implement these technologies to meet employee expectations and needs. Almost all companies (89 percent overall) agree to some degree that the new generation of employees coming into the business will drive increased use of social networking technologies within a business context.

With risk-averse management and an influx of new employees bringing these technologies into the workplace, managing the introduction of these technologies is critical. Figure 5 reflects both the opportunity and challenge facing

the introduction and use of social media technologies in the enterprise. More than three-quarters of all companies agree that social media will come into the business undetected if they do not proactively manage it.

However, a lack of understanding from senior managers is creating a challenge to the introduction and use of social media technologies. Nearly 60 percent of companies agree that senior managers do not understand the potential that social media offers both employees and customers – a typical reaction that has been seen many times over with the introduction of new technology in a business context. If senior management fails to embrace social media, it will still be used in an organization in an uncontrolled fashion.

Figure 5

Statement (all figures in percentages)	All	NA	WE	ASG	Gallia	Nordics	APAC
Senior managers in the company do not understand the potential that social media offers both for employees and customers	58	64	58	46	68	56	49
Social media will come into the business by stealth if we do not proactively manage it	77	81	68	80	73	87	71

Collectively, this key data shows the benefits and barriers for adopting social media technologies in the enterprise. Risk-averse management teams are holding back their businesses, while respondents acknowledge that companies must modernize or lose out on staff, and more importantly, customers and business growth. And IT’s fear over unproven technologies and security risks is not helping the situation. The drive to adopt these technologies must come from business leaders in order to achieve long-term success.

Avanade Perspective

Traditionally, companies have used CRM technologies to interact with customers in a narrow, highly prescribed way that focuses primarily on transactions: structured processes, contact data, efficiency and cost.

As seen in the “CRM and Social Media” study, relatively few companies are taking steps to adjust their strategies and technologies to improve the customer experience, foster deeper relationships, and build brand loyalty at a time where the technology exists to fundamentally change the nature and quality of the customer relationship in many industries.

The emergence of new social media technologies gives businesses the opportunity to change the way they relate to customers, shifting the focus from managing transactions to building deeper relationships. Businesses can apply social networking and related technologies to reach a new level of internal and external collaboration in a variety of business

scenarios, including customer contact centers, online marketing and direct sales.

Social media technologies provide the ability to communicate immediately with customers and employees and build customer relationships across geographies, industries and throughout organizations.

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Avanade believes that social media technologies will allow companies and customers to establish a deeper relationship that empowers the customer in new ways and pushes both parties to a more rewarding level of engagement.

Companies that understand the impact of these technologies can improve their customer relationships, corporate reputation and increase sales. Those that do not make plans to formally adopt these technologies can lose customers and fall behind in the market.