

The impact of CRM 2.0 on customer insight

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Abstract

Purpose – This paper aims to look at what CRM 2.0 is and how it impacts customer insights. It will show how CRM 2.0's incorporation of social tools and strategies with traditional operational functions meets the demands of twenty-first century "social" customers.

Design/methodology/approach – The paper presents a combination of independent research by the author for the last decade and third-party sources. This means direct client consulting, interviews with senior corporate management and copious access to expert sources and documents.

Findings – The new breed of customer requires corporate transparency, authenticity and interaction. To affect this intelligent, aggressive social consumer, richer insight than that of the past is necessary. CRM and social tools use combined provides the capability for this insight.

Research limitations/implications – CRM 2.0 as a fully integrated strategy and system remains immature, though the integration of CRM traditional technologies with social networks is ongoing and increasingly coexistent. CRM 2.0 thus must be seen as strategically maturing but technologically immature.

Practical implications – Any company that understands that their customers are demanding something more and different will adopt CRM 2.0 strategies to gain greater insight into their customers and to support creation of mutual value.

Originality/value – By systematically providing an understanding of how contemporary customers act and what they demand and how CRM 2.0 satisfies that, this adds to contemporary scholarship and modern business practice.

Keywords Buyer-seller relationships, Social networks, Customers, Management strategy

Paper type Viewpoint

Introduction

Customer relationship management (CRM) is reaching a strategic apex. Despite a history of traditional CRM failures, CRM has become an essential part of business, especially large enterprises, and it is gaining increasing interest from smaller and mid-sized businesses. However, in 2007, with a substantial escalation in 2008, CRM began a transformation, now named CRM 2.0 or social CRM, from a strategy that was focused on customer transactions to a strategy that incorporated both customer transactions and customer interactions – if successful, something that would add greatly to the information needed for customer insights.

Much of this transformation was fuelled by the social communications revolution that drove huge changes in how especially younger generations communicated with each other and institutions. Preferred devices changed, as did the actual channels of communication. For example, in 2007, for the first time, the USA had more cell-phone only users than landline-only users (Arthur, 2007) – the bulk of this change being driven by younger users. But even more telling than that was a study that showed that in 2006, Generation Y crossed a new threshold, spending more time on the internet (12.2 hours per week) than watching television (10.6 hours per week) (Schadler *et al.*, 2006) – a trend that has continued.

It is indicated in many other ways too. There have been 133,000,000 blogs indexed since 2002, (Sifry, 2008), nearly two trillion SMS text messages were sent worldwide in 2007 (Ingelbrecht *et al.*, 2007) and, according to Comscore, Facebook, the premier external social network, had 200,000,000 unique visitors in the month of December 2008 alone. These numbers reflect a new way of communicating that transformed not only how customers and companies interacted, but also the use of a new approach to knowledge as a source for customer insight.

Social networks have been one of the key reflections of this transformation. The Pew Internet Project Data memo for December 2008 (Lenhart, 2009) found that adult participation (over 18) in social networks rose from 8 percent in 2005 to 35 percent in 2008. This was characterized by participation in Facebook, MySpace, Orkut and other external social networks, at the same time multiple companies were developing their own communities specific to their practices or interests. Through the use of these networks and other digital technologies, communication became global and real-time. What was also uniquely important was that the means to share knowledge became simplified as free or inexpensive tools that allowed both internet access and easy uploading of information became commonly available. Diigo, a social bookmarking tool that has gained a popular following, is an example of this. The low cost of these tools, and their easy availability, changed individual expectations. Individuals, especially the Gen Yers entering the workforce, began expecting the institutions that they worked for or did

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business with would provide them with the tools and the permission to use them (Trunk, 2007).

Business was not ready for this change. Customers reached out to sources other than the business itself, to understand how to engage with that business. Companies had to figure out new ways to engage those customers. Capturing purchase histories and identifying buying patterns of customers was no longer sufficient. Insight gained through traditional transactional data no longer satisfied the knowledge required to satisfy the company's response to the empowered customer's demands.

Discovering the conversations that those same customers were having about them and other relevant matters – both inside and outside the firewalls of the company – is now more relevant than ever because the customers are acting on those conversations – and affecting business.

As the economy plummets, the desire to retain profitable customers deepens. But that desire comes at a time when the customers themselves are not only reducing spending, but they are also more empowered. What drives this empowered customer is greater selection choices, peer trust, and instantaneous access to knowledge – most often available through third-party sources. In other words, they don't have to rely on a particular manufacturer, distributor or retailer for information on a product or service offered. In fact, nearly identical products and services can be found through multiple competitive companies via multiple channels.

With the mainstreaming of e-commerce through sites like Amazon and the business-friendly pricing of courier services like UPS, Federal Express and the Post Office, geographical convenience is not an issue or a differentiator as much as it once was.

What all this means is that the customer is now in command of the business ecosystem – a profound shift that took place in 2004 when how and who the customer trusted changed.

As it was well put in the influential book, *The Cluetrain Manifesto*:

Markets are conversations [...] The community of discourse is the market. Companies that do not belong to a community of discourse will die (Locke *et al.*, 2000).

There has been anecdotal evidence that companies unwilling to understand this have been damaged. NBC Universal felt the wrath of this new marketplace in 2006:

NBC Universal announced sweeping cuts to its television operations yesterday, demonstrating just how far a once-unrivaled network must now go to stay competitive with YouTube, social networks, video games and other upstart media[1].

Those sweeping cuts were 700 personnel and \$750 million dollars in budget reductions.

This shift signaled that the customer was no longer the object of a sale but instead defines the subject line. The customer is now a social customer (Carfi, 2008)[2]. It is that social customer who drives the need for CRM 2.0 (Greenberg, 2007).

CRM 2.0 provides the strategies and tools for new levels of customer insight – the kinds of insight that allow customers to personalize their interactions and experiences with companies – who can profit from those experiences (Pine and Gilmore, 1999). The company and the customer co-create the knowledge necessary for insight. Often, the customer

willingly provides insight to the company if they can see the benefit to them.

In order to understand what CRM 2.0 offers to help further customer knowledge within the organization, the new breed of customer has to take center stage.

Who is the social customer?

Social customers are not the customers of yore. They trust their peers, are connected via the web and mobile devices to those peers as much of a day as they would like. They expect information to be available to them on demand and at the same time have the tools and the desire to share and socialize that information with those same trusted peers – whether they actually know them or not. They require transparency and authenticity from their peers and the companies they choose to deal with[3]. They get a feeling of some connection to the company and, most likely, rewards for their efforts on behalf of the company. Their loyalty is attitudinal, not just behavioral. If things go well, they become advocates.

The core driver of this relationship is trust.

Transformation of trust reflects the change in the social environment

In 2003, there was nothing to signal that a change in how people trust was about to occur. The Edelman Trust Barometer, long a most credible source for defining trusted relationships among individuals and institutions, found that, in 2003, “a person like me” was considered the most credible spokesperson by only 22 percent of their respondents. (Edelman Research, 2003).

But in 2004 something changed. By 2004, “a person like me” had leapt to the number one position, with 51 percent of respondents considering that someone the most credible spokesperson. In 2005 this became 56 percent and in 2008 it climbed again to 60 percent. In that same time period trust in outside experts, corporate leaders, and government institutions fell precipitously. In a single year, the boundaries and nature of trust had transformed, and that had a lasting impact on businesses and how they interacted with customers.

People who had similar ideas and interests began to go to each other as the source of information and knowledge about products and services. Sites like Yelp, Epinions and Planetfeedback grew exponentially and became a major source for consumers interested either in buying products or engaging a company in some way – be it a restaurant they wanted to go to or a company they had a customer service issue with that they wanted to discuss. The sources for conversation had shifted to peer-related online social networks and communities tied together by advances in technology.

Technology advances communication

Google played a major role in the transformation of the customer by its democratization of information. The ability to use a freely available tool to search hundreds of millions to billions of indexed web pages in less than a second eliminated the need for what had been expensive search products whose cost was well beyond the reach of the ordinary consumer. Anyone had access to incredible amounts of information at anytime at their fingertips in a format that, while not sexy, was easy to understand. The exponential growth of internet search, with Google alone reaching nearly 500 million unique

visitors in just the month of November 2007, was a significant indicator of just how much this change had affected a remarkably large part of the population. Nicholas Carr, in *The Atlantic* of July/August 2008, paraphrasing Marshall McLuhan, rightly points out that while the internet is becoming a universal medium for information gathering, it is not just a passive channel of thought, but also shapes the process of thought (Carr, 2008). Its effect on customers was to create more intelligent customers with easy access to information that eventually could – and would – be shared.

The explosion of industrial-strength mobile devices like the Blackberry added fuel to the fire. Not only was communication possible untethered to a desk or a single location in multiple formats – voice, e-mail, and text messages – but with mobile search applications, information could be found anywhere anytime via the web. Generation Y, also called the Millennials, utilized mobile devices without reservation or fear, unlike any generation in history.

These are two technology tendrils. Their combination in conjunction with the social changes occurring in the early part of the twenty-first century, proved to be the among the more important reasons there is now a social customer and not just the more passive version of the twentieth century.

Social change: the effect of corporate financial scandals

The type of corporate financial scandals that were associated with the 2001 collapse of Enron, in combination with the more recent collapse of many of the formerly revered, now reviled, Wall Street financial services institutions, destroyed trust in companies and their leadership in a matter of a few short years. Customers began to look elsewhere for who they trusted when it came to business relationships. In fact, the 2008 Edelman Trust Barometer found that when it came to information from the CEO of a company, only 23 percent of its US respondents trusted the CEO. Not much better, 41 percent trusted product marketing or advertising materials.

This came with the simultaneous entrance of Generation Y, also called the Millennials, into the workforce[4]. What makes this significant is that they are the first generation who grew up communicating significantly and *ordinarily* via the internet and were as comfortable with its use as their parents were with a telephone. Also, they are 76 million strong in the USA – as large a generation as the Baby Boomers who grew up in the 1960s and 1970s.

Gen Y is also a proactive generation. They communicate in ways that are comfortable for them and expect that they will be provided the tools to do that. (See Table I for how they gather information and communicate). This isn't just technology-savvy. Millennials use technology in an unexceptional way because it is how they live. This isn't "cool", It is just "is".

That very "ordinariness" is impacting how business is conducted, how information is gathered, and how it is then shared. Generation Y is a generation that has different expectations than Generation X or the Baby Boomers, but is having an effect on how those other generations communicate and share knowledge. For once, the parents are listening to their kids.

The social customer arrives

This decrease in trust of institutions and increase in trust in "someone like me" transformed the way that the customer thought about doing business – not just the processes.

Table I Gen Y use of the internet

	Percentage
Own a computer	97
Own a cell phone	94
Use Instant Messaging	76
IM users logged on 24 hours a day/seven days a week	15
Use websites as their primary source of news	34
Author a blog	28
Read blogs	44
Download music using peer-to-peer file sharing	49
College students with a Facebook account	75
Own some type of portable music and/or video device such as an iPod	60

Source: Junco and Mastrodicasa (2007)

The customer of the twentieth century became the social customer of the twenty-first century. They are customers who feel compelled to share information with peers they might never have met but who are "someone like them". While multiple pundits in publications everywhere laud the onrush of user generated content (UGC) as something revolutionary, it really isn't. When someone showed their 8 mm family day at the beach on a rickety screen one Saturday in 1953 they were showing user-generated content. What makes today's social customer truly different than his ancestors is that *they can share* the digital version of that photo, review, or video with the click of a button.

While producing video, audio and other rich media is easier than ever, as is commenting, the true value lies in the ability to take that content and put it in a public place that can be seen by millions.

For example, in 2006, when Research in Motion (RIM) decided to release the Blackberry Pearl, their first truly consumer friendly device via T-Mobile, the photos, videos and even the embargoed press release were leaked to popular consumer technology blog Engadget in July, prior to the planned September release. Within 24 hours there were 600,000 Google references to "Blackberry Pearl" – a level of buzz that couldn't be bought at any price. Sharing the photos, videos and other information – problematically not with their permission – helped RIM sell out the first run of Pearls immediately upon its greatly anticipated release.

Quick case study 1: Slideshare.net

For example, Slideshare.net is one of the most prolific aggregators of PowerPoint slides in the world. There are millions of slideshows with the most viewed, "Shift Happens", viewed nearly 741,000 times in a two- year period. What makes this such a well regarded social network and highly trafficked community is the ability to interact online with the presenters who are posting their content freely. The features for sharing used by Slideshare.net are commonplace:

- comments;
- favoriting;
- social tagging;
- freely available embed codes for playing on other sites;
- freely available URL to link back from other sites;
- the ability to download the presentation at the owner's largesse;

- uploading the presentation with a large number of options on how much sharing is to be allowed;
- some tracking capabilities to see where the slideshow has been played if embedded on other sites; and
- featuring chosen presentations in a separate homepage spot for greater visibility.

Registered members can watch a PowerPoint presentation, favorite it, comment on it, and share it with others if they find it valuable. They can directly query the author. If the author grants permission, they can download the presentation. Uploading of a presentation is a matter of hitting an “upload” button and locating the file to be uploaded. Slideshare.net provides a venue for the social customer to share intellectual property freely, though ownership still remains in the hands of the producer. It is a wildly popular site that is called by some “YouTube for old people”.

Quick case study 2: Yelp

Very different, but similar in principle, is the social review site Yelp. Yelp is a business review site that is organized around geographic proximity. According to Quantcast[5], Yelp has approximately 4.8 million monthly visitors, making it the 247th most trafficked website in the world. On Yelp, it is typical to find restaurant reviews, bookstore reviews – in fact, any kind of brick-and-mortar store, based on its community location. What makes Yelp so popular is that it not only has the basic static information about the location – in the case of a restaurant, the name, address, cost, dress code, and map – but also reviews with comments and starred rankings about the location. Often the reviews are highly detailed and of a professional quality. They can be driven by what is likely to be some sort of vendetta or extreme dislike, but this far less frequent than the more helpful reviews that predominate. Yelp recently released an iPhone 3G application that uses the GPS locator to find the restaurants *et al.* in the local area identified by the iPhone embedded GPS device.

Yelp is an aggregation site. It aggregates opinions and rankings by the tens of thousands and even millions. This method of coming to a smart conclusion using aggregated information from thousands of people is called “crowdsourcing.” It emerged popularly with the publication of best seller *The Wisdom of the Crowds* (Surowiecki, 2004) with James Surowiecki’s theory that under certain conditions, the solutions to problems are better or the answers to questions more accurate when they come from a large group of people rather than an individual specialist.

These are not formal reviews with rigid specifications or review criteria. They are informal and their language is conversational. Certainly there are agendas being met by some of the reviewers. But when taken as a whole and read granularly, each of the product reviews and the picture painted of the product affects whether or not someone reading the review would purchase the product.

The social customer participates

The most powerful form of influence is word of mouth with consumers (BigResearch, 2007) – once again, conversation among those who are “someone like me”. Pragmatically, enterprises see that external social networks particularly review sites like Yelp or customer feedback networks like Planetfeedback have become a primary place where the word of mouth influencers congregate. These conversations among customers are out of the hands of the company. Blogs, text

messaging, participation in threaded discussions on forums, comments on the social sites and even satirical videos are part of the mix of tools they use to communicate their thinking – often about those very same businesses.

The social customer is a participant in the relationships they have with companies. They have their peers to strengthen their case if there is a problem or to speak well of the company if they have a delightful experience. They are not passive. Their participation is a pre-condition for their support of the business. This is a self-interested act.

Traditional CRM tools are not adequate to engage this vibrant social customer. The needs of the company to increase organizational knowledge or the stickiness of the customer cannot be met by transactional data.

With the increased demands for transparency and the desire of the customer to participate in the creation of their own experience (Prahalad and Ramaswamy, 2004), new tools and strategies need to be developed. CRM 2.0, often called social CRM (Leary, 2008) is a newer science of business designed to do that.

What is CRM 2.0?

CRM traditionally has been seen as a set of philosophies, strategies, systems and technologies that would effectively and efficiently manage the transactions of customers with companies and the subsequent relationships with those customers (Greenberg, 2003). It looks at how the impact of process transformation, culture change, automation through the use of technologies and the use of consolidated data for customer insight support this. Even though it began under a cloud with reports of high failure rates, it remains an incredibly important strategic option for most large companies and a substantial portion of the mid-sized and small business market.

The market size is growing and expected to grow even as the recession runs its course, largely because CRM provides a strategy that goes to the core concern that companies have during economic downturns – keeping customers.

For example, AMR Research estimated the CRM software revenues for 2007 to be \$14 billion, an increase of 12 per cent over the previous year (Bois *et al.*, 2007). Even with the harbingers of the current horrific market conditions, AMR projected a \$22 billion market in 2012, a 36 percent growth rate. Slightly less optimistic but still substantial were the Gartner July 2008 numbers which said that the 2007 CRM software license revenues were \$8.8 billion and projected to be \$13.3 billion by 2012.

These numbers reflect primarily traditional CRM software – not a growing CRM 2.0 market.

The differences between CRM and CRM 2.0 at its highest level are reflected in comparing well-accepted definitions of each. First, the traditional CRM definition:

CRM is a philosophy and a business strategy supported by a system and a technology designed to improve human interaction in a business environment.

Contrast this with the following:

CRM 2.0 is a philosophy & a business strategy, supported by a technology platform, business rules, processes and social characteristics, designed to engage the customer in a collaborative conversation in order to provide mutually beneficial value in a trusted & transparent business environment. It’s the company’s response to the customer’s ownership of the conversation (see <http://crm20.pbwiki.com>).

The 2.0 revamp of CRM implies the existence of a fundamentally different customer paradigm, but at the same time recognizes the need to continue the operational and transaction-based capabilities of CRM. What it adds are social features, functions, processes, and characteristics that address the interactions between the customer and his or her peers and the customer and the company with its suppliers and partners. Table II highlights the differences between CRM and CRM 2.0.

There is a social customer. There is a newer version of a business science called CRM 2.0 that is aimed at answering the requirements of that social customer. But to do that in a way that increases return on investment, insight into these increasingly intelligent customers is necessary so that they can get the tools and experiences that they need to meet their own self-interested agendas.

A new kind of customer insight

True customer insight has been elusive for most companies. CRM tools, which were purported to help, were actually not

that successful in supporting any sort of actual knowledge of individual customers. As a management tool, the best CRM was able to provide was metrics that concerned what the monetary value of a customer over a lifetime was for a given company – giving that company a rough idea of the kinds of resources they needed to invest in that present or future high- or low-value customer. The early version of a CRM Holy Grail had little to do with customer insight and much more to do with customer data and records. That was the misnamed “360 degree view of the customer” – a single customer record of all sales, marketing and customer service transactions made available as a unified record to those who needed to access it across all departments of a company. In fact, much of CRM software core data functionality during the earliest part of the millennium was devoted to unified record or data management, best represented by the 2004 release of Siebel’s Universal Customer Master (UCM). Because of the complexity of this issue, an entire field devoted to unifying all customer data from multiple sources, customer data integration (CDI)[6] became a lucrative revenue source for multiple consulting organizations. This data strategy and

Table II Differences between traditional CRM and CRM 2.0

Traditional CRM features/functions	CRM 2.0 features/functions
Definition: CRM is a philosophy and a business strategy, supported by a system and a technology, designed to improve human interactions in a business environment	Definition: CRM 2.0 is a philosophy and a business strategy, supported by a system and a technology, designed to engage the customer in a collaborative interaction that provides mutually beneficial value in a trusted and transparent business environment
Tactical and operational: Customer strategy is part of corporate strategy Relationship between the company and the customer was seen as enterprise-managing customer – parent to child to a large extent	Strategic: Customer strategy is corporate strategy Relationship between the company and the customer is seen as a collaborative effort. And yet, the company must still be an enterprise in all other aspects
Focus on company <> customer relationship	Focus on all iterations of the relationships (among company, business partners, customers) and specifically focus on identifying, engaging and enabling the “influential” nodes
The company seeks to lead and shape customer opinions about products, services, and the company-customer relationship Business focus on products and services that satisfy customers Customer-facing features – sales, marketing and support	The customer is seen as a partner from the beginning in the development and improvement of products, services, and the company-customer relationship Business focus on environments and experiences that engage customer Customer-facing both features and the people who are in charge of developing and delivering those features
Marketing focused on processes that sent improved, targeted, highly specific corporate messages to customer	Marketing focused on building relationship with customer – engaging customer in activity and discussion, observing and redirecting conversations and activities among customers; participating in those conversations
Intellectual property protected with all legal might available	Intellectual property created and owned together with the customer, partner, supplier, problem solver
Insights and effectiveness were optimally achieved by the single view of the customer (data) across all channels by those who needed to know. Based on “complete” customer record and data integration	Insights are a considerably more dynamic issue and are based on customer data, customer personal profiles on the web and the social characteristics associated with them, and customer participation in the activity, acquisition of those insights
Resided in a customer-focused business ecosystem Technology focused around operational aspects of sales, marketing, support	Resides in a customer ecosystem Technology focused on both the operational and social aspects of the interaction
Tools are associated with automating functions	Integrates social media tools into apps/services: blogs, wikis, podcasts, social networking tools, content-sharing tools, user communities
Utilitarian, functional, operational Mostly uni-directional Presumes for customer regularly	Style and design also matter Always bi-directional Integrates “voice of the customer” into all facets of planning from strategy on

Source: CRM 2.0 Wiki[7]

functionality remained coherent with the value proposition of traditional CRM – a data-driven, process centric methodology, strategy, and business model that gave corporate senior leadership new transparency into their internal customer-facing organizations and activities.

The problem was – and is – that somewhere along the way, this data accumulation became a substitute for judgment and insight. It also became a substitute for actual conversation with customers. Customer insight became a determination of what was necessary to upsell or cross-sell an existing customer or to acquire new customers. For example, a Charles Schwab representative at the 2003 PeopleSoft conference thought they were successful because they increased the average number of products the customer owned. They never spoke publicly of whether they were the right products or not for those customers. The number (transaction) was king.

However, as the social customer began to take control of the conversation in the marketplace (Locke *et al.*, 2000) – and thus their own consumer “destinies” – the criteria for insight changed. But because the conversations were occurring on a much larger scale and in a more visible way, the opportunity to capture and aggregate the knowledge with the customer’s consent grew exponentially.

But note here, the opportunity grew, but companies didn’t take advantage of it at all. A 2009 CMO Council sponsored Satmetrix study found that 56 percent of the 400 executives surveyed said their companies had no programs in place to track word of mouth activities, and even less – only 36.6 percent of the same executives – said that they had programs to gather insight from customer engagements – leaving the opportunity in the ether. (CMO Council, 2009)

CRM 2.0 can provide the tools and strategies for meaningful, accurate customer insight. Rather than attempting to learn something emotional from a customer record, it can change the face and nature of what information is gathered, what companies can learn from that information and how they can apply that information. The information includes the nature of conversations about the company by an individual customer, customers associated with an account, or discussions going on in the general population about a company or circumstance. It also means measuring the emotional temperature of a customer or group of customers concerning the company as a whole, events associated with the company or subjects of interest to the company. At one level, the knowledge needed draws on information that can emanate from the more traditional, relatively static, internal and even from external knowledge bases such as Reuters. But there is an entirely new class of tools evolving around social media monitoring that are being tied into CRM systems. Helpstream for customer service, InsideView product SalesView for sales, and Radian6 for marketing are among the better-known tools. The value of these tools is their ability to tap millions of sources including traditional sources, profiles from external social networks like Facebook, MySpace or LinkedIn, threaded discussions from forums, communities that are organized around specific interests or practices and even internal sources such as knowledge bases or wikis. The more advanced tools use sentiment analysis and incorporate business tools and workflows so that they can identify and scrape the most valuable information, but also determine the emotional tone, based on sophisticated text analysis tools such as SAP Business Objects Insight.

So not only are valuable data parsed but the emotional level of the discussions going on are taken into account which gives a much richer picture of the subject matter of interest and can make the information gathered actionable in real time.

This is a burgeoning field. Social media expert Nathan Gilliat estimates that there are 170 vendor providing “social media analysis” software or services in this space[8].

These tools would not be significant if they weren’t used by businesses to gain greater insight into their customers as individuals – or if used as internal learning tools, to gain greater effectiveness in closing a sales deal.

Five components for customer insight

There are five primary components that need to be considered to garner the kind of information necessary enhance the learning capabilities of any business about their customers (Greenberg, 2009).

Data

This is the not just the transactional data that traditional CRM feasts on. Purchase histories, returns, visits to e-commerce sites or websites and time spent on different pages, marketing response to campaigns, and data on customer service inquiries and problems are still a necessary part of the totality of the data that needs to be incorporated, but they are no longer the only data. The customer record and more traditional external data such as competitive corporate data from Reuters is now being combined with information from individual profiles, data parsed through text analysis from threaded discussions, blogs and the conversations going on in social networks and user communities. This adds an important dimension to the more static transaction data and corporate information.

Sentiment analysis

This is used to take the emotional temperature of individuals and groups. It looks at customer attitudes positive, negative or neutral at a particular moment or changes in attitude over time. It can also be used to measure how the effects of the attitude propagate through social networks and communities. One example of an application that is used in the market at present is SAP’s Twitter analysis tool that finds customer service discussions around a particular company or topic on Twitter and measures how positive or negative the discussion around the idea or company is. If it reaches a certain pre-determined (through application of business rules) threshold, an alert is triggered through workflow and the appropriate authority is notified to take action. This also provides significant additions for the customer service records that would otherwise not have been available.

Social media monitoring

Social media provides a rich source of information, with over 100,000,000 blogs and innumerable threaded discussions in forums in addition to public communities and external social sites available. Social CRM tools focused on media monitoring are used primarily for marketing and public relations. For example, Radian6 will monitor blogs, social networking sites, forums, video and image sharing sites, microblogging sites, discussion groups, opinion and review sites, and top mainstream media. Their solution tracks topics, influencers, customer engagement and reach on a 24/7 basis. There is a trend toward using social media monitoring tools to track customer service as well. Companies like Comcast[9]

and Dell use the microblogging tool Twitter to track customer problems that are being discussed in the “Twitterverse”.

Profiles

This is the “personal” information that is now so important in gaining customer insights into how a customer wants to interact with the company. This could be their movie and literary interests, their hobbies, their “style” likes and dislikes. It means their unstructured text comments in a community or social network, for example Yelp for a restaurant or a geographically based retailer. With the growing interest in micro segmentation – the deep dive into the customer’s lives (without being intrusive) to understand their style and selection choices for predicting future sometimes apparently unrelated behaviors, profiles become essential for finding differentiable information about the customer you need. There are multiple tools currently in the market that can pull profile information from external social networks such as Facebook and LinkedIn[10].

Customer experience maps

Customer experience mapping fosters the insight into the customer because it overcomes the usually incorrect knowledge about the customer’s thinking. Marketing departments often presume for the customer (Greenberg, 2009) – for example due to some generalized demographic information or because of a survey that was taken in an environment that has nothing to do with either the natural interactions of the customer and the company at any one of a number of touchpoints or the actual thinking of the customer on the interactions themselves. They presume for the customer. However, customer experience mapping examines the granular interaction of individual customers in multiple environments at multiple touchpoints. It also looks at the expectations of the actual customers, the results of the interaction based on the expectations and the actual weight the customer places on the individual results. In other words, what the customer actually think. Companies like Dialog Telekom, the largest telecommunications providers in Sri Lanka, do quarterly customer mapping to keep a constant finger on the pulse of their customer base. (Greenberg, 2009).

Social customers co-create actionable knowledge

One particularly intriguing and potentially explosive opportunity for increasingly corporate customer insight is knowledge volunteered by customers. Traditionally, this has been done by offering compensation in exchange for customer information given via a survey or when registering for a program. This is represented by grocery store loyalty programs, which provide customers with discounts on groceries in return for their agreement to allow the grocery to monitor their purchase patterns so that they can optimize coupon selections for them to, of course, entice them to buy. The problem with programs like this are they are coercive, because typically when the program was launched, there had been discounts on food without it prior. Customers initially feel that they are not in command of their choice if they want to continue to get the discounts. Additionally, the information gathered is still static transaction data, i.e. buying habits.

But the social customer’s ascent creates new opportunities for insight via knowledge freely provided by customers via communities. What makes this knowledge particularly valuable to business organizations is that it is actionable knowledge – both the result of actions, often in real time –

and it provides new insights into best practices that would not otherwise be available to the organization.

Helpstream, a vendor that provides a community-focused[11] customer service product, did a study of their customers to see what kind of return on investment they were getting from use of the product. They found that there was a significant new category of solutions for customer service problems. In addition to the customary solutions via knowledgebase or agent, the customer communities that were part of the vendor’s provided solution, directly solved 17 percent of all of the customer service issues. This means that the problem was specifically put to the community. Equally as significant was that of the 37 percent of issues solved via knowledge base, 54 percent was the traditional knowledge base and 46 percent was via customer knowledge available through discussions on forums within the community. Agents solved 47 percent of the customer issues[12].

Ideally, the community is completely self-supported and providing the knowledge for insight routinely.

Sometimes, single purpose communities are created with a foreseeable end. They have been called “activities” (IBM) and “outcome based communities.” (Greenberg, 2009). These have a single purpose. For example, MyStarbucksIdea[13] is a community for Starbucks drinkers that is aimed at finding out what products those drinkers would like to see. Any registered member of the community can throw a product (or service) idea into the queue. The other members are able to vote the idea up or down, with the best ideas becoming part of the Starbucks product line. The benefit of this is that the insights into customer interest are not only real-time but they are actionable. The customers themselves make the judgment necessary for insight. Starbucks at the corporate level has to make the decisions as to which of the highly popular (crowd sourced) suggestions fits into their business plan.

The benefit to the customer is that they have a series of new products that they actually wanted. The benefit to Starbucks is that they get the benefit of customer participation and insight in creating their products at an incredibly low cost. The customers provide that insight freely.

CRM 2.0 – what to measure?

Because of the incredible pressure on senior management and department heads to show an immediate result with CRM programs, traditional measures of customer insight are often based on trailing indicators such as ROI. Even web analytics are directed toward at more common KPIs like page views, number of clicks, conversion rates and page or site “stickiness”. The changing nature of consumer web activity is forcing companies who have a strong advertising focus to change their primary measures, accounting for the 2008 announcement by Nielsen’s Buzzmetrics’ attempt to replace their benchmark metric – page views – with time spent on a page. However, because the outlook is still based on the more traditional means of approaching advertising and data, this really does little to provide any further depth of insight into a customer whose activity around a particular company can often fall outside the walls of the company’s web presence.

Transition to new metrics

CRM 2.0 strategies often involve an integration of new tools with traditional measures. CRM 2.0 savvy public relations professionals are looking at influence via not just the more traditional quantitative measures but are also looking at how

Table III Hearing the whispers – a look at the metrics of the social customer

Measure	Description
Volume	The number of times a topic is mentioned compared with historical patterns. This is not a static number. It is measured against both long-term historic patterns and its present patterns (i.e. spike up at certain times, settled down and then spike again)
Tone	Percentage of positive, negative and neutral sentiment measured against baselines of 60 percent neutral, and 20 percent each positive or negative. This is done via algorithms that use dictionaries to classify conversation pieces
Coverage	This is also spread. How many sources are generating the conversation about a particular topic
Authoritativeness	Perhaps the most complex. This involves ranking the sources for their level of authority and then seeing how much of the conversation's rise or fall is generated by authoritative sources

Source: PricewaterhouseCoopers (2007)

emerging issues are affecting groups over time both short- and long-term and who are the key influencers driving the issues in that same short or long period. Even though traditional PR metrics like message volume or share of voice are easily adapted to the use of social tools (Gilliat, 2008), contemporary efforts are skewed toward what PricewaterhouseCoopers (PwC) calls “hearing the whispers” (Bothun *et al.*, 2008). PwC has four indicators that they measure to listen to and measure the importance of specific conversations occurring online. They are outlined in Table III.

The importance of this approach isn't in its maturity – because it is by no means final or mature. It is in the attempt to start to establish a dynamic standard set of metrics that can be used to measure the emotional tone and influence of the conversations in the ether that are going on outside the corporate firewalls. Equally as important as the topics being discussed is who is influencing that discussion and these metrics are an initial attempt to find out who the influencers are and how they work.

With CRM 2.0, once the conversation and its temperature are ascertained, then workflows and business rules will kick in and direct the results to the people at the company who need to know and act on them. Because this information is captured, the knowledgebase and data stores of the company are enhanced in an ongoing fashion, creating ever richer capabilities for defining the right insights to make the right decisions about the social customer.

Conclusion

CRM systems have long been the repository for transactional customer data. The level of insight that they provided has always been limited and focused on behavioral knowledge. What the customer purchased, what products might interest them, what kind of responses they had to varying marketing campaigns; how their customer service issue got resolved; what opportunities for up-selling and cross-selling might the customer respond to, have been among the primary data keys CRM was designed to analyze.

At best, this provided a limited amount of attitudinal information – information that became vital when the social customer moved to the center of the business ecosystem. It might provide reasonable indicators of satisfaction and/or loyalty but remained limited. Most of the data was gathered independently of the customer's direct participation.

With the evolution of CRM 2.0 in an era where the social customer is dominant – the opportunity to provide deep customer insight into the why the customer does something

and to tap the knowledge that the customer has about the products and services that he is using has been magnified exponentially due to the willingness of the customer to converse openly in the cybersphere.

Notes

- 1 See www.washingtonpost.com/wp-dyn/content/article/2006/10/19/AR2006101900205.html
- 2 Chris Carfi's blog, “The Social Customer”, a popular blog in the social media world, has been talking about social customers for many years. His Social Customer Manifesto is a set of rules that reflect the thinking of a social customer.
- 3 This is the concept of “a company like me” – where the experience that the customer has with the company creates a bond that leads to advocacy. For more on this, see PGreenblog, May 12, 2008 and June 19, 2008, “A Company Like Me”, Parts 1 and 2 blog entries, available at <http://the56group.typepad.com/pgreenblog/2008/05/a-company-like.html> (Part 1) and <http://the56group.typepad.com/pgreenblog/2008/06/a-company-like.html> (Part 2)
- 4 Millennials are most frequently characterized as having been born between 1978 and 2000, which places their numbers at 76 million.
- 5 Accessed on January 26, 2009.
- 6 For an excellent summary article on CDI, see Dietz (n.d.).
- 7 The CRM 2.0 wiki is a 200-plus member wiki of CRM industry influencers and interested parties who are crafting the new definition of CRM 2.0 and engaging in a continuous discussion. Table II can change dynamically. The wiki can be accessed at <http://crm20.pbwiki.com>
- 8 Sixty-three of those are covered in detail in Gilliat (2008).
- 9 Comcast Cares is Comcast's customer service tracking via Twitter. It can be accessed at www.twitter.com/#comcastcares
- 10 Insideview, a CRM 2.0 vendor provides a tool called SalesView that parses over 20,000 external sources that range from the traditional such as Reuters' data on corporations to mining the personal public profiles that are provided by LinkedIn and Facebook. It is integrated with such industry standard CRM products as salesforce.com, and Oracle CRM on Demand, making

these new kinds of data available through the traditional CRM systems databases.

- 11 Helpstream calls them “destination communities”.
- 12 Helpstream revealed this ROI information to the author during the course of a private analyst briefing on January 23, 2009.
- 13 See www.mystarbucksidea.com

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