

PART I

The Era of the Social Customer

1

OMG! Your Customer Really Is Your BFF!

I want to poke you.

Yes, you heard me right. I want to poke you. In fact, I want to SuperPoke you.

So there.

Before you go contacting your attorney to find out how to sue me for sexual harassment, hold up a minute and listen.

“I want to poke you” goes to the heart of why I wrote this fourth edition of *CRM at the Speed of Light*. It is a reflection of the evolving Social CRM, which is markedly different from CRM 1.0—or CRM as you knew it and as I wrote about in all three prior editions. It is an indication of why Social CRM is not just the purely operational CRM that you knew and loved (or hated). Before you pick up the phone and make that call to your attorney, hear me out. It shouldn’t take long. A few hundred pages or so. By the end, you’ll know why me wanting to poke you is a good thing (for the most part). Not only is it good for you, it’s meaningful to your customers. Much better than a megabucks lawsuit—think of the time you’d have to spend in court, when you could be spending it reading this book instead.

Bursting the New Mythology: Zeus Drops to Earth

Before we get into the guts of how this book is organized, I have to start out by dispelling some myths because...well, I have to. Trust me.

Myth #1

There is a business transformation going on that is forcing the make-over of CRM 1.0 (or even 1.5) to Social CRM.

Reality: FALSE

The change is a *social* change that impacts all institutions including business (this chapter and Chapter 12 explain all). Unlike the past, business has no substantial or even marginal advantage over any social, political, economic, government, or other form of institution. It is a revolution in how we communicate, not how we do business.

Myth #2

Web 2.0 is going to go the way of Web 1.0. Things like social networking are fads that will pass and investments in them will fail as did the Web 1.0 investments.

Reality: FALSE

Web 1.0 was a technology-based fantasy that operated on the premise that the Web would be able to provide a way to overcome all sorts of business problems through automation and cool apps. The cooler or more efficient the technology, the more money there was to be made. But there were no social conditions to support Web 1.0. It was driven by investments in the technology du jour and a bit o' buzz created around it, not the actual value it had.

Web 2.0, which plays a significant part in the Social CRM transition, is not based on making money from technology investments that may or may not have some utility. In fact, from the standpoint of technology, much of the technology that underlies Web 2.0 is technology made freely available in one incarnation or another to anyone who wants it. Often, it's been developed as open source, which means there is a community of developers who have been given easy access to the source code. In return, they develop features, functions, and entirely new applications based on collaboration with other developers and the providers of the source code. Typically, the Web 2.0 tools facilitate peer-to-peer collaboration and easy access to real-time communication. That, my friends, is the core of the social change we've been seeing in dramatic fashion since 2006.

Because much of the communications transition is organized around Web-based technologies, it's called Web 2.0, but its relationship to Web 1.0 is specious at best.

You dispute the drama? You say, yo, Greenie, you're overstating the case. Ask Barack Obama about that. One of the primary reasons that Barack Obama was able to become the President of the United States was because of the social presence he had *online*, which I will examine in some detail in Chapter 14.

Unlike Web 1.0 and the collapsed bubble of 2000–2001, this one is here for good. The technology drives it and supports it, but doesn't own it. It's owned by the customers themselves—the human beings involved.

Myth #3

Social CRM means that the “old style” of CRM—the operational stuff that's based on sales, marketing, support processes, and automation through technology—is no longer viable.

Reality: FALSE

In fact, the operational is still as necessary today as it was five years ago and even three years ago. But the requirements of customers, their expectations, and who they trust have dramatically changed. Consequently, for a business to get the attention of customers, much less retain them or turn them into advocates, it's become necessary to provide new means of developing and sustaining relationships in response to changed customer expectations. The baby remains, even as the bathwater drains.

How the Book Is Organized

I've tried to be rational about how this book is organized, but I have to say, this is one daunting subject. CRM is much more complex than it used to be, which I'm sure thrills you all, given that it never was terribly simple. The model for enterprise-customer relationships has been turned on its head to a large degree, which means there are new ways that businesses need to act and new ways that customers are demanding to interact.

I've organized the book accordingly. There are five parts in this book, each of which has several chapters. Most of the book is the printed edition you have in your hands, but there are several digital chapters available at www.mhprofessional.com.

Part I: The Era of the Social Customer

This section is devoted to giving you the big picture—what the change is, why it’s occurred, and what it means for business, customers, and CRM as a discipline. While I’d love to do an entire socioeconomic treatise on what’s going on, I can’t. First, I’m neither a sociologist nor an economist. Second, because this is a book on how to define and apply CRM as it needs to be defined and applied in 2009 and beyond. However, Part I does cover social, economic, and psychological elements of the change because they are necessary to understand business as the customer is reconstructing it. The chapters are organized around the biggest picture you can get—the definition of CRM as seen by industry leaders. We’ll cover the new business models and how they are assembled, the permutations of CRM and the disciplines that are becoming prominent in parallel with CRM, such as customer experience management—a rotten name if I ever heard one—and the also ineptly named but important vendor relationship management (VRM).

Part II: So Happy Together—Collaborating with Your Customer

The customer’s ownership of their personal experience with a company means that the company has to accommodate it. But how? This section will highlight the strategies for customer engagement and collaboration and the tools that are of value in realizing the programs. As in all past editions, there will be a group of tools and vendors that will be highlighted if merited, and the actual technology, processes, and methodologies will be covered, describing how the company needs to collaborate with their customers, not just manage relationships with them. This time around it’s called “Superstah!”—for all you Molly Shannon fans out there.

This section is where you get to see all the cool stuff—the user-generated content, the social networks, blogs, wikis, podcasts, social software, the mobile life we are now leading, the way to view the generations involved—and how this should be integrated into contemporary CRM strategies.

Part III: Baby Stays, Bathwater Goes— CRM Still Needs the Operational

This is the old-fashioned stuff. This entire section is devoted to the developments and evolution of the operational side of CRM that we’re

all so familiar with. That means how it impacts sales, marketing, and customer support, and also how it extends to the back office, especially the supply chain, whether you think of it that way or not.

Part IV: Different Strokes for Different Folks—CRM Goes Vertical

Not only has CRM incorporated collaborative features, it also has become increasingly specialized. Vertical applications are particularly hot and becoming more important as company after company realizes that their industry has some very specific ways they do things. Particularly exciting sectors for vertical CRM are health care, financial services, and entertainment (including sports), where the customer engagement is highly emotional. Most important for CRM's vertical stripe is the public sector, both on the agency/administrative side and in the political realm. Public servants and candidates are realizing that their constituents increasingly demand participation in their destinies. The institutional trust that's necessary for these public service groups to survive is based on their constituents' willingness to grant that participation.

Additionally, even though I'd be hard pressed to look at the small and medium business market as a "vertical," I do look at it here because it fits best in the scheme of things. But rather than the standard junk you'll get from most CRM tomes about the "SMB market," I'm going to do something that is sacrilegious when it comes to acronyms. I'm going to distinguish between "small" and "medium." There will be no more lumping them together, no sir.

Much of this section will be digital with the exception of the public sector chapter. Go get 'em.

Part V: Looking at the Framework

There's a lot to making CRM decisions and there are a lot of ways to implement CRM programs. This is the most extensive part of the book, covering the transactional and interaction sides of the story. You're going to be treated to looking at strategies, programs, customer experience mapping, mission and vision statements, organizational change, process development and mapping, privacy, compliance, governance, metrics and analytics, and the technologies that support all that.

Then, briefly, we're going to lightly trip through how to implement CRM, including picking the right vendor and the right technology,

from the software and services to the architecture and delivery models to the data models.

Ugggggghhhh.

What does that mean to you? Before I tell you what it should mean, a brief story.

I went to Northwestern University back in . . . err . . . a while ago. My inclination has always been literary, so needless to say, I was *not* a stellar science student. I majored in journalism, and my science courses were somewhat elementary, though required. One that I took was called “Physics for Poets.” Even though I admit this grudgingly, I kind of liked the course and thought, hey, there’s nothing wrong with learning science this way.

That is the way I am going to present that always-confusing subject of technology. There will be no geekspeak. None. I’m covering only the subjects that you need to know because (1) you need to know them, (2) they will affect the cost of your CRM deployment, and (3) it’s actually interesting stuff when the language used is not programming (or Latin).

For example, there is a chapter entitled *SOA for Poets* (SOA is service-oriented architecture), which is of course an homage to my college course and should give you just enough to understand what SOAs are.

That’s how the book is organized. Now let the games begin.

Starting with a Test

We’re going to start this book with a test. Get out your laptops or cellphones (or your pen and paper, if you use such primitive tools), and tell me how many of the terms in Table 1-1 you can define well.

I venture to guess you only know a few. Yet, each and every one of those terms has real importance to your contemporary CRM strategy, like it or not.

Let me make something clear. What you’re going to see in this book is a significant change in how CRM strategies are determined and what tools are used. The conventional ones that you know of and that give you comfort—the pure and clean version: people, process, technology—aren’t sufficient any longer. I’m not saying they aren’t useful. I’m saying they aren’t sufficient, and you have to get your arms around that right away, because the customers aren’t waiting for you.

Table 1-1: Social CRM Related Terms You Most Likely Don't Know

Enterprise 2.0	Web 2.0
Customer-managed experiences	Experience economy
Customer-managed experiences	Social networks/user communities
Social customer	Social media
Wikis	Podcasting
Blogs	User-generated content
Experience mapping and design	Social bookmarking
Unified communication	Customer experience management
Voice of the customer	Return on customer
Customer value	Customer ecosystem
Customer advocacy	Service-oriented architecture
On demand	Twitter & micro-blogging
Transparency	Authenticity
Marketing as conversation	Personalization
Mashups	Cloud computing

When you have your customer hat on, especially if you're under 40 or so, you aren't waiting for the companies you want to interact with. What makes you think you're getting a pass from your peers?

You're not. This is the "era of the social customer" and it calls for a new approach to CRM strategy that is undeniable—whether or not you want to deny it. You have the right to throw this book into the trash after you read it. You paid for it or got it at a conference or from me or stole it or something. I actually don't care how you got it. What I do care about is that you conclude that your company needs to change the way you deal with customers now—because the customer has already changed the way they deal with you.

By the end of this book, you're going to know about not only the more traditional CRM terms, strategies, and tools, but also the contemporary Social CRM thinking, approaches, practices, and stories. If I've done that, I've done my job. Then you have to go and do yours.

Welcome to the Era of the Social Customer

Here are a few declarations in bold and italics.

We are now living in the era of the social customer.

The traditional customer is the one we all were as recently as a decade ago. We bought products and services and based our decisions a great deal on utility and price. We communicated with the companies we were dealing with by letter, phone call, and occasional e-mail, if they had the facility to do that.

But that customer changed because of a social change in the early part of this millennium. The customer seized control of the business ecosystem and it was never the same.

We now live in a customer ecosystem.

To begin this discussion, I want to introduce you to someone who is not only a major thinker in the CRM space but a great friend and colleague. Readers, meet Denis Pombriant. Denis, meet the readers. To begin this roundtable of a book, Denis is going to give you his take on the social customer and then I'm going to get into mine. You're going to see a lot of this throughout the book. Experts who have insights that I might not have will share them with you. That way, you can get a well-rounded look at the strategies you have to consider and the practical efforts you should think about making. This book is more community driven than in the past, though hopefully, my edgy tones will still emanate throughout. Denis will also be heard in other places in the book.

Okay, now for your formal introduction.

Denis Pombriant is the managing principal at Beagle Research Group, which is not only a significant analyst force in the CRM community but has one of the best company names I've heard. When Denis headed up the CRM practice at Aberdeen Group in the early part of this millennium, he identified salesforce.com and the on-demand model as a "disruptive innovation" and it has since proven to be exactly that. Denis has since become *the* go-to consultant and analyst in on-demand, as well as one of the foremost writers about identifying the larger economic and social conditions that lead to change in the business world, especially when it comes to customer-driven change.

Listen to this man. He gets it.

DENIS POMBRIANT ON WHY THE SOCIAL CUSTOMER

As they used to say in old movies, the jig is up. Whether your definition of jig is a dance, a practical joke, or a trick, the upshot is the same in CRM today—customers are in control of their relationships with vendors a lot more than they were just a few years ago. The power center has moved and the reasons range from the elementary to the sophisticated.

The short story is that the marketplace has been struck by a tsunami called high-tech at the same time that customers have gained new levels of education and wealth. During that time, a whole host of new products and services have become available based on the availability of cheap, fast computing power. More than just computers themselves, this rising tide has brought in consumer products and services. It has also enabled enterprise business processes based on information availability and just-in-time materials delivery.

Beyond the obvious new inventions, just about every “old fashioned” product has undergone a makeover to install cheap computing power that results in better functioning products. Everything from cars to kitchen trash cans now have some kind of embedded silicon that improves functionality and usability. That’s the good news. Now the bad.

Customers have learned a lot in the last few decades. While we generally like our iPods, cellphones, GPS systems, air bags, computers, the Internet, and a lot more, we have also become wise in the ways of buying these things. The decades have made us smart consumers of products and services and, just as the high-tech era has paused to catch its breath, we have formed ideas and opinions about what we want the next time we enter the market to buy a gizmo. Most importantly, vendors need to know what we know, but for the most part, they are inept at it so far.

There’s nothing remarkable about any of this; it is the way markets behave. Some days you are the pigeon and some days you are the statue. What is remarkable, though, is that because it has been such a long time since consumers last had the upper hand, there is a whole generation of people in business who have never seen the phenomenon. They are used to selling version one-dot-oh—make an appointment, take an order. Simple. But in a world that sprouts 2.0 signs faster than a real estate agent staking out a subdivision, things are different.

Today’s smart, well-educated, and wealthy consumers want their needs met, and successful vendors have to be aware of those needs. Relatively superficial needs development and analysis result in the same old same old. It’s a simple process: make a product and see if

someone buys it. It's also expensive and prone to failure. One study I read said that 80 percent of new products introduced this way failed. It doesn't take a high IQ to see that this approach to needs analysis could use refinement.

Real needs analysis makes few assumptions and asks more broadly about needs as well as biases, lifestyles, and a lot more—the kinds of things that a real BFF would know. Real or modern needs analysis also starts earlier in the relationship and in the product development cycle. Your BFF and you go back a long way and the reason your BFF is so attuned to you is because he or she has been studying you for a long time—certainly longer than it takes to analyze a log file.

Getting that level of information can be a challenge. Earlier generations relied on massive and expensive surveys and focus groups to gather some of that information, but the cost and complexity made it difficult. Today we have the Internet and social networking ideas to help us. But like the proverbial man with a hammer, each company employing social networking techniques typically tries to solve all of the world's problems with a single solution.

It is actually a fun time to be in this business. If you watch carefully, you see point solutions emerging and becoming successful. Most will fail, but some will survive and prosper by merging with others to form better and better solutions for the end-to-end problem of knowing a customer.

It's also a fun time to be a customer. Like any relationship, those between individuals and vendors will have their ups and downs. But armed with the simple knowledge that customers have power and a willingness to express themselves, most vendors will happily engage them and the customers will likewise be happy to be asked.

Okay, back to me.

What's a Customer Ecosystem?

Wikipedia defines an ecosystem as

The interactive system established between a group of living creatures and the environment in which they live. The centerpiece of this definition is the idea that living organisms are continually engaged in a set of relationships with every other element constituting the environment in which they exist.

A customer ecosystem is simply the totality of interactions centered around customers that takes place over time. The customer sits at the hub, rather than just being a spoke in the corporate wheel. The relationship changes from one where the customer is the object of a sale to one in which the customer is the subject of an experience that he or she controls with businesses. How'd that happen? I'm so glad you asked. Gather 'round the campfire.

Once upon a time in a land not so far away . . .

The Product-Focused Corporate Ecosystem

If you tool back to the 1950s and 1960s, it was a different world. Madison Avenue advertising agencies created markets and market demand, manufacturing ruled the universe, and the way information was captured was, shall we say, primitive.

Typically, you would read a magazine or watch TV (in black and white) and see something of interest to you. If you were reading *Life* magazine, for example, you would find an ad, clip out the coupon, identified by a cute little pair of scissors, fill it out, put it in an addressed envelope with a 3-cent stamp, and send it off to the producer of the "item of interest." Then you would wait two weeks or more to get a brochure from the manufacturer, read it, decide based on the manufacturer's information whether you want the product, go to a store that sold it, listen to a salesperson's pitch, and then you would buy it and hope for the best. You had no control over the information and no access to knowledge of the product beyond that given to you by the manufacturer, unless you maybe had the benefit of a neighbor who owned it.

According to a 2004 *Business Week* article, during the 1960s an advertiser could reach 80 percent of U.S. women with a single ad aired simultaneously on CBS, NBC, and ABC—the only three TV networks that existed. To reach that same 80 percent in 2008 it would take at least a parallel airing on a minimum of 100 channels, and that's only if that many women were watching TV at some time.

Additionally, during this era and through the 1980s, newspapers were the only other real source of media that was mass consumed. A well-placed ad in a local or national publication would reach the specific groups that were being targeted. We now have a major decline in the number of print media readers as more and more get their content pushed to them via the Internet or at least scroll to CNN or ESPN or even the *New York Times* online before they touch a TV set or newspaper.

But back then, that wasn't the case, folks. Because the products were standardized, and aimed at broad consumption—not at all focused on individuals—the product manufacturer was in control of supply. The retailers owned the market. And they all owned the knowledge flow in conjunction with the advertising agencies that manufactured that information. Because the post–World War II period (at least in the United States) generated wealth unheard of until then, the demand outstripped the supply, making the producers and retailers happy.

These consumable products were mostly generic, for one reason: customers were perfectly willing to buy them. The expectations of the customers were low. As described in a *CBS Marketwatch* article in June 2008:

Customers 1.0 were dutiful consumers of mainstream messaging and one-size-fits-all goods. They would gladly drive miles out of their way to visit retail outlets, they readily leaned heavily on advice from retail clerks in making their selections, and they happily bought goods from among arrays of pretty generic offerings. They put up with long lines and poor service, because retailers had the power and their customers were just grateful to get the goods.

The corporate ecosystem was in the hands of those who manufactured products and they dictated the terms to customers with low expectations.

CRM as a science didn't exist. It seemed to be there in the often abused and not really believed term “the customer is king.” But with the limited tools the customers had and the limited availability of information, if the customer was king, the manufacturer was a god.

The Customer-Focused Corporate Ecosystem

From the late 1980s through the early part of the millennium, technology was developed that made the delivery of more customized goods at lower prices feasible. The Internet was available to the potential buyer so that they could get vast amounts of information on the products they were considering from other users, not the manufacturer. The availability of courier services like Federal Express (FedEx) and United Parcel Service (UPS) meant that any manufacturer could deliver products at reasonable cost and with lightning speed. The size of an enterprise or its ability to shave cents off of a price was no longer the game changer it once was. Customer demands changed because customers

felt empowered by the copious amounts of information that became available to them. Retail began to change to meet the needs of those newly demanding customers. Retail moved to niche products that customers wanted and were willing to spend money for. But at the same time, we saw the rise of Costco and Sam's Club where high volume purchases brought significant price discounts. If you shopped in the middle, you could shop online. Even that changed as the millennium hit. Those ultra-niche products became available online at sites like eLuxury.com. The price or availability advantages the stores had were eliminated leaving the caché of the shopping experience in the Prada store in Manhattan. But as we will see throughout this book, great experiences trump the availability and price of goods, more often than not.

There were wrinkles at the lower end of the equation too. Stores like Walmart.com gave even greater discounts online and sites like Overstock.com were able to make high volume purchases and then sell single items to consumers at a high volume price. This gave them a margin of advantage over Costco and BJ's Warehouse, where the high volume purchase was required. Game, but not set or match, to Overstock.com. That's because the set and soon the entire match was being won by the customers and on a new court.

That court was the Internet.

The power of the Internet for both customers and businesses became apparent in the mid-1990s when both e-commerce and online review sites became increasingly popular ways to do business and communicate. It made information easily available directly from the manufacturer or retailer via their websites. It also gave, for the first time, an independent voice to the users of the products and services being bought, who were often far more knowledgeable than the actual producers.

Retailers began to see the value of this too. They started allowing customers to order online and pick up in stores or get the products shipped. The 1995 growth of Amazon.com drove the creation of BarnesandNoble.com. Amazon's success showed Barnes and Noble that they were going to have to allow customers to order books online too. Their advantage, they thought, was to allow customers to pick up the books at their retail stores. Once again, though, Amazon's vastly superior customer experience trumped Barnes and Noble's convenience.

Over time, the digital and physical business worlds began to intertwine. Retailers let you order online and pick up in stores (such as Best Buy), travelers could get their tickets online and then print out their boarding passes from their PCs (such as United Airlines); you could buy your clothing online and return it to a brick-and-mortar store anywhere (such as Nordstrom's). This signaled a shift to the customer's unique capabilities to command how he or she purchases. Along with the leveling of the playing field by the courier services, increasing Internet use, better web security protocols, and the evolution of Google search also translated to the customer being able to more safely find other providers of the products and services they wanted anywhere around the world with equal alacrity. They didn't have to be limited to their neighborhood stores anymore. All avenues were opening up for e-commerce. As they said in New York in the 1930s "the world was their [customers'] erster." That would be "oyster" for those of you unacquainted with Brooklyn's regional dialect.

Obviously, given the choices that customers now had, businesses at every level had to widen the choices that customers were being given, whether those customers were consumers or other businesses. Products and services were no longer the differentiators they had been. Price and availability were no longer the way to a customer's wallet share.

Experiences became the thing.

This wasn't a big surprise to some. In 1998, Joe Pine II, who you'll meet in the first digital chapter (see the web chapter, "CRM 2.0 Leaders Speak from Out There"), and his business partner at Strategic Horizons, LLC, James Gilmore, wrote a groundbreaking book called *The Experience Economy*, which discussed not just the desire of customers to have an experience with the company but the approaches that a company could take to commoditize that experience in ways the customer would be willing to pay for. As we'll see, no customer is concerned about paying premiums for things. They just have to want them enough to make the purchase. The most famous example of that is, of course, Starbucks. Five bucks for a cup of coffee that costs about 45 cents to produce including overhead. Hmmm. That would be more than 1,000 percent margin. What for? Not just the coffee but the Starbucks experience. You know what it is—or at least was. You felt cool going to Starbucks and working on your laptop with then-free

wireless connectivity, sitting on a couch gabbing with your friends. You weren't drinking *coffee*; you were sipping something called *vente mocha cappuccino skim latte*. Guilty pleasure. Five bucks.

This was a significant transition point in how companies treated customers. Because, as we will see, the business model began to shift for how customers interacted with companies. But even with this transition, it was still an ecosystem governed by the company, no matter how customer friendly it was (see Figure 1-1).

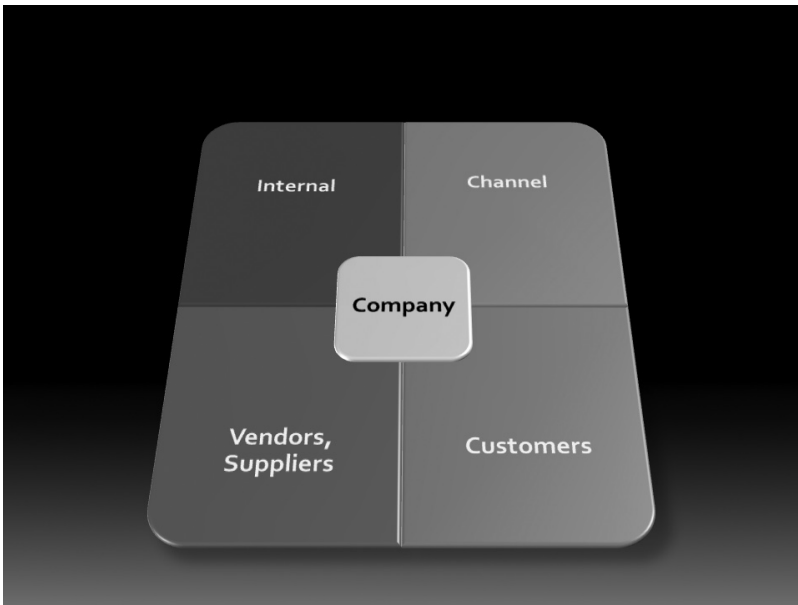


Figure 1-1: The customer-focused corporate ecosystem

CRM grew up in this era. The idea of how you were going to manage your customers in ways that retained them—or in more lucrative periods, acquired them—became of paramount importance as the playing field in the competition for customers became more level. CRM 1.0 promised efficiencies in your operations, especially with customer-facing activities like marketing, sales, and customer service, that would free up your representatives to spend more time with customers doing what they did best—selling to them, solving customer service problems. Sales force automation (SFA) was the

lead application and sales effectiveness the primary strategy. For the simple purposes of this discussion, the questions that CRM was supposed to answer during this time were:

- ▶ How do you manage the relationships you have with customers in such a way that you can increase your revenue opportunities with them?
- ▶ How do you capture and aggregate enough customer data to give you a well-rounded record of customer information to help you make better decisions on how your customers would respond to you? This was the holy grail of CRM at the time. The consistent 360-degree view of the customer, available to who needed it, when they needed it.

Things didn't stop here. More consumers were becoming aware that they were empowered in ways that had been previously unavailable to them—largely thanks to their ability to communicate via the Internet with complete strangers. It was apparent that the users of the products not only knew more about those products than the manufacturers who made them or the retailers who sold them, but they could communicate that knowledge to others easily, at their leisure. The result was the Cro-Magnon version of user-generated content (UGC): the review site.

Do not underestimate the power of this. We'll take a look at that power in later chapters. Just trust me here. Study after study shows that people trust their peers or supposed peers more than any of the corporate declarations of quality and value that are issued about products. Their decision-making process is complex and never a matter of just good review versus bad review.

But this was just the harbinger of something much more important and deeply affecting.

Customer Ecosystem

We are now living in a customer ecosystem. I'm not saying a customer-centered corporate ecosystem. The customer now is at the hub of the business ecosystem (see Figure 1-2). This has vast implicit and explicit effects on how you craft your business strategies, how you manage your processes, the business models you use, the technologies you choose, the programs you create, and the way you engage with your customers. They've changed the way they deal with you.

CRM 1.0 is, by itself, inadequate to grow businesses in the way that it traditionally did. But the incorporation of the operational capabilities of “historic” CRM with the new social capabilities of social media and social networks provides a set of powerful new approaches and tools to actually succeed more effectively than CRM traditionally ever did.



Figure 1-2: The customer ecosystem: welcome to the era of the social customer

What exactly do I mean by a customer ecosystem?

There are entire generations of people who are now part of the workforce who not only grew up to be multitasking Internet-savvy adults, but who also have a different set of demands and expectations. Social, political, and business institutions are all recognizing that they have to meet these demands because the conditions to even get the attention of these people is a dramatically different process, and much more competitive than ever before. Competition is no longer driven by the purveyors of similar products and services, but also by the thousands of messages that each person gets each day via their chosen means of communication and knowledge access.

Once again, *CBS Marketwatch*, June 2008:

Now, customers dictate how they will purchase and consume—where, when, and how much—using a variety of channels largely, if not exclusively, configured by them: They are using community-based online tools (social networking, social book-marking, and social shopping) to guide one another, which has made dot-com darlings like Amazon.com look almost quaint compared with media-meets-commerce-meets-community start-ups like Glam.com.

They are populating social networks, composed of the people they trust, and their networks—their social ties—are rapidly becoming key distribution channels for retailers’ marketing and promotion. They populate the online world with ratings and reviews, videos of what they’ve bought or consumed, and comments on corporate reputations and consumer brands, making Shopzilla or PriceGrabber more valuable than Consumer Reports or J.D. Power.

This is the social customer that drives the customer ecosystem. All institutions, social, political, and business, are affected; all generations impacted. Since this is a book on CRM, needless to say we’re going to concentrate on the strategies, tools, and programs that can engage these already empowered social customers who know that they can ally with each other if they must, to get business to do what they want it to do.

The Social Customer Needs Your Attention to Get Theirs

Okay, so we have the customer ecosystem and we know that the customer is firmly in command of the conversation. What does that mean? Who is the customer firmly in command of the conversation? How did we get to this point?

Coming of Age

In 2006, Forrester released its annual North American Consumer Technology Assessment Survey. They found something that was interesting, to say the least, and profound for anyone who needed to acquire or retain customers: Generation Y is the first generation to spend more time on the Net than watching TV, with 10.6 hours per week watching TV and 12.2 hours surfing the Web.

The implied significance of that is nothing less than mission-critical when it comes to how you begin to think about the future of your business. The generation it's talking about—those born, depending on who you believe, between 1977 and 1994—thinks of things differently and acts differently when it communicates. It also expects differently than either its immediate predecessor, Gen X, or Gen X's parents, the baby boomers. Gen Yers are called by Sarah Perez of ReadWriteWeb (www.readwriteweb.com) “digital natives” because of their comfort levels in multitasking among their laptops, cellphones, and multiple other communications media. They routinely time shift and place shift. That routine actually impacts your business.

Do you even know what that means?

Time shifting and place shifting in combination would be downloading something to your iPod or other media player (place shifting) and listening to it whenever you want to (time shifting). It means you're not tethered to what you listen to, how you listen to it, or when you listen to it.

Is that a really important characteristic of Gen Y and those driven by the change? It is to the entertainment media.

Beth Comstock, then-president of Integrated Media at NBC, said the following in a *Fast Company* interview in May 2007:

Fast Company: How are viewing habits changing?

Beth Comstock: We've had 60 million streams [of TV shows] at NBC.com. A lot of those are repeat viewers. Others are time-shifting. They're place-shifting, too, with iTunes or on phones.

Fast Company: And does that work for you?

Beth Comstock: It has to. If consumers are in control, they're going to figure out how they want to watch. We have to find the right solution.

Her key phrase: If consumers are in control. The consumers, a.k.a. the social customers.

The entire premise of Social CRM is that these very same social customers are now in control of the business ecosystem because of the choices they have in their relationships to institutions and the intensity and sheer numbers of their relationships to their peers. Social customers have one other important characteristic: they are willing to mobilize into action.

Gen Y drives this. Gen X participates. Baby boomers are coming along.

Why Y?

If you accept the rough birth dates for Gen Y, their numbers come to 76 million, even more than the previously largest generation, baby boomers. Poor Gen X is only about 45 million strong. What makes Gen Y important to a book on Social CRM is as much what they reflect as what they drive. They are the first generation old enough to have an economic and social impact who grew up with the expectations that the ways they communicate and gather knowledge and then use that knowledge will simply be accommodated.

They are not just technology-savvy, which is often touted as one of their key traits. They actively use technology for their communication and personal productivity and they do it as highly mobile, though still sentient, beings.

Here are a few numbers from the younger Gen Yers, those still in college:

- ▶ 97 percent own a computer.
- ▶ 94 percent own a cellphone.
- ▶ 76 percent use instant messaging (IM).
- ▶ 15 percent of IM users are logged on 24 hours a day/7 days a week.
- ▶ 34 percent use websites as their primary source of news.
- ▶ 28 percent author a blog and 44 percent read blogs.
- ▶ 49 percent download music using peer-to-peer file sharing.
- ▶ 75 percent have a Facebook account.
- ▶ 60 percent own some type of portable music and/or video device such as an iPod.

Source: *Connecting to the Net.Generation: What Higher Education Professionals Need to Know about Today's Students*, by Reynol Junco and Jeanna Mastrodicasa (Washington, D.C.: NASPA, 2007).

This isn't just savvy. This is active participation with technology, a tool in their lives that allows them to communicate with their "trusted sources," a.k.a. their BFFs. (If you need to know what BFF means at this point, it means "best friend forever." That means "trusted source" in the far less colorful language that we older folks speak. For the purposes of this book, I may use them interchangeably.)

This active, untethered use of technology doesn't mean it's the only way they communicate, despite what you see your teen kids doing all day. When you're thinking about your business strategy, you'd better be considerably less anecdotal, because the data is a little different than what you think you're seeing.

A study done by eMarketer in July 2008 found that 60 percent of younger Gen Yers are purchasing online—the majority of them buying clothes, shoes and, of course, accessories. But 82 percent of them *prefer* to shop in stores, not online. Got that?

Why? Here's what Mandy Putnam, vice president of TNS Retail Forward, said in the June 2008 *Stores* magazine: "...young people prefer the sensory stimulation that accompanies shopping with friends at stores." If I had to interpret that, and I do, I'd offer a business translation that went something like this: The younger Gen Yers prefer the experience to the purchase itself. They are actively shopping online and that tells you about their comfort with technology, but the reason for that online purchase is primarily because it's a more convenient way of trolling for good prices and value. Their online shopping is more for parsimony, not for reveling in experience. The social side of shopping with friends in a cool environment is where the experience is for them.

This is the first trump card to play when planning your customer strategy. Experience trumps utility. Note, though, I didn't say offline or online—just *experience*, without modifiers. More on all that in Chapter 3.

This is also a generation with different expectations. They expect to get what they need. They've been raised to think they will. More often than not, they do.

Bruce Tulgan, author of *Managing Generation Y*, put it well in an interview with *USA Today* on Gen Y's expectations at the workplace:

This is a generation of multitaskers, and they can juggle e-mail on their BlackBerrys while talking on cell phones while trolling online. And they believe in their own self worth and value enough that they're not shy about trying to change the companies they work for. That compares somewhat with Gen X, a generation born from the mid-1960s to the late-1970s, known for its independent thinking, addiction to change, and emphasis on family. They're like Generation X on steroids. They walk in with high expectations for themselves, their employer, their boss. If you thought you saw a clash when Generation X came into the workplace—that was the fake punch. The haymaker is coming now.

I'm not going to dwell on this, because that would be beyond the scope of the book, but that haymaker has been thrown and it landed. The combinations that followed were heavy. The impact of Gen Y on other generations that were inclined to be like them to some degree (Gen X) or inclined toward change at one point in their lives (boomers) was powerful. In fact, it created what Springwise (www.springwise.com), a site that covers long-tail business trends, and I call Generation C—a cross-generational grouping that is exactly those customers you have to deal with now. Those social customers.

Generation C: From *la Vita Contemplativa* to *la Vita Attiva*

In his most overtly political work, *Convivio*, Dante Alighieri identified two states of life that most people desire and some attain: *vita contemplativa*, the thoughtful, pure intellectual life, and *vita attiva*, the active life. Dante saw them both as righteous paths to a good existence. Though the contemplative life is the optimal state in Dante's view, *vita attiva* is the state of social customers. Let's take a look at how they got there.

Gen C: The Early Years

In the earliest part of the 21st century, social and cultural shifts in combination with the beginning of the Web 2.0 technology developments began to change how people thought and what they expected of the institutions they had to deal with. To just give you a flavor, not an extended sociological analysis, here are some of the reasons worth mentioning:

- ▶ Gen Y's entrance into the workforce and their demands for what they needed in order to work and communicate
- ▶ The development of the over-the-air infrastructure, allowing much higher speed data transfer and better quality communications
- ▶ The easy availability of inexpensive or free hardware devices and software that could utilize those higher speeds, available bandwidth, and improved communications
- ▶ The decrease in the cost of storage, making the archiving of large files for photos and videos reasonable for the first time

- ▶ The fact that baby boomers did not retire due to both the early millennium economic downturn and their continued interest in working
- ▶ The increasingly easy and inexpensive availability of Internet access through wired and wireless sources

But the most important inflection point came when who and what trusted sources were began to change. In 2003, according to the Edelman Trust Barometer, “a person like me” (more on that later) was the most trusted source for only 22 percent of the population in North America and 33 percent in Europe. By 2005, that had shifted to an incredible 56 percent in North America and 53 percent in Europe, and it has never looked back since. Now trust was based on someone who had the interests and/or political beliefs that you had, not institutions that had been providing self-aggrandizing literature to convince you to buy products, or even industry experts who had the subject matter knowledge, or nonprofits that were pure of heart and motive with their social agendas. You and your social doppelgangers were the ones you went to for get advice or share beliefs.

Gen C: Technology Transformation and Lifestyle

Technology plays an important part in the social changes that have driven the growth of Gen C. It has been an enabler and even something of a driver in the confidence that social customers have in their decisions about how they want to do business and with whom they care to continue doing it.

From the corporate side, some of this was precipitated by the evolution of the on-demand model for software services (see Chapter 16). In the olden days of 2003, it was called the application service provider (ASP) market or “net native” services companies. Salesforce.com led the charge to this new way of delivering technology services. Denis Pombriant, whom you’ve already met, was the first in calling it “disruptive” and it was. For businesses, CRM-related services—sales force automation in particular—became a manageable cost with flexible, multichannel access. This revolutionized the delivery of CRM to companies, making them considerably more aware of what it was, precisely at the time when the world was changing

There was one other important change. Lifestyle and business started to become inextricably linked (see Chapter 3). Consumer

thinking began to mesh with business strategy and activity. Companies like Research in Motion (RIM), creators and manufacturers of the ever-popular BlackBerry, began to consider style as something that was a true feature of their business offering. The old clunker 7200 series was replaced by the very cool BlackBerry Pearl.

Additionally, people began to use the Internet not just for e-commerce, which was the first true business activity on the Internet, but also for research on the products and services that they were interested in using. This was reflected in the exponential growth of Internet search, especially Google, which reached to nearly 500 million unique visitors in the month of November 2007 alone. Getting information in less than a second became standard. Search software, which often cost thousands of dollars, was no longer necessary. The minutes it took to do an unstructured search turned into nanoseconds. The world changed. Google is free and so ubiquitous that *to Google something* is now a verb. In fact if you Google “Google,” there are 2.78 billion results (which I found in 0.22 seconds).

Because of the shift in who you trusted and the easy availability of tools like Google, how you investigated information and what you believed became very different from what it had been when the millennium dawned (that’s 2000 or 2001, depending on how literal you want to be). The social customers, younger or older, didn’t have to rely on corporate literature and self-interested salespeople any longer. They could rely on each other for information on their potential purchases and for deeper knowledge about their common interests—work or play.

This gave rise to simple review sites. These sites were available to the users of products, services, or visitors to institutions. They provided a means to rate (usually with 1 to 5 stars) and comment on the products they used. This resulted in unvarnished information such as:

- ▶ How good was the product?
- ▶ Did it meet the expectations the buyers had of it?
- ▶ What did it do right? Wrong?
- ▶ Did the manufacturer or retailer product provide appropriate service around the product?
- ▶ How did the company handle the order, shipping, and customer service?

All with a healthy dose of informality and conversational language. Certainly there were agendas being met by some of the reviewers. Some were skills for the companies that made or sold the products; others had a personal agenda. But when taken as a whole and read granularly, each of the product reviews and the picture painted overall of the product affected whether the review readers would purchase the product. A study done by BigResearch in 2007 found that the most powerful form of influence is word of mouth from trusted sources. The review sites were word of mouth online.

For example, Figure 1-3 is a page from Epinions (www.epinions.com). Take a good look, commit it to memory, because we're now going to begin the ride for real.

Gen C Arrives Ready for Action

But review sites tend to be passive. You read and you judge the product based on opinions that are on the website. The experience is unidirectional. By 2006, the social customer was operating in a brand new sphere. They weren't just reviewing and presenting. They were engaged in proactive broadcasting of their opinions, ideas, and innovations. They were interested in others hearing what they had to say and interested in mobilizing for actions or being mobilized for action.

The insane growth of the blogosphere was a prime indication of this. While you'll be hearing a lot more on how this worked in Chapter 7, suffice it to say that the blogosphere, now part of the mainstream on both the personal and business sides, is still growing exponentially with roughly 120,000 new blogs per day showing up throughout the world. Blogs have had an impact on political campaigns, social agendas (TechPresident, Daily Kos, etc.), and business. Just take a look at what I describe in Chapter 7 about Dell Hell. Bloggers are credentialed as journalists at major events and conferences because of the power they have to influence thinking. The ability of a single person to affect thousands and even millions of others has never been more prevalent than it is today. All because of links and RSS feeds associated with blogs.

Want proof of how powerful it is? Check out what I say about MyBarackObama.com in Chapter 14. He is the President of the United States because he understood the desire for action and the power of the Internet in effecting change and affecting thinking.

The business value of this active customer is greater than ever before. There are indicators everywhere that the one thing customers

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Author's rating: ★★★★★

Introduced to the US market in 2007, the Versa is Nissan's super-sized alternative to the Honda Fit, Chevrolet Aveo, Hyundai Accent, and Toyota Yaris. While all cars in this class are inexpensive, offer decent gas mileage, and provide good utility in ... [Read the full review](#)

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Read Reviews

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Figure 1-3: Epinions reviews: do you trust them?

demand of companies now is the products, services, and tools that craft highly personalized experiences with those companies. That means they need transparency into and knowledge of those companies. These are factors that dramatically impact the business models the companies need to develop (Chapter 5).

But it goes even further than that. The trusted sources have been organizing themselves into social networks. You've seen them on Facebook (230+ million members), LinkedIn, and Plaxo when it comes to those most frequented for business purposes. You've seen the highly revealing social profiles. What were embarrassing revelations in 2005 are just run of the mill now. In late 2007, *New York* magazine ran an article on teenagers today that found they were involved in an average of 14 social networks and had no problem revealing intimate details that would have sent their female ancestors to a fatal dunking in Salem three and a half centuries ago.

The social customer is organized to take action through social networks and to provide proactive thinking on subjects germane to the networks they are a part of. The people like them are on that network. In social networking terms, these are communities of practice or interest.

As scary as this active, organized, gigantic mob seems, it has huge benefits to business if you're willing to cede control to customers as NBC Interactive Media did. This is a generation driven by Y but called Gen C for its six interests:

- ▶ **Content** They want information so they can make intelligent decisions about how and where they do their business.
- ▶ **Connected** They are intermeshed with each other at a peer-to-peer level, and they are mobile and untethered about how they are connected.
- ▶ **Creative** They are willing to present new ideas, often for free, if they find it's in their interest to do so.
- ▶ **Collaborative** As customers, they are willing to engage with companies and partners to come up with solutions that benefit all of the parties involved.
- ▶ **Contextual** Knowledge and ideas are meaningful to them—if they see the reason for that meaning and the benefit of that meaning under the circumstances they are in.
- ▶ **Communicative** They are going to talk to others about you, for good or ill. Which way is up to you.

This is just the overview. The fun (or fear) is just beginning. Let's dig in. Before I tell you what you have to do to engage these social customers with Social CRM strategies, we need to define Social CRM. I'm going to take you to a cybersalon where you'll hear from some of the leading luminaries on what they think it is. Go download and read what they are thinking. Otherwise, you have mostly me for a while. You *know* I have an opinion.