

Getting closer to the customer

A challenge for the C-suite

A report from the Economist Intelligence Unit

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About this report

Getting closer to the customer is an Economist Intelligence Unit report which examines how the dialogue between customers and companies has changed in response to the advent of new communication channels. The report was sponsored by Genesys. The Economist Intelligence Unit bears sole responsibility for the content and the findings, and the views expressed here do not necessarily reflect those of the sponsor. The report was written by David Bolchover and edited by Annabel Symington.

The research drew on two main initiatives. In February 2012 the Economist Intelligence Unit conducted a survey of 798 senior executives worldwide across a range of industries in order to understand how companies are responding to a radically altered communication environment. The respondents were drawn from 69 countries. Fifty-three percent were board members or C suite executives, including 244 CEOs, while 18% worked for companies with an annual revenue of more than US\$10bn and 6% for start-up firms (less than three years old).

To complement the survey results, the Economist Intelligence Unit conducted a series of in-depth interviews with a range of experts and senior executives. The insights from these interviews appear throughout the report. The Economist intelligence Unit would like to thank the following individuals, as well as all survey respondents, who contributed to this research:

- Frank Eliason, senior vice president of social media at Citi
- Donna Hoffman, professor of marketing at the A. Gary Anderson Graduate School of Management, University of California Riverside
- David Doucette, executive director of internet marketing at Fairmont Raffles
- Dave Carroll, singer-songwriter
- Mark Barnes, head of customer experience at Volkswagen of America
- Richard Binhammer, director of social media and community at Dell ■

Introduction

“The single biggest problem in communication is the illusion that it has taken place.”
George Bernard Shaw, 1925

Social media and mobile devices are fundamentally remapping the relationship between companies and their customers. Mobile-phone penetration is over 100% in the US and western Europe and approaching 75% in Sub-Saharan Africa, according to Economist Intelligence Unit estimates. Despite a gloomy global economic outlook, our insatiable need to communicate appears to be recession-proof. The explosive demand for social media and mobile devices this year is expected to help Facebook launch a US\$10bn initial public offering (IPO) and has pushed Apple's stock price to US\$600. Customer demands to be part of a dialogue with companies cannot be ignored—and top-level involvement is needed to ensure that a

response to the new status quo is integrated into the way companies operate today.

Most organisations' response to the new communication reality has so far been tentative. An Economist Intelligence Unit survey of global senior executives, sponsored by Genesys, reveals a corporate world that is still working through its initial response to this radically altered environment. Customers today expect their interactions with a brand to be more of a dialogue than a company-dominated monologue, and many of those customers prefer to use different communication channels than those most frequently found in organisations today. ■



Key findings in this report

The key findings from the report are as follows.

The new communication reality has left companies in a state of flux—even confusion.

The business world cannot ignore the change that has happened at the nexus of technological innovation and cultural revolution. Companies need to address the new customer communication landscape strategically to ensure an integrated and holistic approach.

Most companies have placed more importance on social media than on other channels, hindering a holistic response.

This focus on social media at the expense of mobile platforms raises the possibility that many companies are in reaction mode, responding as best they can to the rapid proliferation of social media, rather than developing a coherent strategy that addresses the spread of mobile technology as well.

Marketing has dominated companies' response to new communication channels.

This has left many companies responding to customers' comments—and complaints—on social networks rather than addressing the root cause of the problem, namely product or service complaints. A customer communication strategy that connects those talking to customers to those responsible for products or services would prevent this.

Making a single individual responsible for managing communication channels reduces internal confusion and leads to a more coherent approach.

Disagreements between the C-suite and middle management have emerged over who has ultimate responsibility for social media and mobile communication. But companies which appoint one person, rather than a team, to oversee how all communication channels are adopted and used display a more integrated approach. This helps to bridge the gap between different internal functions, namely marketing and customer service. ■

1

Transition and early confusion

“Companies in the past did not treat the customer experience as a key C-suite issue, and they are now paying the price.”

Frank Eliason, senior vice president of social media, Citi

We are currently witnessing a fundamental shift in the balance of power between companies and customers. As Facebook’s founder and CEO, Mark Zuckerberg, pointed out in a letter to investors on the day the company’s IPO was announced in February 2012: “The world’s information infrastructure should resemble the social graph—a network built from the bottom up or peer-to-peer, rather than the monolithic, top-down structure that has existed to date.” It is this more social and networked communication reality that companies are grappling with today.

The “always-on” nature of mobile devices (smartphones, mobile phones and tablets) and the hyper-connectedness fostered by social media sites have transformed the interplay between company and customer, forcing companies to cede much of the control they once had over their brand image. “Consumers now own the brand,” says Frank Eliason, the senior vice president of social media at Citi, the international financial conglomerate. “They tell each other what they are thinking, and what they are thinking is often negative.”

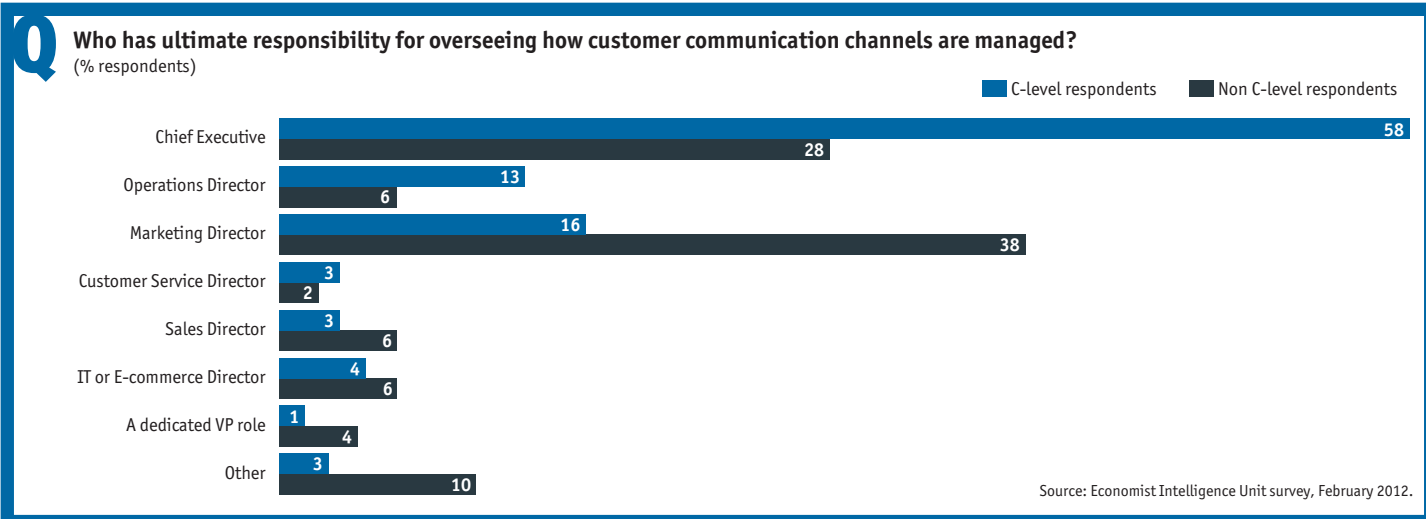
This dramatic change has caught many corporate executives by surprise. They have failed to appreciate the disruptive consequences of their new relationship with customers and respond accordingly. “Senior executives are used to an environment in which they prepare a campaign, put out a message, and after several months, they measure its impact,” says Donna Hoffman, professor of marketing at the A. Gary Anderson Graduate

School of Management, University of California Riverside. “The interactive, immediate nature of what now constitutes the conversation with the customer is well outside their realm of experience.” As Mr Eliason points out: “Companies in the past did not treat the customer experience as a key C-suite issue, and they are now paying the price.”

Indeed, the survey reveals a corporate world in a state of flux—even confusion. C-suite and other executives have different views of their companies’ success at adapting to the new communication landscape, a gap which is reflected in survey responses. Although those surveyed appear generally happy with their company’s response, C-suite executives are markedly more confident, with 73% expressing a positive opinion, compared with only 60% of those outside the C-suite.

There also appears to be confusion between the C-suite and other executives about who has responsibility for managing new communication channels. Thirty-nine percent of C-suite executives state that an individual, rather than a team, is responsible for overseeing these channels, while only 14% of those outside the C-suite say likewise. Over half (58%) of C-level respondents say that the CEO is responsible, versus 28% of middle-management executives. Thirty-eight percent of non-C-suite executives think the marketing director has ultimate responsibility, whereas only 16% of their more senior counterparts agree.

This confusion can be explained in two ways. Possibly the C-suite has not yet placed sufficient



emphasis on the importance of new communication channels to organise a strategic response. Indeed, the low usage of SMS (currently used by only 30% of companies surveyed), instant messaging (22%) and company-branded mobile applications (20%) indicates that many companies have not yet made the necessary changes to cater for the rapid growth and expansion of the mobile market. Or, more generously, organisations are at the very early stages of a strategic review and have not yet communicated the resulting organisational changes to those outside the C-suite (see section

headed “Organising to respond”).

Whatever the precise causes, the confusion prevents a cohesive response. The onus is now on the C-suite to provide the clear direction that has to date often been lacking. Respondents say that the best way to improve customer communication in the future is for the top management to appreciate the need to react to changing modes of communication, a response selected by 38% of executives surveyed. This finding is particularly apparent among respondents who say that their company’s response has been poor. ■

2

Social media versus other channels

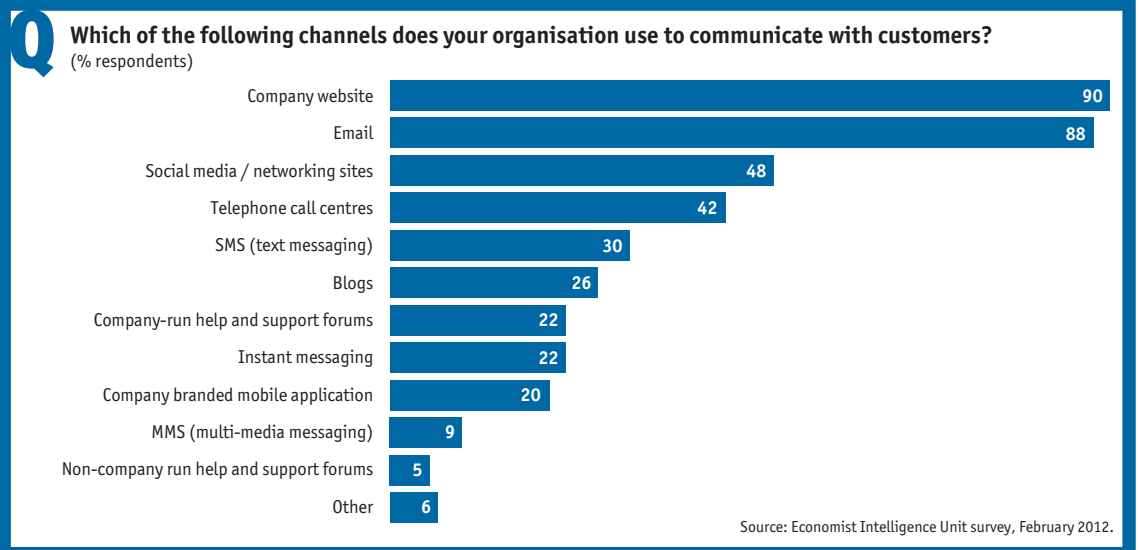
“ Social media have in many ways “happened” to companies, leaving them with little choice but to respond. ”

Social media have dominated companies’ attention so far. Of the new communication channels, nearly half of respondents (48%) use social media, while SMS, blogs, forums, instant messaging, mobile applications and MMS all rank much lower.

It is hardly surprising that companies appear to be more focused on social media than other communication channels, namely mobile technologies. Over the last six years, since Facebook was born in a Harvard University dorm and Twitter emerged accidentally from a brainstorming session at the podcasting company Odeo, social media have in many ways “happened” to companies, leaving them with little choice but to

respond. This has put many companies in reaction mode; trying to grasp the strategic implications of this change while struggling to assign the appropriate resources to the appropriate part of the problem.

This leads to difficulties. Although respondents recognise that social media offer opportunities, executives believe many of the benefits are overshadowed by the associated threats. While 26% of respondents believe that customer recommendations will have a powerful positive effect, 40% are concerned that customer criticism will spread quickly to others on social networking sites. Only 15% of respondents believe that new



communication channels can create brand ambassadors among their customers who will vocally recommend their products to a wider audience, while 34% point to the difficulty in controlling their brand image as a major challenge.

This goes against received wisdom that all publicity is good publicity, and suggests that companies are struggling to come to terms with a public discourse that does not directly fit into their current marketing message. ■

United breaks guitars

“
Everyone feels passionately about having their time wasted.
”

Dave Carroll, musician

The guitar of the Canadian musician, Dave Carroll, was badly damaged during a flight to Nebraska on United Airlines in 2008. He naturally sought to complain. “I talked to three front-line employees on the plane but they weren’t helpful,” he recalls. “I tried several phone numbers, and finally got through to a customer service representative who told me that I couldn’t pursue a claim because I hadn’t registered it within 24 hours of the original incident.”

Instead of admitting defeat, Mr Carroll decided to continue the fight by doing what he does best—singing. He composed a song, entitled “United Breaks Guitars”, detailing his entire experience, from how the guitar got broken to his subsequent attempts to persuade the airline to accept responsibility.

The YouTube video of the song went viral. It attracted over 3m viewers in ten days, prompting United to issue a statement pledging to “make what happened right” and adding that the “excellent” video offered a “unique learning opportunity” for the company.

Mr Carroll believes that his song hit a nerve because there is a widespread popular disquiet about the general standards of customer service offered by large companies—and particularly the airline industry. When speaking at conferences about his experience, he often asks people whether they themselves have suffered from poor service. “They don’t just nod,” he says, “they throw their arms in the air. Everyone feels passionately about having their time wasted.” ■

3

Respond—don't react

“All you are doing is encouraging more people to yell because they haven't got anywhere through traditional channels.”

Frank Eliason, senior vice president of social media, Citi

Companies are struggling to work out how to respond strategically to the challenges created by new communication channels. Criticism from customers that attracts a high level of attention on social networking sites has generally precipitated a reactive response from companies that tackles the symptoms, not the root cause. Mark Barnes, vice president of customer experience at Volkswagen of America (VWoA), says that his company's policy is to talk to the complainant in person as soon as is practically possible: “If there is someone on social media with an issue with the company, we try to get them offline quickly, and engage with them by email or phone to solve their problem.”

Yet, excessive attention focused on purely resolving complaints on social media sites could simply serve to exacerbate the deeper challenges organisations face in responding to customers' appetite for communication through new channels. “Companies like to say that they are progressive because they engage on Twitter,” says Citi's Mr Eliason. “But all they are trying to do is find people who are speaking negatively and then turn them around. They are not addressing the core issue of poor customer service, which caused the complaint in the first place. All you are doing is encouraging more people to yell because they haven't got anywhere through traditional channels.”

If Mr Eliason's analysis is accurate, then the fact that only 6% of survey respondents singled out “customer service” as the main purpose of social media (a figure dwarfed by the 60% of respondents

who selected “marketing and PR”) should be a cause for concern. Indeed, according to respondents, the customer service function appears to be largely limited to call centres and company-run support forums. Instant messaging and SMS are also primarily the domain of customer service, but only 22% and 30% of respondents, respectively, use them.

This situation will not change until companies develop an integrated approach, which connects marketing and customer service across the multiple channels that are available today. Otherwise they are likely to continue chasing their tail, reacting to seemingly immediate threats to their brand, but not addressing the more fundamental weaknesses in their customer service.

Organisations are daunted by the interplay between different functions and the plethora of available communication channels. One of the greatest challenges identified by respondents is knowing which of the new channels they should prioritise. This suggests that executives are aware that they have perhaps placed too much emphasis on the immediate challenges thrown up by social media, but they don't know to which other channels they should divert some of their attention.

Companies understand that customers impressed with a product or service are more likely to let their social media friends know, thereby acting as an unpaid brand advocate. David Doucette, the executive director of internet

Q What is the main purpose of the new communication channels used by your company?

(% respondents)



Source: Economist Intelligence Unit survey, February 2012.

“Third-party recommendations are so much more powerful than our own message.”

”

David Doucette, executive director of internet marketing, Fairmont Raffles Hotels International

marketing at Fairmont Raffles Hotels International, agrees that customer comments exert greater influence than expensive advertising. “Third-party recommendations are so much more powerful than our own message. It’s all based on their actual experience and interactions with the brand.” Consumer surveys bear out this transformation. According to a 2010 American Marketing Association survey, 90% of consumers trust recommendations from people they know, 70% trust peer reviews posted online, but only 14% trust traditional advertising.¹

But companies cannot create strong brand advocates without strong products or services. For that reason, customer service, and other functions beyond marketing, need to be part of the dialogue between company and customer. Customer comments on networking sites and the preferences they display via mobile devices offer a potentially deep mine of information about their attitudes, opinions and desires, enabling the company to make changes accordingly. “The greatest advantages of social media are that they are such an invaluable tool for listening and measuring,”

says Mr Eliason. Fully 42% of survey respondents agree that this is the primary benefit of new communication channels as a whole. “It’s now much easier to stay in touch with the customer and form an ongoing dialogue,” says Richard Binhammer, the director of social media and community at the computer giant Dell. “These closer relationships will increase customer loyalty, the likelihood of purchase and the average spend.”

Developing this dialogue with customers helps companies pick up useful tips for new products and services or improve existing ones, which speak to the concerns, needs or wants of their customer base. Dell IdeaStorm, a website established in 2007 to solicit suggestions from individuals, provides one example of a company-sponsored initiative to take advantage of the web’s open exchange of ideas. As a result of IdeaStorm Dell joined Product Red, a brand co-founded by the rock singer Bono. Companies which opt to become Product Red partners contribute a proportion of the profits from specially designated “Red” products to the Global Fund to fight AIDS in Africa. To date Dell has launched three computers in this range. ■

1. American Marketing Association website—www.marketingpower.com

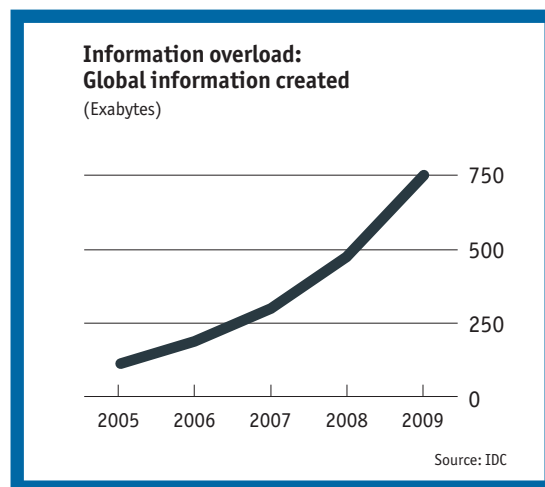
4

A data deluge

“
Executives still believe that media is something they control.”

Donna Hoffman, professor of marketing, A. Gary Anderson Graduate School of Management, University of California Riverside

The amount of information that companies can gather about customers has grown exponentially in recent years. But it has also led them to question how to process all of this information. According to a 2011 report by Capgemini, a consultancy, 62% of companies say that the quality of what they do is held back because they do not have the resources to interpret the data they already have. This



problem is not about to disappear: by 2020, says the report, the amount of digital information is expected to have grown more than 40 times.²

Although social media offer the opportunity to track customer likes and dislikes and then strengthen customer relationships by responding to comments, it is a time-consuming process. Mr Binhammer reports that there are around 25,000 mentions of Dell on social media sites every single day.

Professor Hoffman believes that senior executives have not yet grasped the enormity of the challenge this data explosion represents. “Executives still believe that media is something they control, that goes from them to the customer. Deep down, they don’t understand the permanent nature of the new media. They need people constantly monitoring, responding, conveying a consistent message, analysing data. There’s this feeling that you appoint a small team to look after social media, and then the situation is dealt with. It isn’t.” ■

2. Capgemini Consulting, “Transform to the Power of Digital”, 2011.

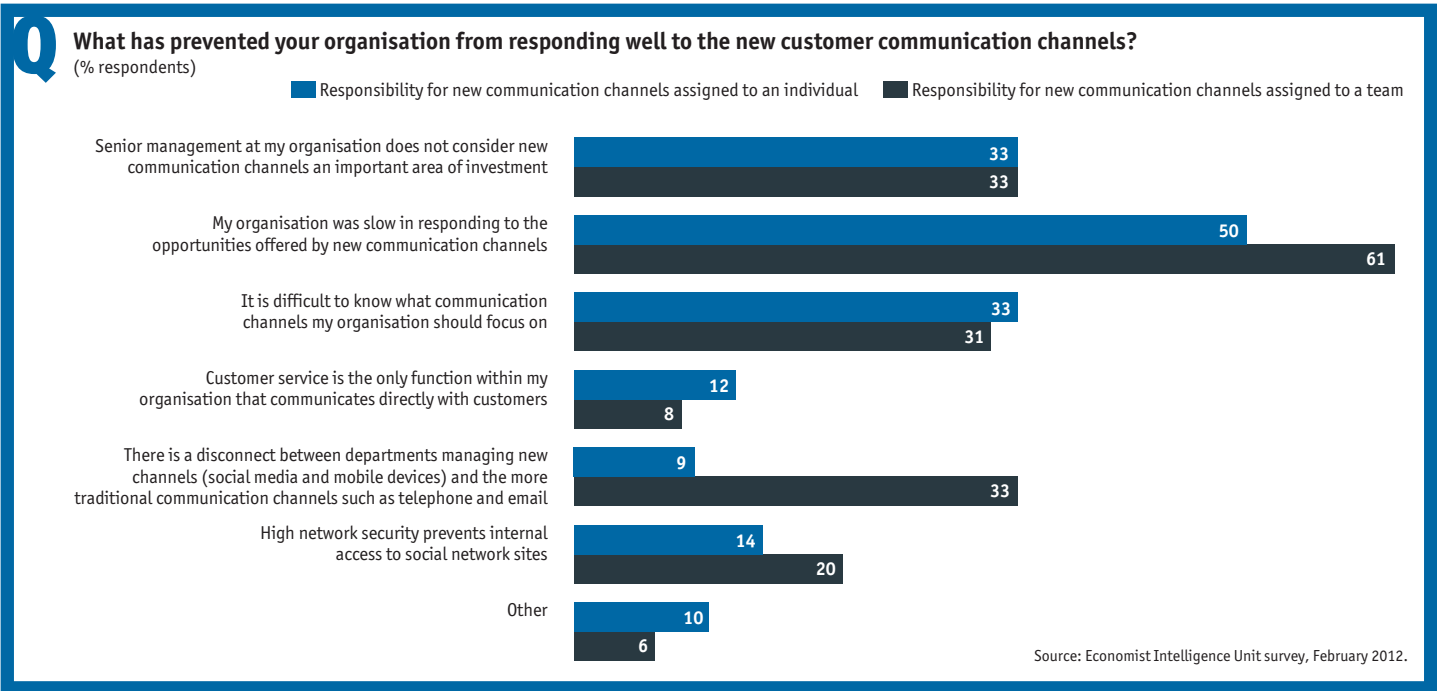
5 Organising to respond

Despite an ingrained corporate need to prove the return on investment of new initiatives, only 22% of survey respondents identify proving the business case as being a key commercial challenge associated with adopting new communication channels. Rather, organisational structure is of greater concern.

Appointing one person to oversee all communication channels reduces internal confusion and leads to a more coherent, integrated approach. This enables the company to oversee, identify and then tackle the root causes of

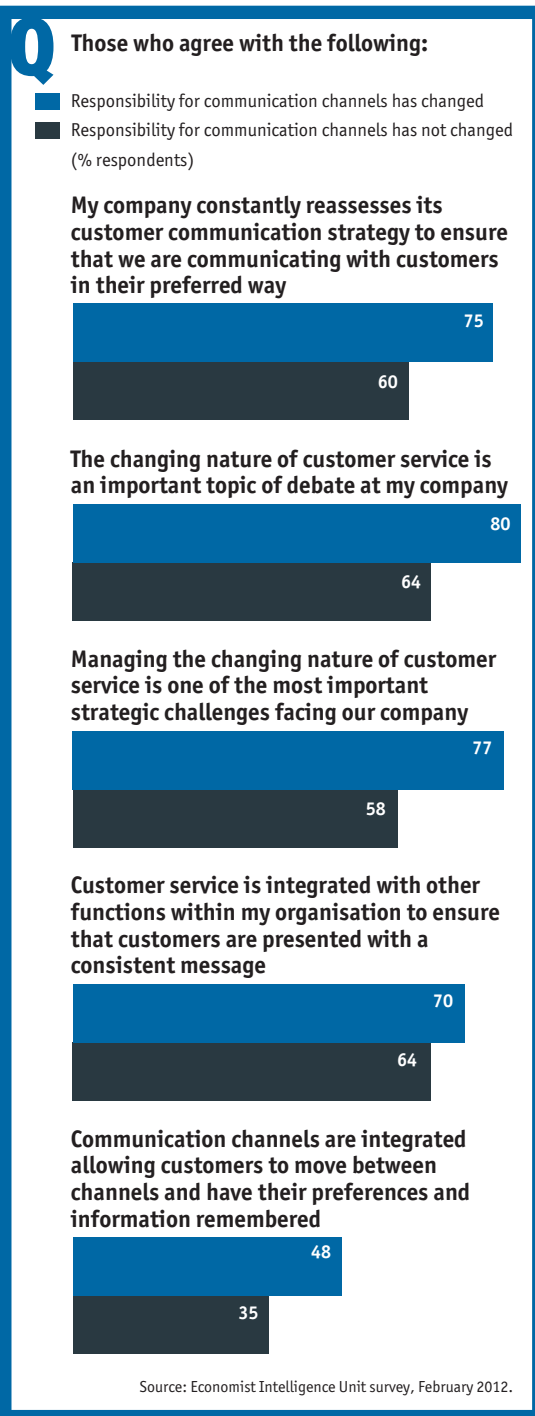
customer concerns, rather than merely address the resulting criticism on a social media site or another channel.

Among those respondents who criticise the overall response of their companies, and where one individual is in charge, only 9% attribute poor performance to “a disconnect between departments managing new channels (social media and mobile devices) and the more traditional communication channels such as telephone and email”. But when a team is in control, the percentage of these executives rises steeply to 33%.



“Companies have realised that the approaches to traditional media do not work with new media.”

Donna Hoffman, professor of marketing, A. Gary Anderson Graduate School of Management, University of California Riverside



VWoA appointed Mr Barnes to the role of vice president of customer experience in August 2011. The motivation behind the appointment was to integrate the management of customer interactions from those selling the VW's cars through to the marketing messages beamed from corporate headquarters. "Different people within

the company used to deal with different phases of the customer experience—before they buy, when they buy, after they buy, when they are looking for a replacement—and all the time communicating through different channels," says Mr Barnes of the need to create an overarching customer experience role. "There was no standard message coming out." As Mr Barnes points out, a cross-functional department ensures more consistent communication.

"The companies in the best position are those which are currently giving this issue serious thought, shuffling around budgets, working out who is best positioned to oversee all these rapidly proliferating channels," says Professor Hoffman. "If there is debate going on, they have realised that the approaches to traditional media do not work with new media." Making initial organisational changes, according to Professor Hoffman, at least starts companies on the road to success.

The survey suggests that the very fact that a company has changed who is responsible for communication channels—whatever that change may be—leads to an overall perception of improved performance. Within companies where responsibility is said to have shifted, 83% report a positive view of the company's response, compared with only 61% where there has been no change. However, no patterns emerge between the person or team to whom responsibility has been assigned and the perceived success of the company's response.

Delving further into the survey, the reasons why executives in such companies hold this view become clearer. Companies which have changed responsibility are more likely to believe that their company "constantly reassesses its customer communication strategy to ensure that we are communicating with customers in their preferred way" (75% vs 60%), that "managing the changing nature of customer service is one of the most important strategic challenges facing our company" (77% vs 58%) and that "communication channels are integrated allowing customers to move between channels and have their preferences

and information remembered” (48% vs 35%).

This suggests that the mere decision to change responsibility for managing new communication channels gives the entire organisation confidence that the senior management has a strong commitment to new communication channels. And this alone gives at least the perception of improved performance in this field.

This, in turn, may explain the greater likelihood that C-suite executives have a more positive view of their company’s response than their junior counterparts. The C-suite are likely to be privy to the strategic debates going on at the highest level, and are therefore aware of the true extent of their company’s commitment to responding to today’s new communication reality. This knowledge may not fully filter through to those lower down in the

organisation, leaving more junior employees unaware or unsure of the extent of the company’s commitment to adopting and integrating new communication channels into the organisation.

The importance of structural changes is borne out by the fact that younger companies—corporate “digital natives”—are more adept at using new communication channels, which include mobile platforms as well as social media, than older firms.

According to the survey, 66% of companies which are less than three years old communicate with customers through social media, a significantly higher proportion than the 47% of companies which have been in operation for six years or more. They are also much more likely than older firms to view social media as serving multiple ends, from marketing to customer service, suggesting a shift away from the frequent dominance over new communication channels by marketing. Moreover, almost one in three of the start-ups which use social media say that these channels are even their main means of communicating with customers. In contrast, only one in ten of the older companies which use social media attach a similar degree of importance to these channels. These young companies appear to understand the need to integrate the use of new communication channels across the organisation. ■

Young workers and social media

Within companies which have changed responsibility and whose executives are thus more likely to hold a positive view of their organisation’s overall responsiveness to new communication channels, young employees dominate the day-to-day handling of these channels. Three in five companies where responsibility has changed have younger employees managing new media communication channels, compared with one in three companies where responsibility hasn’t changed. ■

6

Conclusion: Mind the gap

“We may be on the verge of a second revolution—one that will remap the business environment.”

Most executives have not yet fully digested the implications of a new world of communication. Companies are still clearly finding their way, and many are still stuck in the certainties of a bygone era, when a company had a much greater degree of control over its brand image exercised through a monologue delivered to customers. Others have realised that this is a serious issue to be addressed. But their response is either at the very earliest stages of development or has not been properly communicated to the organisation as a whole.

This has created a gap between the C-suite and other staff, and between departments. With most companies showing a strong bias towards social media, a gulf has also been exposed between the adoption of social media versus other communication channels, namely mobile. This, in turn, reveals a mismatch between the channels companies are using

and the ones used by their customers.

There are signs that these gaps will close. Some companies appear to be adopting an integrated approach, appointing one person to oversee all channels. This not only reduces internal confusion, but allows the company to adopt a more proactive policy, seeing the big picture of customer concerns, rather than just reacting piecemeal to specific gripes.

Over the last five years the advent of new technologies has revolutionised the communication environment. Companies are now gradually but perceptibly realising that they must respond in a holistic way to these new communication channels. We may now be on the verge of a second revolution—one that will remap the business environment and force companies to focus their strategy increasingly on the customers' experience. ■

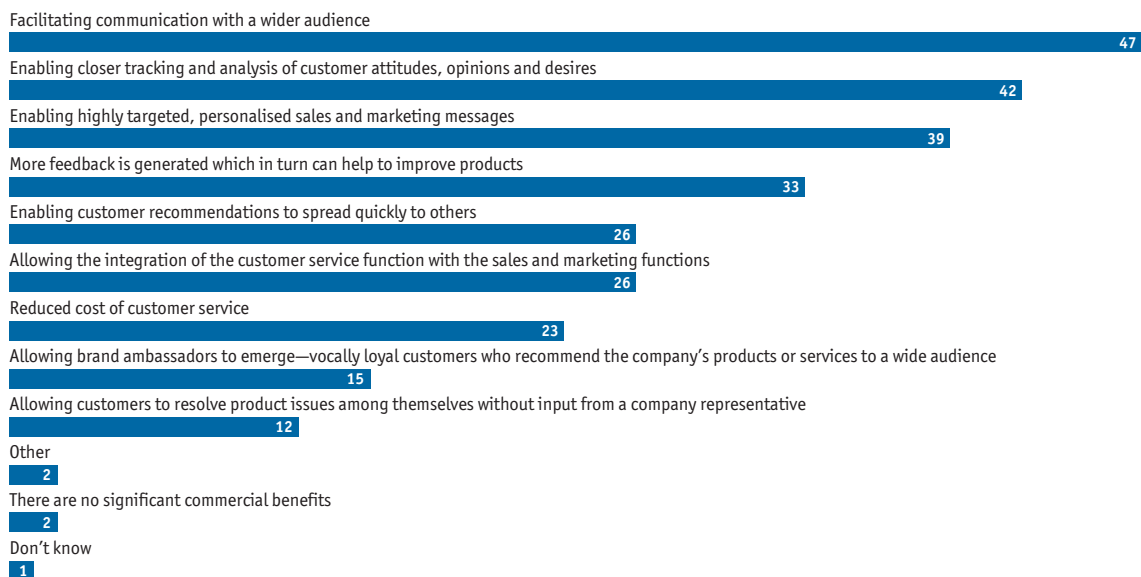
Appendix: Survey results

Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

What are the greatest commercial benefits of the new communication channels that have emerged in recent years?

Select up to three.

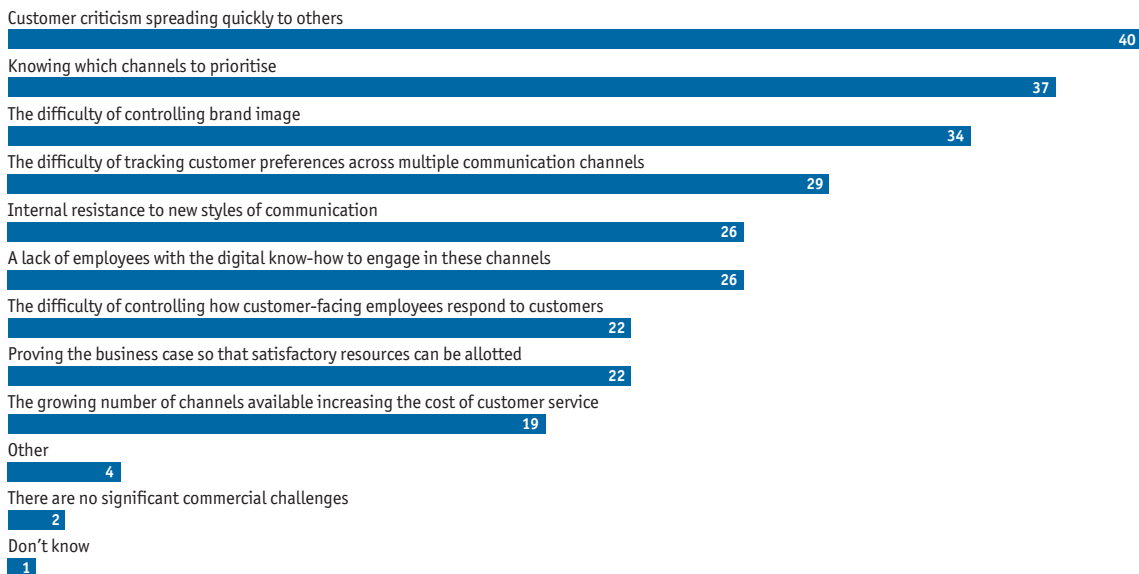
(% respondents)



Which of the following do you believe are the greatest commercial challenges of these new communication channels?

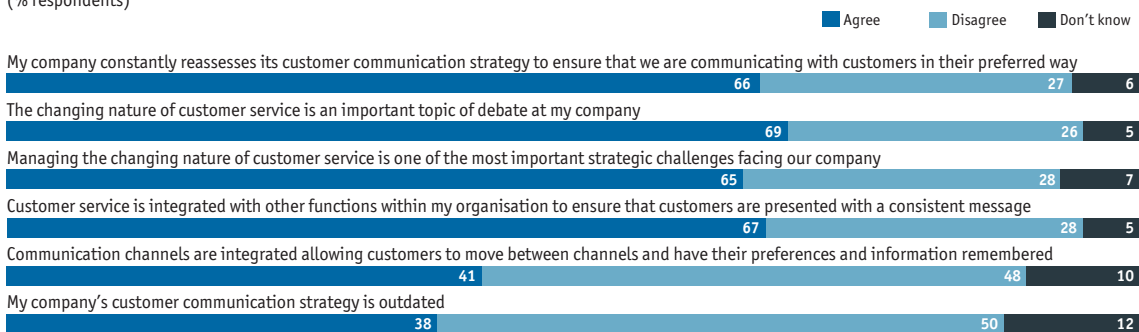
Select up to three.

(% respondents)



Do you agree or disagree with each of the following statements?

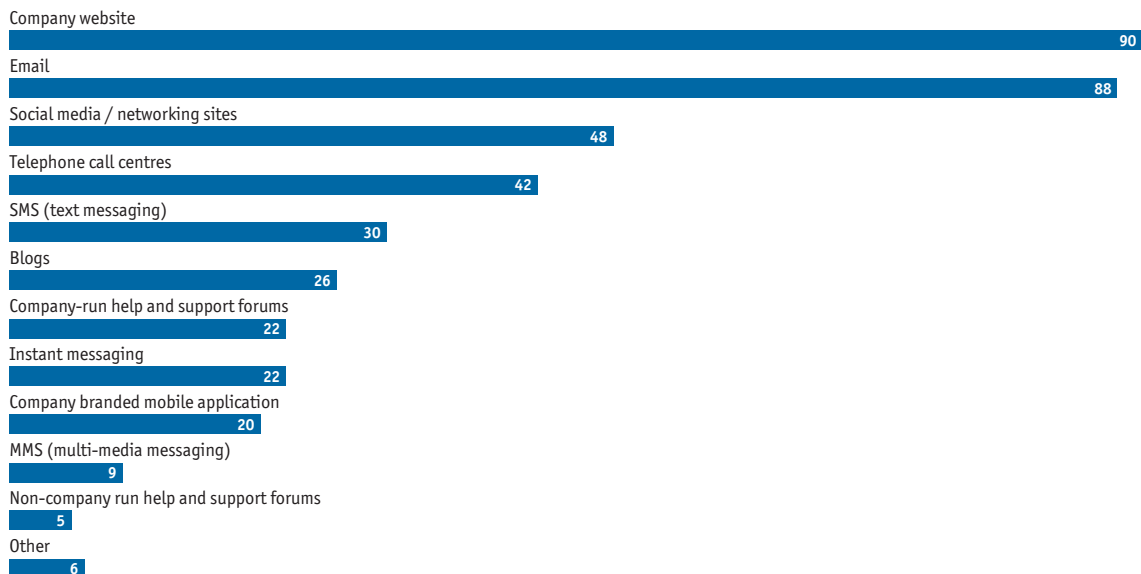
(% respondents)



Which of the following channels does your organisation use to communicate with customers?

Select all that apply.

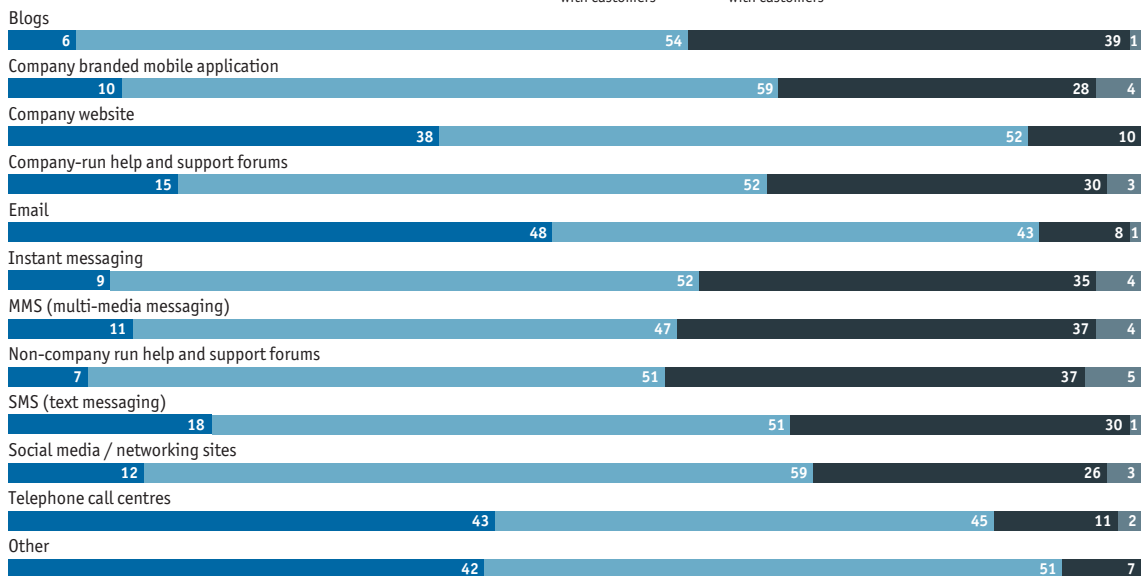
(% respondents)



To what extent does your company use each of the channels you identified in the previous question?

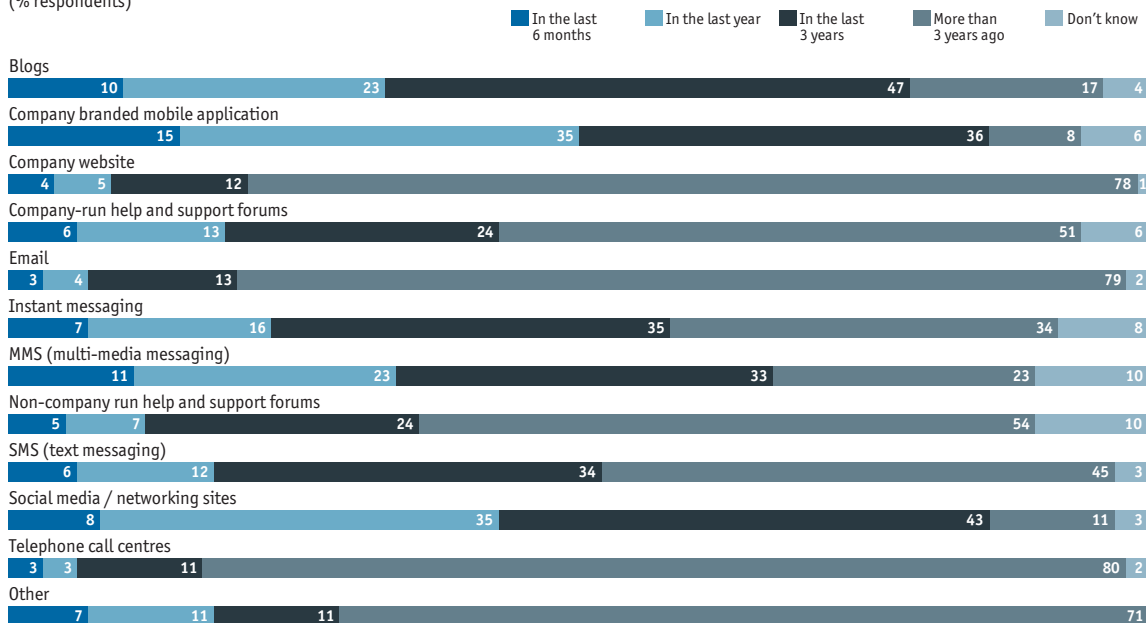
(% respondents)

■ It is the primary way that we communicate with customers
 ■ It is one of the main ways we communicate with customers
 ■ Infrequently
 ■ Don't know



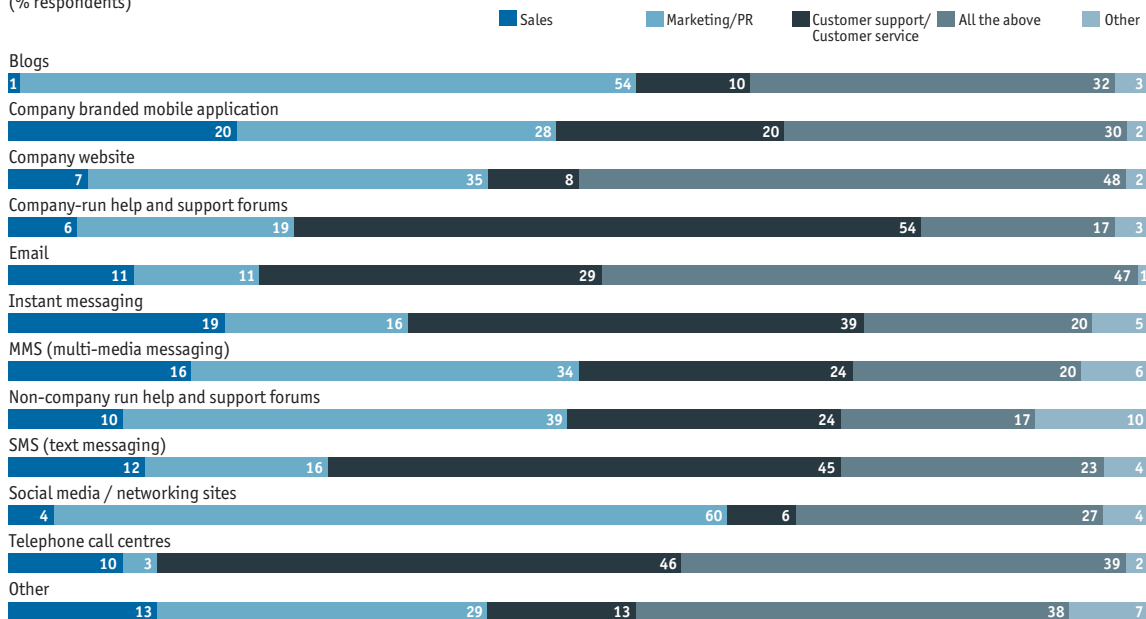
When did your company start using the communication methods you identified in the previous question?

(% respondents)



What is the main purpose of the communication channel identified in the previous question?

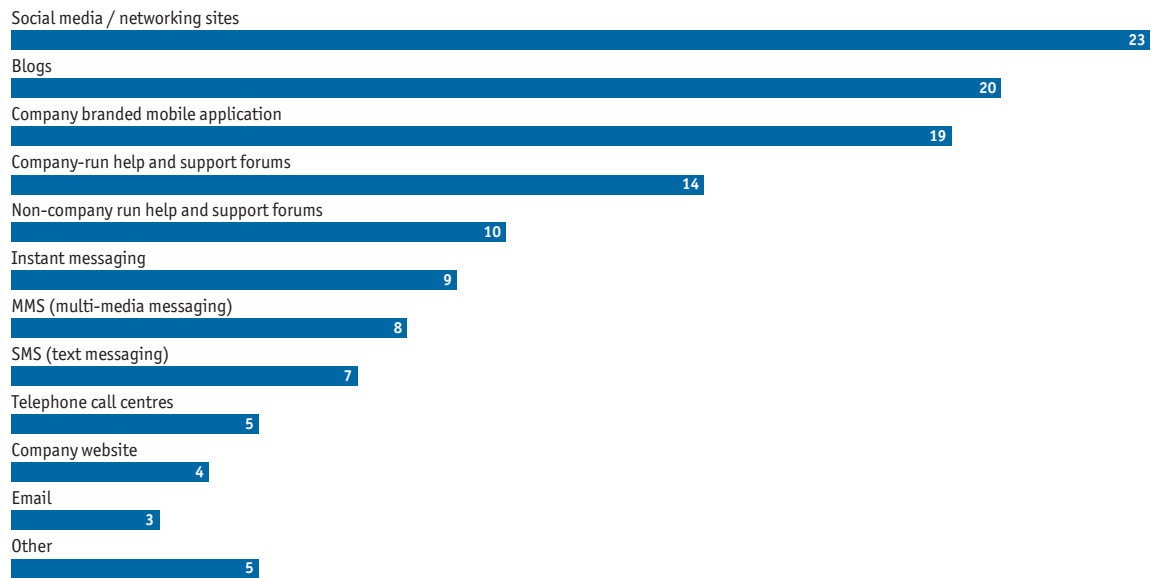
(% respondents)



Which of the following channels does your organisation have plans to start using?

Select all that apply.

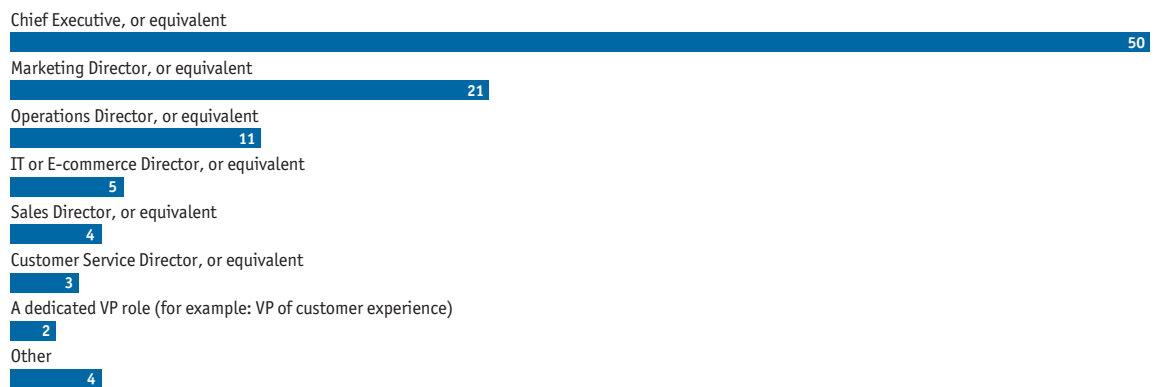
(% respondents)

**Does your organisation have one person or a team overseeing how communication channels are adopted and used?**

(% respondents)

**Who has ultimate responsibility for overseeing how customer communication channels are managed?**

(% respondents)



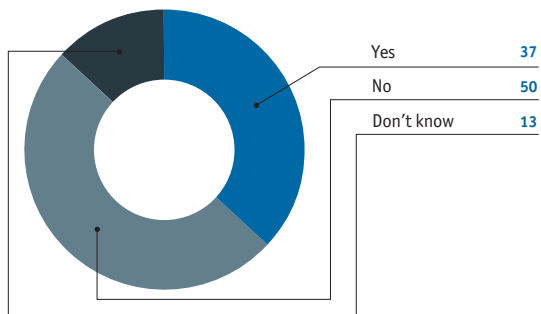
What team has ultimate responsibility for overseeing how customer communication channels are managed?

(% respondents)



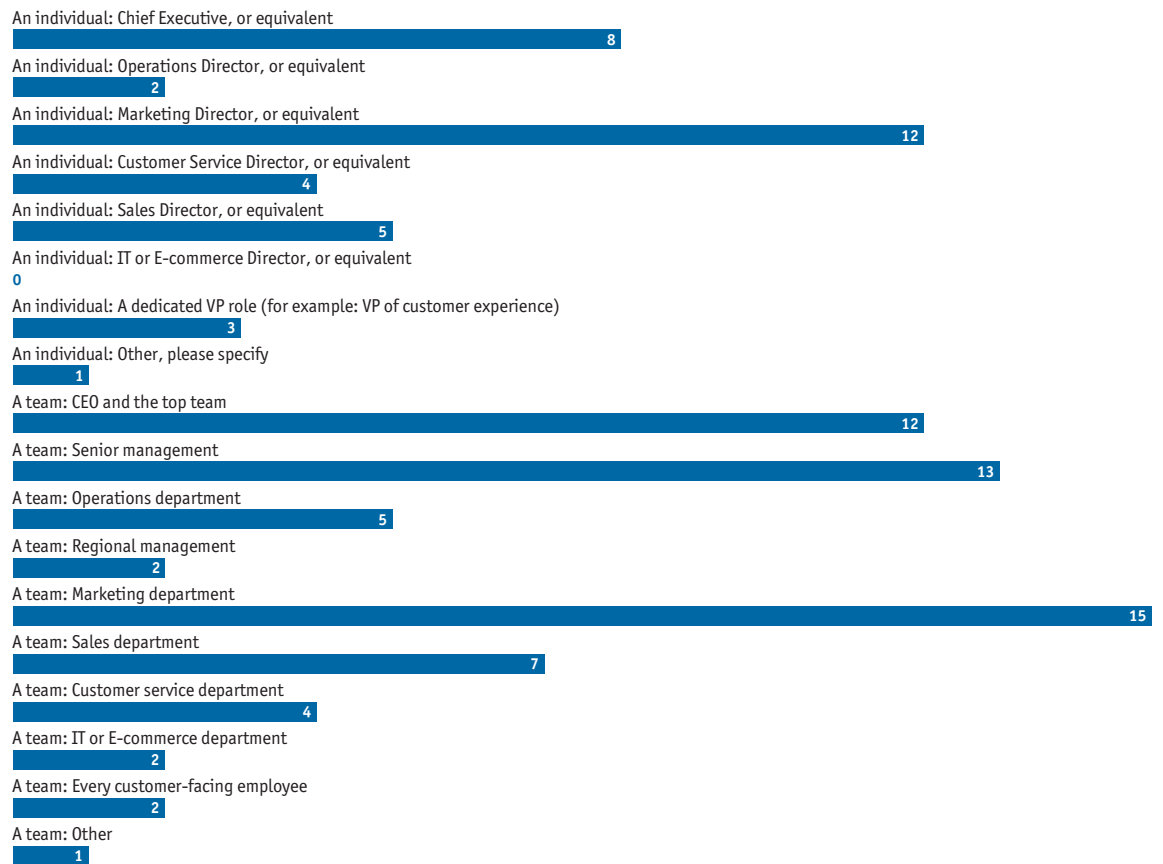
Has responsibility for managing communications with customers changed as the result of the adoption of new communication channels at your organisation?

(% respondents)



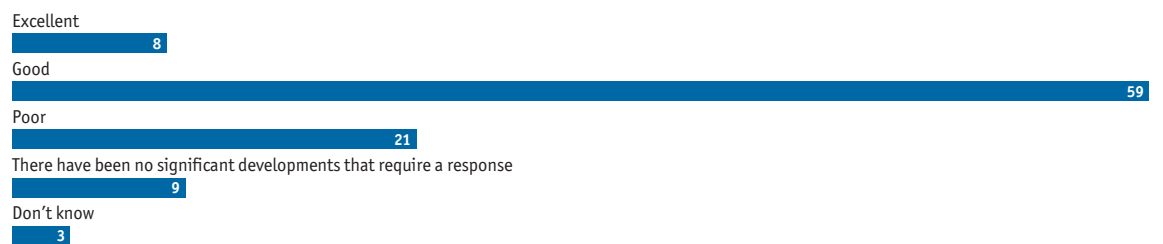
Who was responsible for managing communications with customers before the adoption of new communication channels at your organisation?

(% respondents)



How would you characterise the response of your company over the last two years to the new customer communication channels?

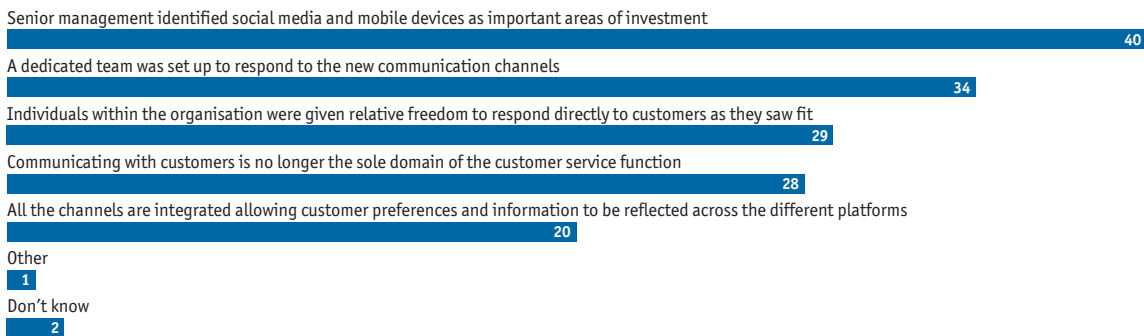
(% respondents)



What has defined your organisation’s response to new customer communication channels?

Select all that apply.

(% respondents)



What has prevented your organisation from responding well to the new customer communication channels?

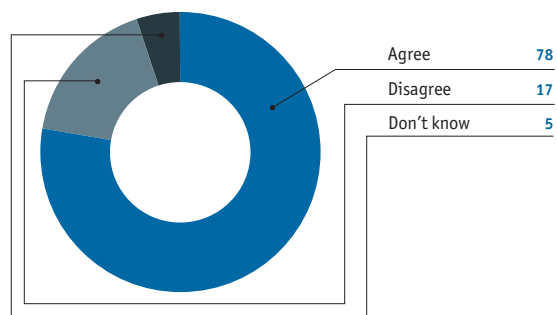
Select all that apply.

(% respondents)

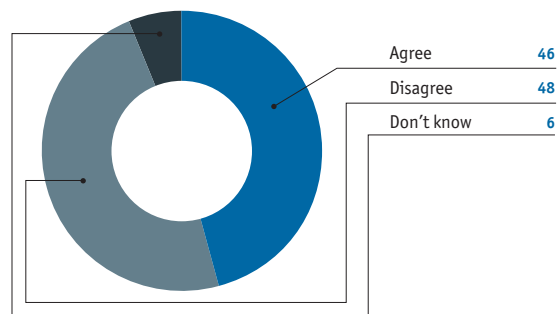


Do you agree or disagree with the following statement:
“Younger people are better acquainted with social media and mobile devices and are therefore better equipped to manage new communication channels in a corporate setting.”

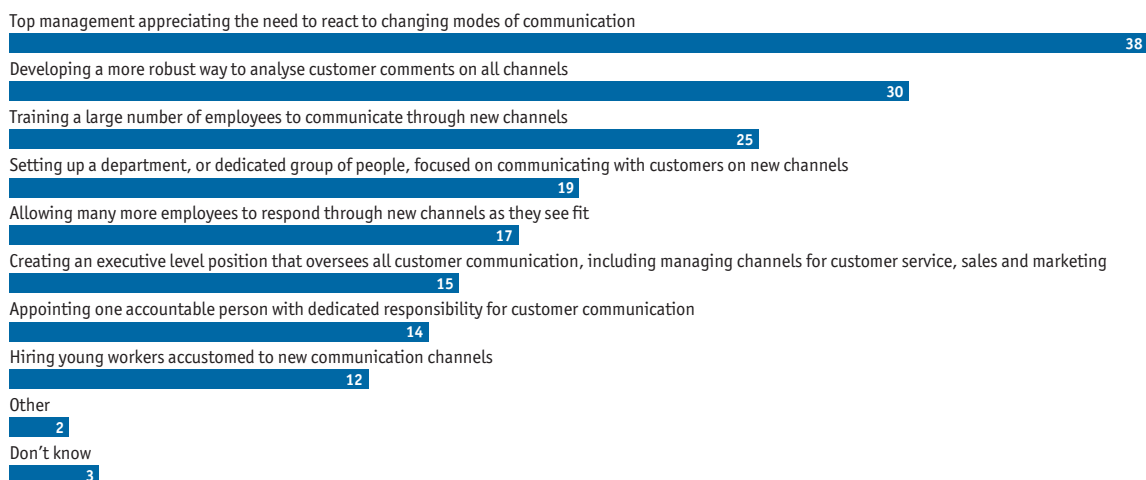
(% respondents)



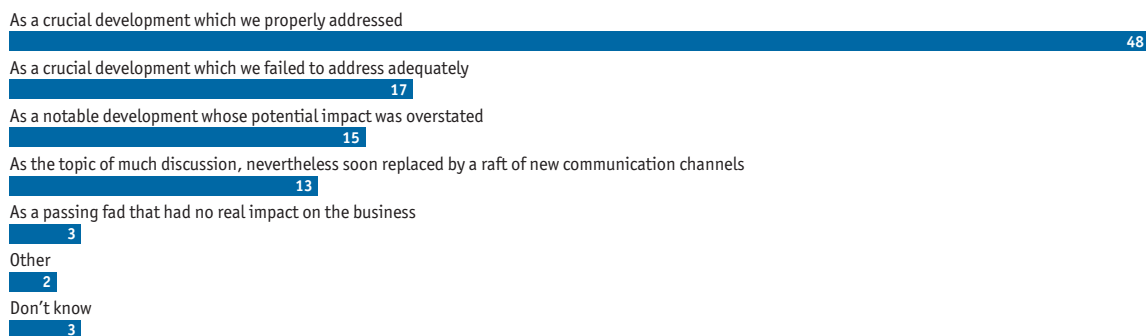
Do you agree or disagree with the following statement:
“At my organisation a team of mostly younger employees
manages new media communication.”
 (% respondents)



Which of the following will most help to improve the quality of your company’s communication with customers in the future?
 Select up to two.
 (% respondents)

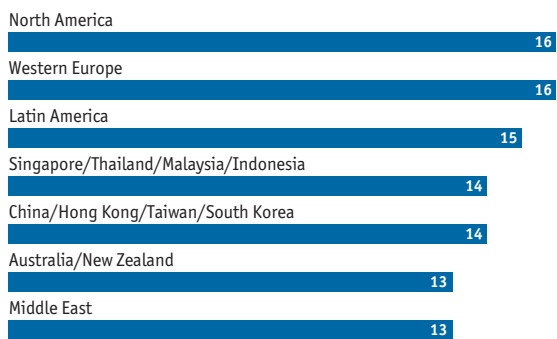


In five years, how do you think social media, mobile devices and other recently emerged communication channels will be viewed?
 (% respondents)



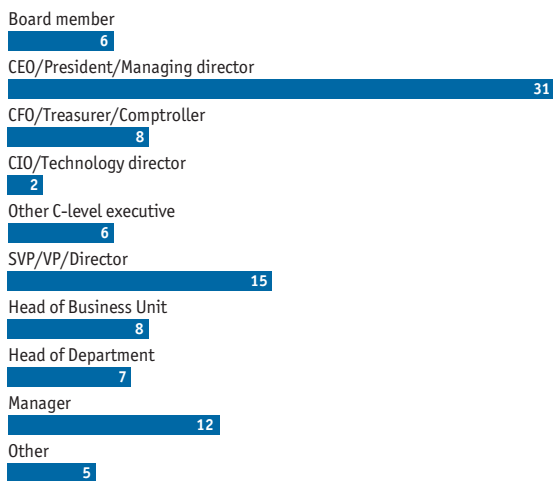
In which region are you personally located?

(% respondents)



Which of the following best describes your job title?

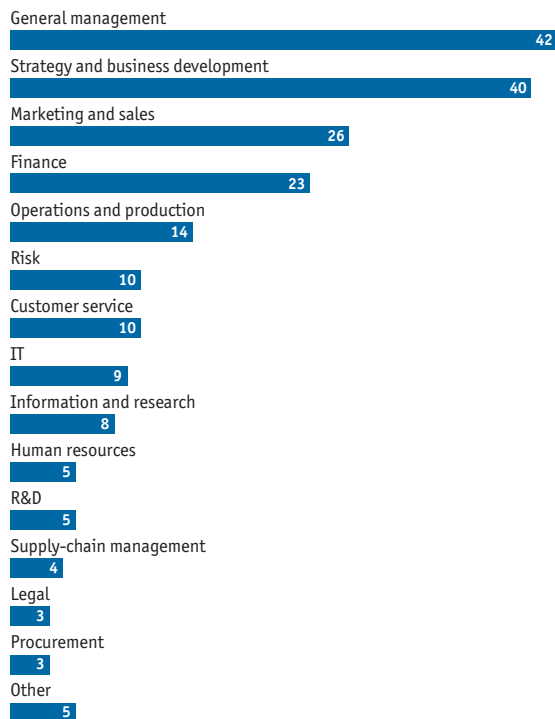
(% respondents)



What are your main functional roles?

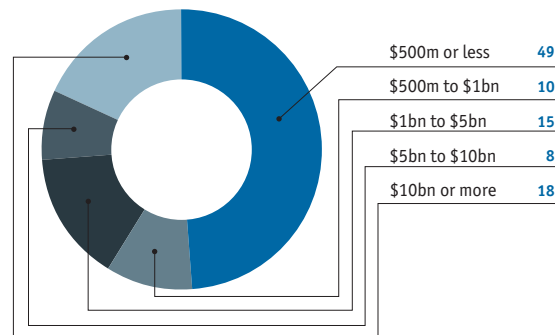
Select up to three.

(% respondents)



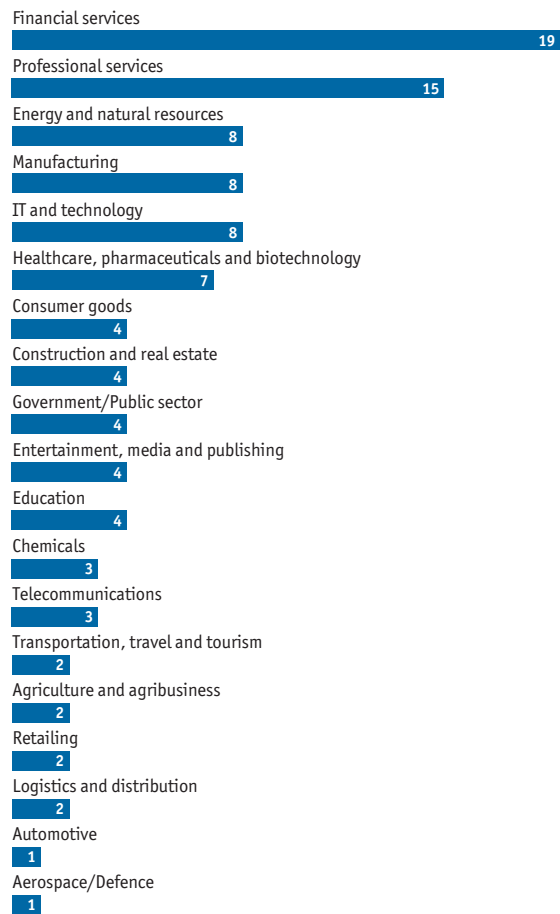
What are your company's annual global revenues in US dollars?

(% respondents)

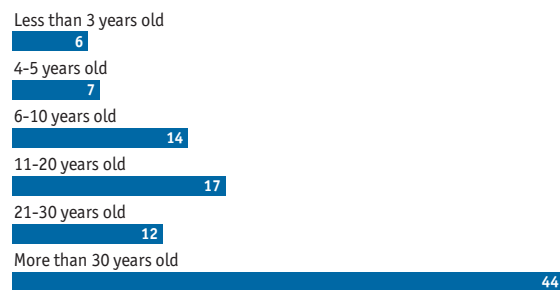


What is your primary industry?

(% respondents)

**How old is your company?**

(% respondents)



Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.

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