



Accelerating Performance by Calculating Results™

Customer and Market  
Intelligence Research

# Benchmarking Enterprise Social Media Investment: Best Practices



Best Practices,  
Benchmarks and  
Maturity Models

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## Executive Summary

Hypatia Research, LLC categorizes enterprise social media technology as an integrated suite of social media software tools or an online platform architecture designed to facilitate communication with groups, communities and/or individuals at the same time. Unlike person-to-person emails, social channels are generally defined as one-to-many or many-to-many channels.

The Internet has always been an environment that fosters social exchanges between people and organizations. From the 1980s and 90s era of Usenet news groups and Bulletin Board Systems, people began going online to expand their social connections. Today the "Social Web" is a diverse ecosystem of user-generated content comprised of discussion forums, affinity groups, blogs, micro-blogs, online chat, video and photo sharing sites, Web casts, and other channels that facilitate interaction between people and organizations.

Over the past few years, as businesses seek to engage customers via social media, many have invested in social media software. In response, software vendors have developed suites or platforms of integrated social media applications to enable organizations to more quickly create social communities with a range of features and collaborative channels.

Social media software was developed to facilitate online conversations between businesses and their customers, partners, and future-stakeholders as well as to provide outlets for customers to share information with each other. Hypatia reviewed nearly two dozen enterprise-level social media platforms vendors. Each offers various tools that enable organizations to create a variety of social venues for customers to utilize on either a corporate web site or on public networking sites such as Facebook, LinkedIn, MySpace etc... A majority of these social media tools address at least two or more of these four business areas.

- Customer Service & Support
- Product Innovation & Ideation
- Sales and Marketing
- Customer Analysis, Profiling & Segmentation

### Hypatia's Key Findings

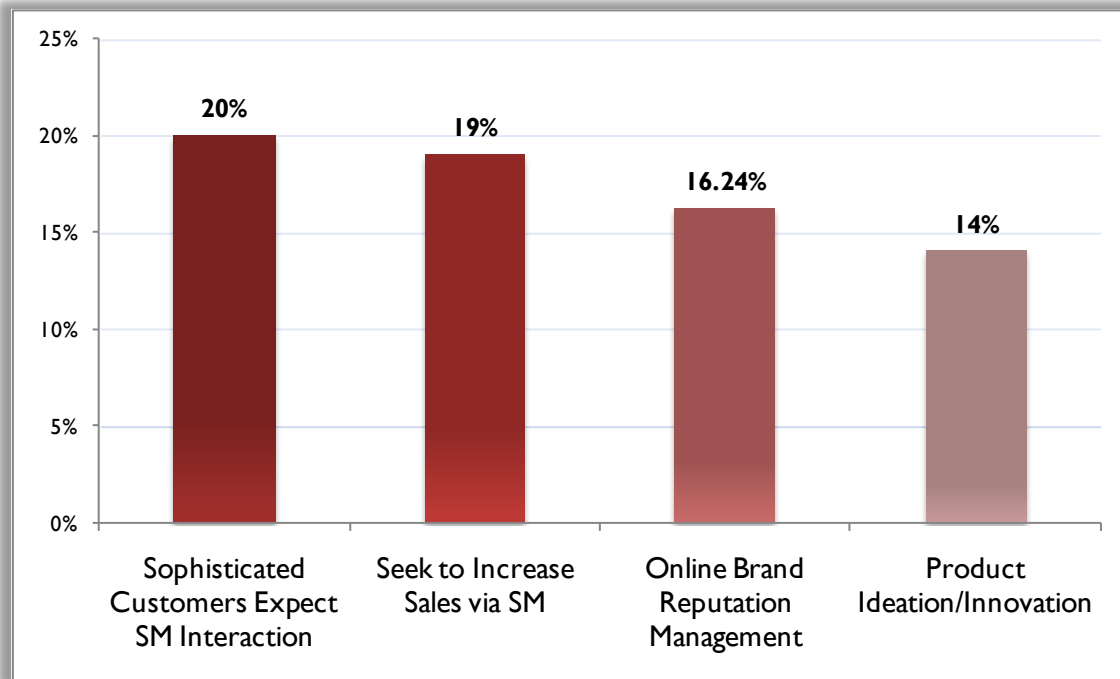
- ✓ Respondents cited customer satisfaction and customer retention as the top two ROI metrics utilized within their organizations.
- ✓ More than one-fourth cited achieving an annual ROI between 1/2% to 2%.
- ✓ Most companies doing social media attempt to track ROI on a regular basis, but 15% do not attempt to measure it at all.
- ✓ The expected return on social media reported by over 300 survey respondents varies widely from less than 1/2% to over 20%.
- ✓ What differentiates social media platforms isn't usually one major feature or characteristic. It's the collection of features and technologies that enable organizations to create rich and flexible social environments for their customers, partners or public brand.
- ✓ Social media software vendors provide services ranging from strategic consulting to community management. Services most heavily requested are strategic planning, setup and implementation.

## Business Drivers for Social Media Investments

Businesses typically have reasons for adopting social media. Those might include increasing brand visibility, boosting sales, getting feedback from customers, or reducing customer service costs. These reasons often aren't supported by specific research done by business, but a general feeling that social media can help the business.

According to over 300 business surveyed, the reasons for diving into social media are diverse and no one single motivation stands out, although most of the top reasons have to do with marketing and sales, rather than customer service.

Figure 1. Top 4 Reasons for Investing in Social Media



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## Challenges to Social Media Investment

Social media moved from nascent to main stream only after Facebook gained popularity in 2004. That creates a few major hurdles that anyone looking to implement it in his or organization may have to overcome.

**LACK OF BUSINESS CASE GOALS.** Social media consultants and software makers shared that customers commonly come to them with only a vague idea of what they want to do with social media and little to no business case to justify it. This is reflected in the nearly 20% of survey respondents that give their main reason for investing in social media as "customers expect it."

**COST.** Social media platforms aren't cheap. Depending on the level of social media expertise in the organization, the cost may include considerable service work including upfront planning, operational execution, and the implementation itself. These services may be provided by a software provider, a consultant, or other third party firm. Even pressing existing employees into social media service incurs a cost to other projects that are put on hold due to resource constraints.

**ESTABLISHMENT OF STANDARD ROI METRICS.** Debate over how to measure ROI in social media continues to rage among marketing and customer service professionals. Many even question whether financial ROI is the right metric to use at all, suggesting that non-monetary benefits be used instead. Hypatia believes that it

is critical to calculate some form of financial ROI from social media initiatives. Without tangible ROI, organizations find it difficult to decide which, if any social media product or service is worth the investment.

LIMITED SUPPORT FROM MANAGEMENT. Is it surprising that a project without a solid business plan, requires significant investment, and offers soft rather than hard metrics to justify return on investment would lack the backing of upper management? Additionally, most seasoned executives are less likely to be familiar with social media -- at least not beyond knowing that their kids' have Facebook pages – and the project isn't likely to get a lot of respect from the C-level executives. Alas, it is the CEO, CFO, COO, CIO or CTO who holds the purse on social media projects nearly half the time at mid-sized and large enterprises.

BALANCING COST VS NEED FOR EXPERTISE. Social media requires a great deal of expertise and staff time. Hence many organizations are compromising with a hybrid option for staffing social media -- some services from the software vendor and/or consultant, some existing staff, and maybe a temporary worker or two to get things going. Hybrid hiring is an optimal one for a tight budget, balancing the need for external expertise in an area that is new and untried, with the need to use existing staff and contractors wherever possible to avoid cost overrun.

## Benchmarks & Best Practices

While assembling a social network out of various standalone tools is certainly possible, investing in a platform with all of the necessary components (plus a few extra ones) may be a more efficient and manageable approach for organizations in sectors such as not-for-profit, consumer goods and retail. Social community platforms can come with any assortment of social channels and technologies, but the most common and expected components are:

- Community forums/groups/discussions
- Blogs, wikis and other content publishing tools
- Member profiles, status lines
- Online chat
- Photo and video sharing galleries
- Webcasts
- Calendars with event alerts
- Micro-blogging, or Twitter feed
- Reporting and analysis tools
- Moderator/administrative tools,

What differentiates social media platforms isn't usually one major feature or characteristic. It's the collection of features and technologies that enable organizations to create rich and flexible social environments for their customers, partners or public. Key technologies that leading social media suites include are support for mobile devices, support for integration with other enterprise applications (eg, via XML, Web services, APIs or partnerships with other vendors), feeds to/from Facebook and Twitter, administrative dashboards, sophisticated monitoring and analysis capabilities, and availability of

### MARKET Research Approach

Hypatia Research applies a hybrid methodology [quantitative & qualitative] that evaluates the Market-drivers, Actions, Responses, Knowledge, Expertise, and Technology enablers (MARKET) that influence corporate behavior in specific business environments. These terms are defined as follows:

- **Market Pressures** — external forces that impact an organization's market position, competitiveness, or business operations
- **Actions** — the strategic approaches that an organization plan in response to industry pressures
- **Responses**—how organizations invest and overcome business challenges.
- **Knowledge & Expertise**— competencies, skills and processes required to execute on corporate strategy.
- **Enabling Technology**— the key functionality of technology solutions required to support the organization's enabling business practices

proprietary or third-party "widgets" to enable organizations to customize the functionality of their communities. The size of the customer base and the company's years in the business play a role as well.

Leading firms have new features coming out every few months, with a roadmap that is clearly focused on keeping abreast of the constant evolution of technologies and markets. All provide a certain level of strategic and tactical services, including planning, integration, implementation, and community consulting. The following vendors have been evaluated and ranked in Hypatia's Galaxy for Enterprise Social Media Technology Vendors.

*Table 1: Vendors Included in 2011 Enterprise Social Media Research Study*

<b>Alterian</b>	<b>Ingeniux</b>	<b>OutStart</b>
<b>BazaarVoice</b>	<b>Jive</b>	<b>Parature</b>
<b>Day/Adobe</b>	<b>KickApps</b>	<b>Pluck/Demand Media<sup>1</sup></b>
<b>IBM Customer Experience</b>	<b>Lithium</b>	<b>Ramius/Sixent</b>
<b>Ektron</b>	<b>LiveWorld</b>	<b>Small World Labs</b>
<b>IngageNetworks</b>	<b>Mzinga</b>	<b>Telligent</b>

### **Our Assessment:**

Social media is not something that marketing and business executives can afford to ignore. The public is using social media to share opinions, take part in surveys and discussion threads, post videos of their activities, and tune into podcasts and webcasts on various topics. Many use social media tools to research products and services before they make the purchase. But organizations struggle with the decision of what social media to leverage, how to "do" social media, and how much to invest in something that may not wind up contributing to the bottom line.

Managers planning to launch a social media initiative should perform the same due diligence recommended for any major software or business undertaking. Namely, they must do a needs assessment, looking at the pain points throughout the organization that could be addressed through social media, as well as a list of the options -- both social media options and others -- that could address those pain points.

Before deciding on critical issues such as which projects to roll out first, what software products to buy, and how large the budget for it should be, management also needs a list of requirements for the project, an inventory of existing staff and IT resources, and a plan to address potential needs in the future -- such as integration of social media with CRM, e-commerce or supply chain management applications, wireless support for mobile phones, and the type of IT and social media expertise that may be required.

While social media may be an investment that companies need to make just to stay competitive, it should not be made in the dark, especially given the huge range of software and services options on the market and the time that will be invested in planning, implementing and managing the community.

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<sup>1</sup> Pluck/Demand Media entered a quiet period and were unable to complete Hypatia's evaluation process which includes a briefing, product demonstration and customer interview. In fairness to other vendors, we elected to exclude them from this year's Galaxy™ evaluations.



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- Convergence of eGRC and IT GRC: Managing Enterprise Risk by Optimizing Compliance Levels
- Leveraging Content to Improve Return on Marketing Investment: Enhancing the Customer Experience

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