

DIGITAL LEADERSHIP

An interview with

Rob Tarkoff

President and CEO, Lithium Technologies



***Lithium Technologies: RIP for
Traditional CRM as the New World of
C2C Kicks in***



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President and CEO, Lithium Technologies

Driving Social Business: Lithium’s Journey, Then and Now

Capgemini Consulting: Can you give us a quick overview of how Lithium Technologies started?

Rob Tarkoff: Even before people were talking about social networking, Lithium was pioneering a concept that sprung from the online gaming world. Some gamers were so good at multiplayer games that they were sponsored by companies such as Nvidia and Microsoft to test the limits of games. From those origins, we developed the idea of building the same sort of gamified experience in a corporate context. If we could get online domain experts to help others, we could change the economics of the customer service industry. We then started to move the company from just this service and support area, looking at how online word-of-mouth from peer to peer could really change the economics of a brand’s marketing efforts.

Capgemini Consulting: Could you explain the concept of social communities?

Rob Tarkoff: Studies show that more customers trust recommendations from peers as opposed to direct advertising. These ‘peers’ are people who are considered experts but who have no direct affiliation with the brand. Customers tend to trust the opinion and recommendations of such experts because of their domain knowledge, and online reputation and rank. Online social communities have arisen as an extension of this trend. Social communities enable customers to ask questions and get answers from experts, voice their concerns and discuss specific issues. Brand-specific communities enable customers to interact with the organization directly and this level of engagement fosters customer loyalty.

“ We saw that the dynamic of word-of-mouth from people with strong reputation to other customers could really change the economics of a brand’s marketing efforts. ”

Capgemini Consulting: What are some ways in which social communities add more value over traditional channels?

Rob Tarkoff: Typically, traditional channels follow a broadcast style of communication with their customers. So, if you look at contact centers, Short Message Service (SMS) or CRM tools, they are used predominantly for making company-wide announcements or to

resolve customer concerns in a linear, one-way fashion. In comparison, social communities online are more fluid and organic. Conversations are dynamic and brands are able to gauge customer sentiment and pulse by listening in to these communities. Brands can listen in on conversations to resolve issues, understand changing customer preferences and to unearth potential business opportunities. Google, which is one of our customers, runs its AdWords community on Lithium. By listening in, Google has been able to discover which elements of the Adwords products people are talking about.

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Social communities also drive better brand engagement, because customers feel they are being responded to and in a timely way. We found that when provided with a timely response, 43% of American customers were more likely to encourage their friends and family to buy their products and 38% were more receptive to advertisements from the brand¹. This is how you create loyal advocates. When such brand loyalty comes at a much lower cost to the organization — via online platforms as opposed to traditional channels — the result is a win-win situation.



Lithium Reveals Extreme Customer Expectations

Americans overwhelmingly rely on the Web to research big purchases

81%

use **any** online source

67%

use **2** or more online sources



9%

of 18-34 year olds use **6** or more sources



67%

tend to call an “800” or toll free number for help as a last resort



Buying



Consumers are going online to request help on a product or service and want responses fast



66%

expect a **same-day** response to their online request

43%

expect a response within **an hour** or less

Consumers are using online channels to complain

Complaining

39%

of Americans

are more likely to go online to **complain** than to **praise**

35-44 years



45+ years



But **younger Americans** seem to complain at higher rates than older Americans

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43% of American customers expect a response within the hour.

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Capgemini Consulting: What are some of the typical challenges organizations face in adopting a community-based solution such as yours?

Rob Tarkoff: One of the biggest challenges is in hiring the right kind of professionals. Typically, most organizations hire professionals who create content and then broadcast it. However, when it comes to creating a platform that can support highly engaged social communities, the hiring process needs to be very different. It means hiring people who have prior knowledge of curating and aggregating user-generated content, which requires a diverse set of skills. Then the other challenge is around anticipating and dealing with the kind of dramatic changes a social community platform brings — whether it is around processes or infrastructure. It requires a complete re-think of existing Web properties as well as social marketing and social support infrastructure.

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Organizations are experiencing massive disruption in their brand-building efforts over digital.

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Lithium Technologies – A Primer

How Does Lithium Technologies Foster Social Communities?

Lithium enables brands to convert their website into a social destination through online social communities, offering brands a platform to create dedicated communities. Take the case of Cortal Consors — a European broker in personal investing and online trading — which worked with Lithium to launch a banking social community. The community allows financial services customers to interact and network with each other. So, when a customer has a question or is facing an issue, they can simply search for similar questions posted by other users. Users can post replies, like a post, ask questions, post multimedia content relevant to the topic and receive “kudos” from other users based on their levels of activity on the platform.

How is Lithium Different from Generic Social Networks?

Most large brands engage with social customers by meeting them where the concentration of customers is the highest — the social Web. However, the true value for these brands is to have engagement via dedicated hubs. For a start, this means peer-to-peer interactions are based on specific interests. General social networking sites fail to offer such depth of focus. Dedicated social communities also facilitate customers helping each other out. This way, the brand ends up spending less on support costs. Lithium also uses behavioral science to analyze how social communities influence brand loyalty and drive repeat sales.

How Can Lithium Drive Up Sales for Organizations through Customer Engagement?

Engaged consumers tend to purchase more frequently from the same brand. According to Lithium’s research, 79% of visitors to a Lithium community have said they would purchase again from the company in future. To build that engagement, Lithium uses gamification concepts that give contributors badges, ranks and “kudos” counts. These elements help to drive more active contribution. Lithium also analyzes customers’ preferences for how they wish to interact. Finally, Lithium opens up the social communities to the broader social Web. This helps bring in customers from public social networking sites, where they are happy to find the kind of in-depth engagement they are looking for. This creates a wide and engaged community, and when brands target people who are truly engaged with specific offers, there is uplift.

Peer-to-Peer Interactions: A Cornerstone of Customer Engagement

Capgemini Consulting: How are digital technologies disrupting the customer experience?

Rob Tarkoff: Our view is that the disruption is being driven by what we call an era of extreme customer expectations. Customers expect the experience to be easy, personalized, shareable and seamless. We found that 66% of Americans expect a same-day response to their online requests and 43% customers expect a response within the hourⁱⁱⁱ. However, companies are not ready for this kind of change. Organizations are experiencing massive disruption in their brand-building efforts over digital. For instance, when a customer of British Airways, took out advertisements on Twitter to complain about inability to find his baggage, the company dealt with it ineffectively. This led to the advent of a category called ‘complainvertizing’, wherein consumers can take to the social media channels and dramatically alter brand perception in a way that companies like British Airways never thought possible. We found that a significant part of this happens from younger folks, with 46% going online to complain about a brandⁱⁱⁱ. Most companies are failing to scale up to such changing customer expectations and this is causing massive deterioration of brands; it’s causing losses of millions of dollars in brand reputation repair.

Capgemini Consulting: Why do you think Customer-to-Customer (C2C) interactions are becoming so important now?

Rob Tarkoff: It’s not as though there is suddenly a big revolution in C2C. It is more to do with the fact that a behavior that typically used to be offline and based on word-of-mouth has now been

amplified to a massive degree because of the availability of digital channels and social media networks. From the data we have gathered, we found that people prefer to get recommendations through peer-to-peer interactions; people look for expertise. Experientially, in our consumer lives, we are completely immersed in the C2C digital experience. Before making a purchase, consumers look at online reviews or do a search to look for answers. Product comparison and seeking the opinions of peers are very common activities socially. For instance, we found that 81% of Americans use online resources to research a big purchase. This behavior is very pronounced in the younger demographic — one out of every ten people aged between 18 and 34 use as many as six different sources when researching for a purchase^{iv}. Once brands are able to harness the information from customer interactions, they will be able to capture a lot of uplift relative to their competitors.

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Brands are finding it difficult to figure out how to take advantage of all the data from C2C interactions.

Capgemini Consulting: As customers increasingly engage themselves in conversations with one another, what is the role of organizations?

Rob Tarkoff: The role of the organization is shifting from that of a promoter and declarer, to that of curating conversations, and participating and enabling a dialog. Customers see how brands really are because it is all in the open on social networks. There are no secrets anymore. Transparency is the

norm and trust is the new currency; and you build trust by being in a conversation, not telling customers what to do. Companies who are successful are the ones who use digital technologies to uplift the customer experience in a way that converts to dollars.

Capgemini Consulting: You’ve recently acquired Klout. What is the link between social reputation and customer experience?

Rob Tarkoff: A few months ago, we announced the acquisition of Klout — a company that scores people’s profiles based on their presence and expertise on social networks. The acquisition enabled us to tie in Klout’s scoring system for rank and reputation with our own database on brand-specific communities. We are now able to provide a very broad platform that not only offers community building, but also provides profile reputation and expertise across diverse topic areas, with a consumer angle to it. So, again, we are sort of creating this concept where brands are able to refine the customer experience on their own. Rather than being disrupted by a third party, brands can now be the disrupters themselves.

Capgemini Consulting: How do you visualize an ideal customer-centric organization to look like?

Rob Tarkoff: When community-speak becomes an important action item on the agenda of C-level executives, that’s when an organization is bringing in real change towards customer-centricity. It’s when organizations start treating consumer interactions as important pieces of data for market research or brand studies that they will become more successful than their competitors. The brands we are talking to now are brands that have always prided themselves on setting the bar for customer experience. They are now coming to us and saying, “We are not exactly sure we know what to do.” So, it’s pretty interesting to see

that brands that thought they were the hallmark of customer experience now think they don't really know the consumer. They are asking, "How do we activate consumers to tell us more about themselves than we are able to get today." I think that is the big change.



The role of the organization is shifting from that of a promoter to that of a curator and enabler of conversations.



Digital ROI: Measuring and Monitoring Progress

Capgemini Consulting: How does Lithium help enable ROI improvements? Do you have any examples to share?

Rob Tarkoff: The challenge with digital is that if I am going to make big investments, I need to see returns — uplift in purchase, dramatic decrease in cost to service, and overall improved experience with customers, which results in greater loyalty and share of wallet. We have customers that are routinely saving between 10 and 50 million dollars a year. For instance, Autodesk, a customer of ours, achieved ROI of USD 12 million within the very first year of being with us. Every year since, they have reached the 10 million USD mark. Another example is that of CrowdSource, a platform Lithium operates for Telstra. CrowdSource has been able to resolve 50% of Telstra's customer support issues right on the very first query. Due to the success of our platform and the Telstra social

community, the company is closing their traditional contact centers because their customers prefer engaging online. I think this also resonates with the findings from our survey. We found that two-thirds of Americans (67%) tend to call an "800" or toll free number for help only as a last resort.

Future Steps: Peering into the Crystal Ball

Capgemini Consulting: How do you see peer-to-peer communities evolve over time, in the coming years?

Rob Tarkoff: Well, I think peer-to-peer communities have been the single biggest disruption to CRM. So, my view is that the CRM industry is going to get abandoned over the next 5 to 10 years. Instead, you are going to see systems like ours that are about curating conversation and understanding customer opinion, more than trying to orchestrate around one customer as an item in a database. Peer-to-peer communities have changed the dynamics of managing customers, providing service, marketing techniques and sales tactics. It's similar to the way e-commerce disrupted brick-and-mortar stores. I think we have a similar phenomenon wherein C2C conversations are becoming an engine of change for the way technology is deployed, data is gathered and incorporated in this decision-making.

Capgemini Consulting: What does the future look like for community-based platforms such as Lithium?

Rob Tarkoff: Community-based platforms are going to dramatically alter the way we market products and provide support to customers. There is going to be less focus on internal production of content and projecting that outward. Instead, it will be all about organizations tapping into external conversations. Customers are far more

empowered today than they were a couple of years ago, and they have multiple outlets to ensure they are heard and in turn impact the brand's sales and reputation. In fact, we have found that when brands provide customers with timely responses, 34% of customers are more likely to purchase more from the company^v. I think customers are willing to tell you what they think of your brand provided you structure the experience in the right way. The companies that get it right will be the successful ones.



Brands need to build trust by being in a conversation, not telling customers what to do.



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- i Lithium Technologies and Millward Brown DigitalSurvey, October 2013
 - ii Lithium Customer Expectations Survey, May 2014
 - iii Lithium Customer Expectations Survey, May 2014
 - iv Lithium Customer Expectations Survey, May 2014
 - v Lithium Technologies and Millward Brown Digital Survey, October 2013





Rob Tarkoff

President and CEO, Lithium Technologies

Rob Tarkoff is CEO and President of Lithium Technologies. Lithium Technologies helps organizations transform the way they manage customer engagement and brand management through consumer-to-consumer interaction and online social communities. Its customers include the likes of HP, Research in Motion, Best Buy, Symantec, Comcast and Sony. Recently, the company acquired Klout — a website and mobile app that uses social media analytics to rank users — for around \$200 million. The acquisition means Lithium can integrate its C2C social community capability with Klout's scoring system for rank and profile.

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