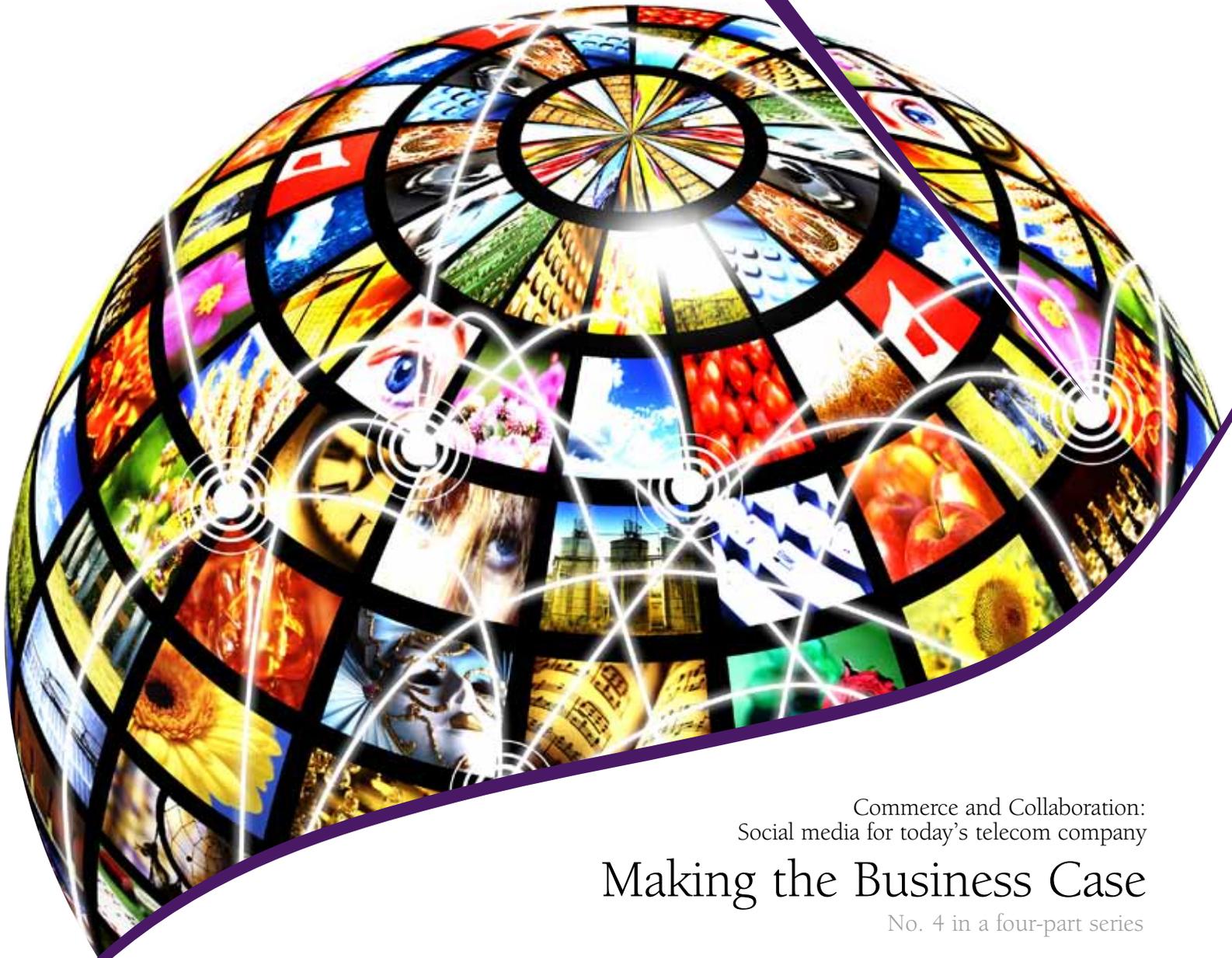


Just because your enterprise has a social media account, doesn't mean you have an enterprise social media strategy.



Business dislikes this comment



Commerce and Collaboration:  
Social media for today's telecom company

# Making the Business Case

No. 4 in a four-part series

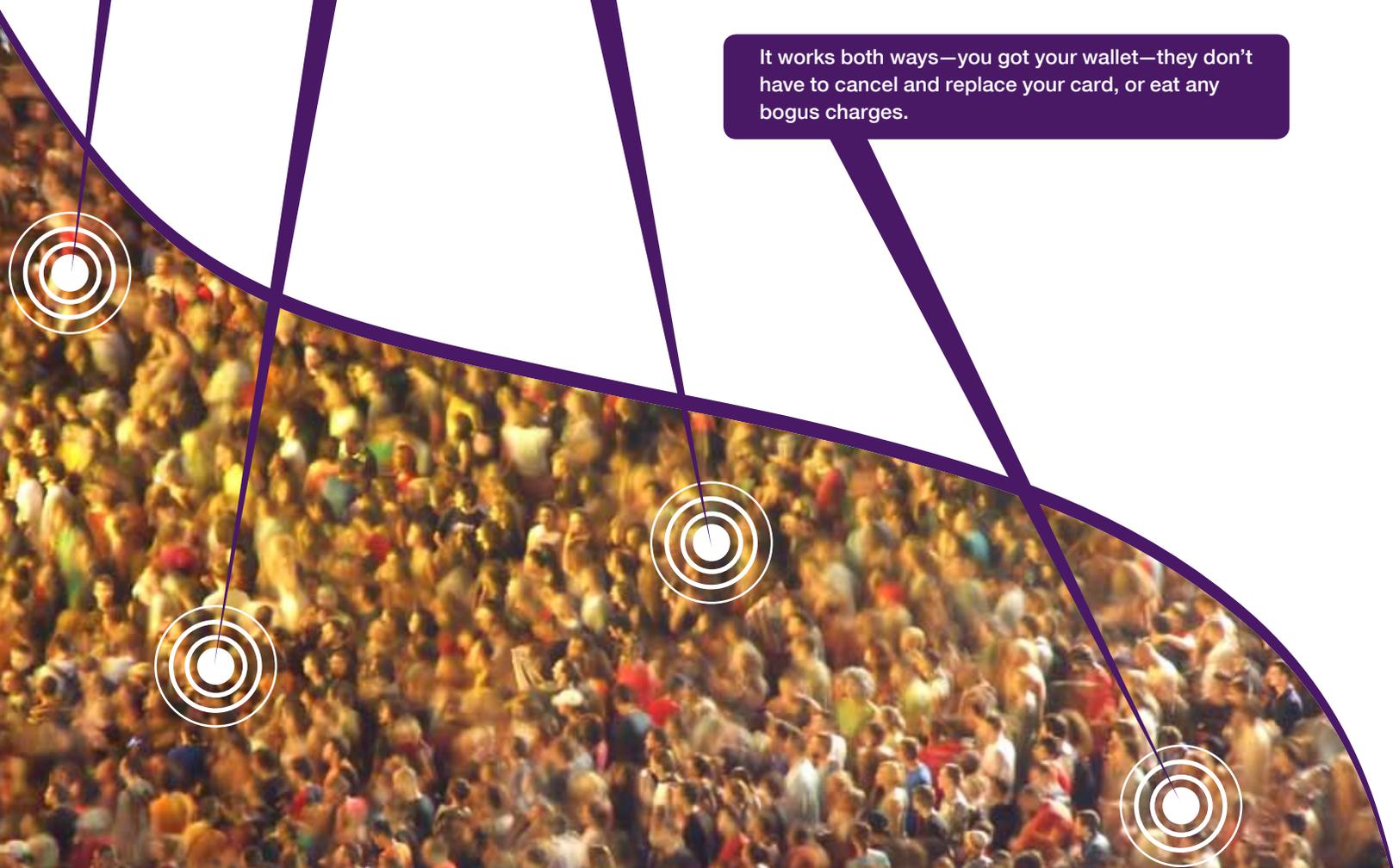
You won't believe this! I left my wallet in the seat pocket of the plane, and tweeted AmEx of the situation. They got to my wallet almost immediately!

That's incredible! I'll bet you'll buy your next ticket with your AmEx! I'm thinking I will too!

 Business likes this comment

That's really a great story. That changes my perception. I didn't think they cared that much!

It works both ways—you got your wallet—they don't have to cancel and replace your card, or eat any bogus charges.



Social media offers customer empowerment to your customers and how they choose to use the democratization of information impacts a key asset—your brand. For that reason alone, many companies have already deployed social media in their customer care, marketing and PR departments. Now enterprises need to go a step further and consider social media's greater potential to restructure the way their customers and their employees organize, access and share information.

Today, enterprises increasingly use social media to bring information to customers, to answer inquiries and to build communities around brands. But social media also opens up new ways to gain market insight and offer new services. Building a solid business case for deploying social media depends on assessing how it can transform your company. In the last of our four-part series, we look at how this is accomplished.

## Real World Advantages of Social Media in Action

At a recent conference on the role of social media in commerce, a speaker recounted how a passenger in an airport baggage claim reacted to discovering he had lost his wallet in flight. He "tweeted" American Express Travel Services and they immediately contacted the airline's airport supervisor, who had the wallet retrieved. This small use case was a success due to the process, staffing and ability to execute based on current web 2.0 social media and the traveler had the wallet back before his bags came off the plane.

The use of social media and in this case, Twitter, saved both the owner of the wallet and American Express Travel Services the hassle and expense of canceling and reissuing cards. It undoubtedly increased customer loyalty and has provided good advertising for the company at business conferences and beyond. Any company making the case for social media needs to take into

account the extent to which engaging spontaneously and positively with a customer can echo beyond the customer's network. This is why a growing number of companies today communicate with customers over twitter and Facebook, or use User Generated Content (i.e. YouTube) to explain how products work.

But social media offers much more. The growing number of real-time interactions with customers on social networks gives companies an unprecedented understanding of their customers' opinions and ongoing shifts in market trends. However, only companies that have the means to access, analyze and share these new, disparate sources of information can make the most of social media's full potential. If a company doesn't know its customers, then it runs a very real risk of making mistakes that could reduce the effectiveness of new campaigns and product launches, or undermine cost-cutting initiatives.

Understanding how your company can use the real-time, unstructured data generated by social media is critical when evaluating the investment and corresponding net present value (NPV).

Before making investment decisions, companies should look at how their consumers use social media to gain or share information. They should also consider how social media is likely to alter commercial relationships. The answers will help telecommunication companies understand the importance of social media as a revenue boost, cost differentiator and/or competitive tool in the battle to reduce churn. A company without an aggressive social media strategy will have a competitive disadvantage.

## Take the Test: What is Your Customers' Social Media Profile?

- How much do customers engage with you via social media? What do they expect?
- Do promoters and detractors post on your sites? What are they saying about you? What are the demographics of the promoters and detractors? Is there any geographic correlation associated with either? Is any group particularly favorable or unfavorable? Which groups are changing their level of support or dissatisfaction?
- Do attitudes change based on news, events, and/or campaigns? Are they favorable or unfavorable?
- Do "events" in the social media space affect the public's perception of your company? Is there a sudden surge in complaints after a video or blog post denigrates an offering?
- Do any influential, independent blogs say anything about you? Are any groups dedicated to hating you? Do any groups provide "free" fixes to customer problems? Do users suggest ways that offerings could be improved?
- Do customers engaging in social media have a higher propensity to buy anything from you or from your competitors?
- How are you managing the social media conversation? Are any channels for support, sales, and community building being under-leveraged? How well are your current efforts going?
- How do you compare to competitors? Is social media affecting your reputation, for better or worse?

One thing is clear; your customers organize in intersecting social circles, which are usually small enough to enable trust. The sociologist, Robin Dunbar, once theorized that the number of meaningful relationships a person can manage is limited. That number is 130-140, according to a recent study by Michigan State University and Caggemini research. Separately, a recent Forrester Research survey of social media found the number of friends maintained on Facebook is 130<sup>1</sup>. Coincidence? Not likely.

<sup>1</sup> Social Mediatoday.com, November 2010

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## The Path to Quantifying Net Present Value (NPV)

One great way to assign a monetary value to brand-specific user-generated content (UGC) — including product reviews, customer forums, and ask-and-answer entries — is to measure its net present value.

NPV — a metric widely-used in the financial world and appreciated by CFOs in any industry — is commonly calculated as the difference between the present value (PV) of the future cash flows from an investment and the amount of that investment. A zero NPV means the project repays the original investment plus the required rate of return. A positive NPV means a better return, and a negative NPV means a worse return, than the return from zero NPV. The investment would be subject to much greater evaluation to determine the more intangible aspects of deploying a technology.

User-generated content has a positive NPV due to its impact on bottom-line sales over time. As social content grows, it drives a larger and larger influence that can be quantifiably measured through a Net Promoter Score to measure influence. For example, picture a company that connects with 10,000 “friends” on Facebook, attracts 5,000 posts on its blog, and has 50,000 followers on Twitter. A social media manager could spend 40 hours a week participating in social media and elevating the company’s web presence. The manager’s time is worth \$50 an hour; at 40 hours a week, the company’s investment in social media is \$ \$104,000 per year.

The alternative is to spend \$104,000 a year on television commercials, marketing materials, print advertising, and direct mail campaigns; all of which won’t go far given such a level of investment.

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## Let Trusted Consumer Advisors Drive Your Value Proposition

The Internet had already opened new channels for accessing and comparing information about companies and products. Social media greatly enhances this with information that has context from the sources your customers trust most — family, friends and professional peers. The days when your company could control its image through PR and advertising campaigns on TV, radio and newspaper are over. But there are ways to use consumers’ new power to your advantage.

Telecommunication companies that encourage and support a public dialogue will engender more respect from their customers and provide better exposure for products and services. After all consumers are three-to-five times more likely to share the same product preferences as their friends. The business benefits make the case for strategic investment that can be linked to an NPV.

Social media is new and disruptive, but it is maturing quickly. Nevertheless, companies should apply the same rules for investing in social media as they would any other technology. That means determining the extent to which social media present opportunities for improving customer service and efficiency.

## The Business Benefits of Consumer Power

Social media only becomes valuable when it is closely aligned with a company’s objectives (see Figure 1). In a recent survey of Chief Marketing Officers<sup>2</sup>, analysts discovered a growing appreciation of social media as a means for achieving corporate objectives. For example, 80 percent of the survey respondents said that customer stories and suggestions are used to shape products and services. By listening and responding, these companies earn customers’ trust and strengthen their brands. The same CMOs said that from 2009 to 2010, their use of Twitter increased 400 percent; their use of customer ratings and reviews increased 59 percent; and their use of social media for pre-sales Q&A increased 24 percent. Social media presents unprecedented opportunities for brand promotion, bottom-line sales, and attributable business success.

Figure 1: Calculating Net Present Value

$$NPV = \sum \frac{(\text{Benefits}-\text{Costs})_t}{(1+r)^t}$$

where:

r = discount rate

t = year

n = analytic horizon (in years)

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<sup>2</sup>Brian Solis, “The Maturation of Social Media ROI,” January 2010. <http://mashable.com/2010/01/26/maturation-social-media-roi/>

Research suggests that the use of social media results in these five, quantifiable benefits:

### 1. Improved customer loyalty and reduced churn

The American Express story illustrates how social media can deliver a better, more consistent and more relevant experience to customers, thereby increasing satisfaction and loyalty. However, companies need to be able to gather and evaluate data if they are to build a strong business case for social media. Fortunately, pioneering measurement techniques, such as Net Promoter,<sup>®</sup> help companies measure how their customers' social networks will influence their purchasing patterns, as well as how they are likely to promote your company or to complain.

Net Promoter<sup>®</sup> is both a loyalty metric and a discipline for using customer feedback to fuel profitable growth.<sup>3</sup> Developed by Satmetrix, Bain & Company, and Fred Reichheld, the concept was first popularized through Reichheld's book, *The Ultimate Question*, and has since been used worldwide for measuring and improving customer loyalty. The Net Promoter Score (NPS<sup>®</sup>) is a straightforward metric that holds companies and employees accountable for how they treat customers.

NPS is based on the fundamental perspective that every company's customers can be divided into three categories: promoters, passives, and detractors. By asking one simple question — "How likely is it that you would recommend company X to a friend or colleague?" — an analyst can track these groups and get a clear measure of the company's performance through its customers' eyes. Customers respond on a 0-to-10 point rating scale and are then grouped accordingly:

- **Promoters** (score 9-10) are loyal enthusiasts who will keep buying and refer others, thereby fueling growth.
- **Passives** (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- **Detractors** (score 0-6) are unhappy customers who can damage a brand and impede growth.

To calculate the NPS, a company subtracts the percentage of detractors from the percentage of promoters. These two groups exhibit dramatically different behavior and produce radically different economic results. For example, detractors tend to have shorter and less profitable relationships with a company. They complain more frequently, thereby consuming customer-service resources. Promoters, on the other hand, are usually less price-sensitive than other customers because they believe they are getting good value overall from the company. Not surprisingly, they tend to consolidate more of their category purchases with their favorite suppliers. And they help bring down customer-acquisition costs by staying longer and generating new referrals.

Perhaps most telling, given the context of social media, between 80 and 90 percent of positive referrals come from promoters. Detractors, meanwhile, are responsible for 80 to 90 percent of the negative word-of-mouth.<sup>2</sup> This kind of data is compelling and clearly shows why companies need to know where they stand with customers.



<sup>3</sup>Net Promoter<sup>®</sup>: <http://www.netpromoter.com/np/index.jsp>

## 2. Greater return on marketing investments

For many companies, the argument for social media has been won. According to Forrester Research, Twitter has generated millions of dollars of savings for Dell; Intel's Channel Voice community decreased costs by eliminating the need for expensive in-person events; and Procter & Gamble used media mix modeling to demonstrate that the BeingGirl.com community is several times more effective at driving sales than television ads.<sup>4</sup> What could be better than a new low cost, mass market channel?

Yet measuring marketing ROI isn't straightforward. When it comes to making the business case for social media, a company needs to take into account both qualitative and quantitative values. As we have seen, companies can easily measure how social media generate cost savings in customer care. But social media also create important intangible benefits that do not show up on the income statement. In particular, they play an increasingly important role in shaping a company's brand.

We all know that a strong brand drives sales and affects share price. Social media, be it Facebook fans, re-tweets, site visits, video views, positive ratings or vibrant communities, are all leading indicators that a company's brand is creating the value that drives future sales.

Using a social media marketing balanced scorecard, marketers can evaluate both financial and key non-financial benefits. A scorecard presents metrics from four different perspectives:

- **Financial Metrics** look at whether revenue or profit increased or costs decreased;
- **Brand Metrics** highlight long term influence on sales and shareprice
- **Risk Management Metrics** examine whether the organization is prepared to respond to situations that affect reputation;
- **Digital Metrics** evaluate whether the company has enhanced its owned and earned digital assets.

## 3. Reduced operating and labor costs

Social media can significantly reduce operational and capital expenditures. While implementing social media requires some investment in infrastructure and resources, these costs are significantly less than those attached to conventional processes and channels. For example, a call center's cost of accepting a call from a customer is \$10 and \$1 per minute after the initial contact; but answering a query on Twitter or Facebook costs only ten cents. Also, redirecting some capital expenditure away from traditional channels and toward the technologies and staff required for social media generates a greater return per dollar spent, thereby forming the basis for a cost reduction strategy.

At the same time, improved customer engagement creates value above and beyond cost savings. Automation creates an instant response mechanism; companies can engage immediately, at the customer's moment of need. Customers aren't put on hold and don't feel put off. Of course the opposite is true. If a company has a Twitter account, it needs to reply within seconds; otherwise it will have a brand management problem.

<sup>4</sup> Augie Ray, "The ROI Of Social Media Marketing: More Than Dollars And Cents," July 19, 2010 [http://blogs.forrester.com/augie\\_ray/10-07-19-roi\\_social\\_media\\_marketing\\_more\\_dollars\\_and\\_cents](http://blogs.forrester.com/augie_ray/10-07-19-roi_social_media_marketing_more_dollars_and_cents)

<sup>5</sup> VDC Research, "Help Yourself," Economist, July 2, 2010.

**4. Increased efficiency in IT operations**

A leading option for implementing social media is cloud computing (see No. 3 in this series of reports), which refers to several technologies, including grid computing, autonomic computing, utility computing, improved technologies for multi-tenant environments, server virtualization, service oriented architecture (SOA) and master data management (MDM). Cloud computing has many advantages, not the least of which are better network bandwidth and reduced latency, as well as improved cost-effectiveness generated by a more efficient use of IT infrastructure. Savings on hardware are virtually guaranteed. Other efficiencies may include:<sup>6</sup>

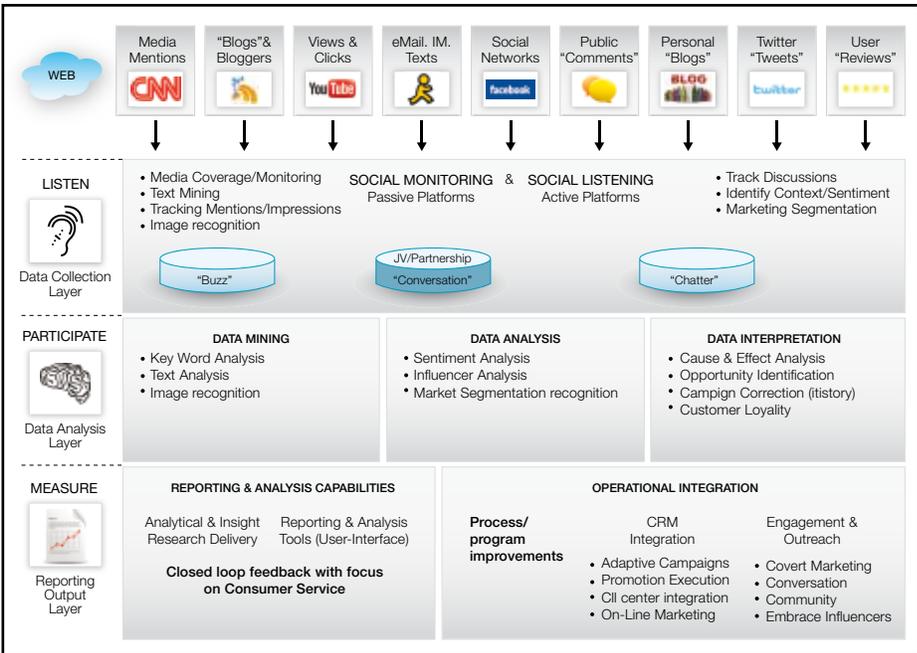
- **Pay as you go:** When companies pay only for the processing, memory, bandwidth, and storage that they use, there are plenty of opportunities to save money. For example, it's easier and cheaper to provision new resources, to scale back resources, and to adjust to seasonal and weekly demand spikes.
- **Scale fast and fail fast:** The cloud allows businesses to test new applications, projects, and ideas quickly and easily without incurring hardware costs. For many businesses, this encourages innovation and increases agility.
- **Balance CapEx and OpEx:** Companies can move capital expenses to the operational expense column on the balance sheet by deploying a subscription model and doing away with on-premise hardware.
- **Use IT staff for strategic work:** Being less tied down with keeping the lights on, IT staff can engage in strategic work, such as the development of new products. The dividend from that reallocation of resources becomes clear over time as the organization becomes smarter and more agile.

Finally, a recent study by Microsoft shows that cloud computing can reduce energy consumption and carbon emissions by 30 percent or more. Large data centers, like those run by Microsoft and Google, benefit from economies of scale and operational efficiencies, according to the study. By moving business applications away from on-site servers into the cloud, small businesses (or approximately 100 users) can gain net energy and carbon savings of more than 90 percent. For mid-sized organizations (or approximately 1,000 users) the savings were between 60 and 90 percent.<sup>7</sup>

**5. More customer lifecycle moments of value**

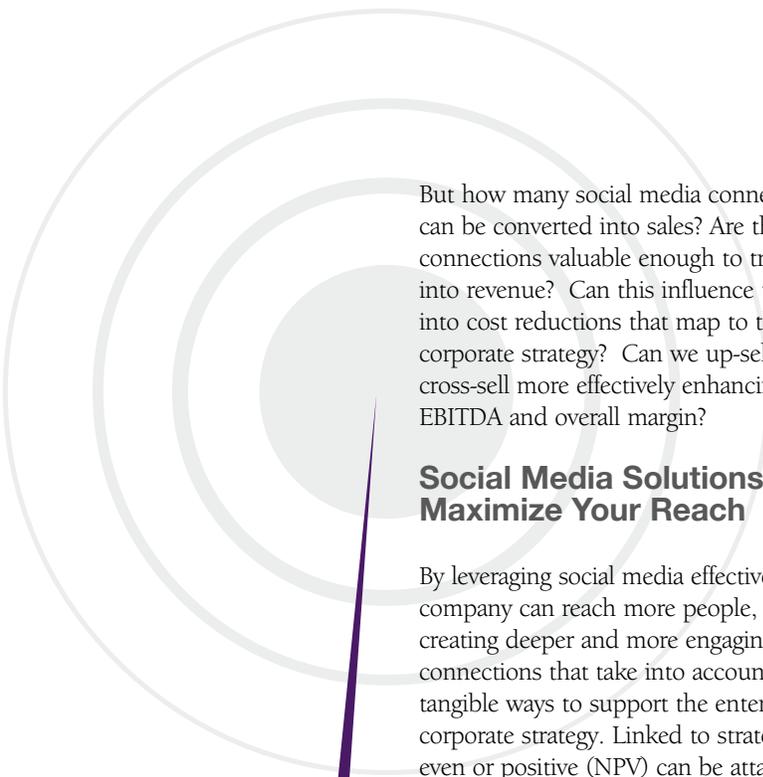
Social media — with its immediacy, spontaneity, and promise of instantly meeting a need or solving a problem — can enable a company to understand its customers better and to respond appropriately at multiple touch points along a complete customer lifecycle (see Figure 2).

**Figure 2: Social Media Customer Lifecycle**



<sup>6</sup>The following bulleted points come from Phil Dunn, "Key Cloud Computing Cost Considerations," 2010 [http://www.devx.com/MS\\_Azure/Article/44788](http://www.devx.com/MS_Azure/Article/44788)

<sup>7</sup><http://www.eweek.com/c/a/Cloud-Computing/Microsoft-Study-Finds-Cloud-Computing-Is-Good-for-the-Environment-768593/>



But how many social media connections can be converted into sales? Are the connections valuable enough to translate into revenue? Can this influence translate into cost reductions that map to the corporate strategy? Can we up-sell and cross-sell more effectively enhancing EBITDA and overall margin?

## Social Media Solutions to Maximize Your Reach

By leveraging social media effectively, your company can reach more people, while creating deeper and more engaging connections that take into account tangible ways to support the enterprises corporate strategy. Linked to strategy, an even or positive (NPV) can be attained by telecommunication companies through “four” specific business cases.

### 1. Customer Complaint Scenarios:

Every interaction your customers have with you provides information about how they perceive, experience and use your products and services. You can reduce the expense of managing complaints, while giving a quicker, more precise and more personal response to your customers.

Capgemini’s customer complaint and support management system allows you to painlessly and cost-effectively address your customers’ demands for instant problem resolution via social media, while reducing pressure on your customer support center.

**2. Brand Management:** Our leading brand management software automatically monitors the web and various social media channels to detect customer sentiment through the use of a listening post combined with an unstructured data analysis tool. Our software then analyzes the comments, reporting discoveries of

customer sentiments and trends to your brand management team.

Establish a dialogue that transforms the brand-damaging potential of social media into a brand-building strength. And you do so without up-front capital investment and without installing complex infrastructure.

### 3. Sales Upgrades and Offers

**Automation:** Our customer offers tool enables you to automate the gathering and sharing of relevant sales information, which underpins better, faster and cheaper marketing and sales processes.

Automation of marketing offers means, for example, that customers’ reactions to a campaign can become one of the parameters for automatically tuning future offers. The result; more bang for every buck invested in selling.

**4. Loyalty Vouchers & Rebates:** The integration of social media and location transforms how you can reward and attract consumers. Capgemini’s tested coupons and loyalty automation software makes it easy to create greater tie-in by combining a deeper knowledge of your customers with new marketing partnerships.

Coupons and loyalty automation helps your business leverage the power of social media — immediacy, relevance, and opportunities for customer-centric communication — without the cost and risk of building a new, complex infrastructure. The promise of this software is the design and execution of marketing campaigns with a freshness and urgency that could only be wished for in the past.

This all sounds a little TOO good to be true. Is social media really the new business frontier?

So what your saying is a social media component is not just a "nice to have?"

Telecommunications | the way we see it

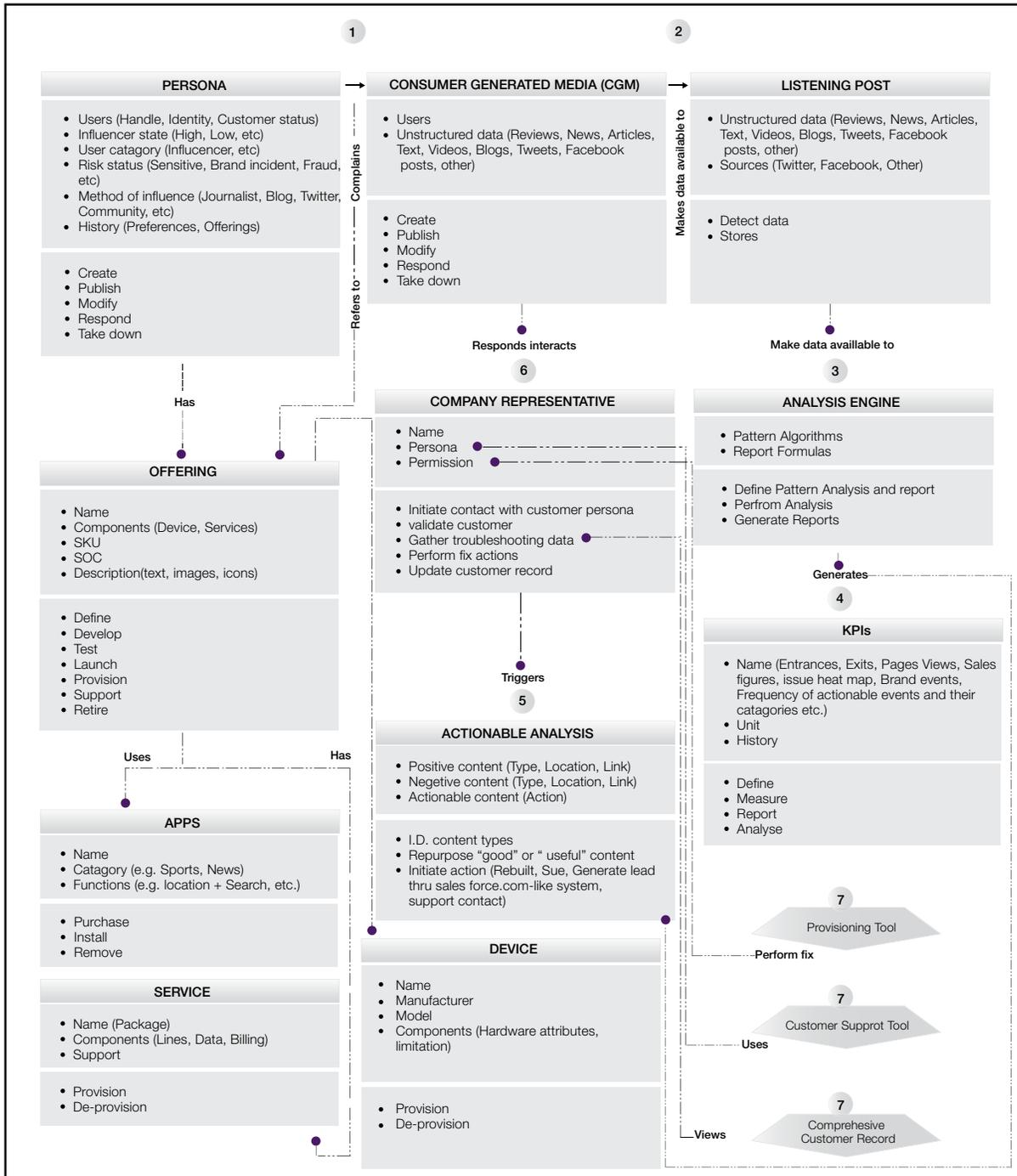
Correct, it is a totally "must have" channel that will align with, and support your overall business strategy.



Competition dislikes this comment

Can I get fries with that?? LOL!

Figure 3: Social Media Workflow Solution



## In summary: Making Connections that Count

Social media's strength in achieving business goals comes when it is used as an integrated, horizontal infrastructure. It is not just another channel, but a way to connect groups and systems, which today lie isolated in silos within most organizations. By using social media tools, companies can establish a real-time information exchange between staff and systems in customer relationship management, accounts payable and receivable, planning and budgeting, marketing and sales, order processing and fulfillment. The resulting cross-fertilization can create better products and services while reducing costs.

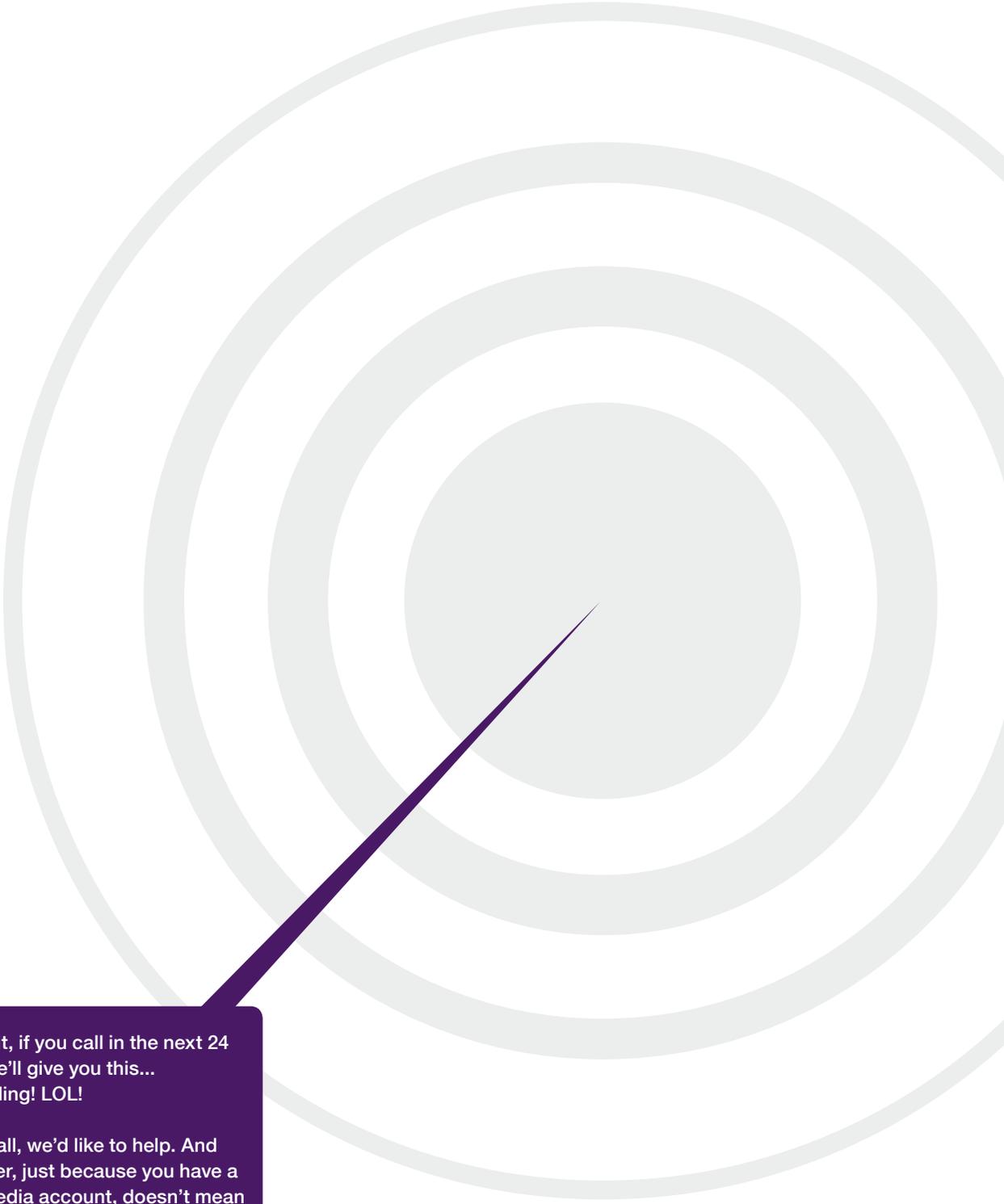
As an integrated infrastructure, social media maximizes the return on tangible assets, such as technology, people, capital, and intangible assets namely brands, customer relationships, reputation, and good will. By taking a cross-organizational view of social media, Capgemini has worked with clients to develop a requisite architecture and work flow (see Figure 3) that combines the strengths of existing technologies with cloud computing.

Capgemini is using new packaged technologies to help telecommunications companies realize the benefits of social media without the pain, cost, and stress of building a new IT infrastructure. With our approach, a company can more readily achieve a high-touch business model that creates intimacy with the customer, while automating transactions and interactions to deliver better, faster, cheaper services. Our approach is based on a deep understanding of social media and multi-channel customer management, of the latest and still-evolving technologies — including cloud computing and semantic data modeling — and of the strategic and operational challenges faced by telecommunications companies working in a fiercely competitive industry.

If you're ready to build a business case, we'd like to help.

Rapid technological advances and changing consumer behavior have irrevocably changed the business environment for the telecom, media and entertainment (TME) industries. Capgemini is helping TME businesses adapt to the new rules of the game. We have more than 40 years of experience working with wireline, wireless, Internet service provider, cable, broadcast, publishing, and entertainment organizations. Drawing on our experience, we can work with you to realize the strategic goals and quality results you require.





...but wait, if you call in the next 24 hours, we'll give you this...  
Just kidding! LOL!

But do call, we'd like to help. And remember, just because you have a social media account, doesn't mean you have a social media strategy!



## About Capgemini

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™. The Group relies on its global delivery model called Rightshore®, which

aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients. Present in more than 35 countries, Capgemini reported 2009 global revenues of EUR 8.4 billion (approximately USD \$11.6 billion) and employs 100,000 people worldwide. More information is available at

[www.us.capgemini.com](http://www.us.capgemini.com)

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