

Chapter 1

Social Media

Drivers of Global Business Opportunity

For German software giant SAP, the road toward social business started, as so many other business success stories have, with a problem. Beginning in the early 2000s, as the firm grew by leaps and bounds, acquiring companies and developing major new versions of its products, it encountered steadily increasing challenges in the ways it provided its vast network of global prospects with information and customers with vital support services and customer care. Although SAP used what were commonly accepted customer support channels such as e-mail and phone, customers were not satisfied with the timeliness or usefulness of the support they received from the company. Another barrier to growth was that prospects were having trouble determining if SAP's complex software solutions would meet their needs.

As SAP's powerful products became more complex and sophisticated, communication issues proliferated. The support needs of over 170,000 customers continued to increase, particularly in key technical areas and with new products. Clearly this issue was having a growing impact on the organization's revenue and growth. SAP's leaders realized something had to be done soon—but what? As they

studied the problem, a group of managers determined that any focus on traditional communication channels would drive only minimal incremental improvement. For example, adding more staff to existing support channels had slowed but not entirely mitigated the growing customer relationship issues. SAP reached the conclusion that innovative changes, almost certainly completely new and even untried, were necessary to ameliorate the situation.

To succeed, SAP would have to devise an entirely new way to communicate with and support its customers and prospects. Whatever form a workable solution took, it would have to be able to scale rapidly on a worldwide level, be highly cost efficient, and have a meaningful and sustained business impact on customer relationships.

At the time, online communities were an emerging tool for connecting with and engaging people on topics of mutual interest. These communities were increasingly popular in the consumer world, but most businesses had little expertise or interest in figuring out how they could also drive business results. Intriguingly, online forums were proving particularly effective at organizing far-flung groups of people around common challenges, especially in the area of technology. At the turn of the millennium, the open source software community had become startlingly successful at using closely knit online communities, based on early forms of social media, to create some impressive group outcomes. Entire functioning software products had been completely designed, developed, and supported from thousands of individual contributions made entirely within the online community.

Although online communities demonstrated utility in the software industry, the business models of open source and SAP are vastly divergent. Nevertheless, SAP was intrigued by the possibility of applying new concepts to its service issues. Could the open, shared back-and-forth of online communities deliver significant improvements to customer relationships? SAP had the resources and motivation to research the issue. In 2003, it launched an early form of what eventually became the SAP Community Network, an online community of SAP customers and stakeholders. The goal was to enlist customers and other interested parties to come together

online and share ideas and solve problems. In this way, SAP could engage and mobilize the people who were smartest about using its products in the field. Customers could then work together directly and exchange valuable knowledge.

SAP noticed other companies conducting similar experiments with online communities, such as Microsoft's Developer Network, but few of these efforts could be considered large-scale successes. Consequently, far from being a definitive solution to SAP's challenges, it was an experiment, albeit one the company took seriously and made a genuine investment in. Mark Finnern, who went on to become an SAP community evangelist (a formally recognized ombudsman and champion of the service), said of the early days of the SAP Community Network: "To make it work, we knew we'd have to put the people in our company on the front line before customers would engage. It would be 90% us and 10% them at first. But we knew if we did that, it would eventually be 10% us and 90% them."¹ This required a substantial commitment of employee time across the company, but it was essential in helping kick-start participation by customers and partners.

Initially the online community was aimed at software developers from among SAP's customers and business partners who had intensive support and information needs involving SAP's products. SAP experts engaged with customers in the network, which greatly enriched the community because customers often had just as timely and useful hands-on experience as company representatives did. It wasn't long before customers began relying on the community to get key information: more than 100,000 individuals joined within the first two years. By plugging customers into the process of creating reusable knowledge, every contribution made both SAP and the community much richer and more useful. What's more, the process was repeatable, scalable, and relatively inexpensive compared to traditional customer support methods.

Eight years after its founding, the SAP Community Network consists of over 2.5 million registered users and is a vibrant hub and primary support vehicle for a wide range of SAP product lines (Figure 1.1). Benefits center around reduced support costs, driven

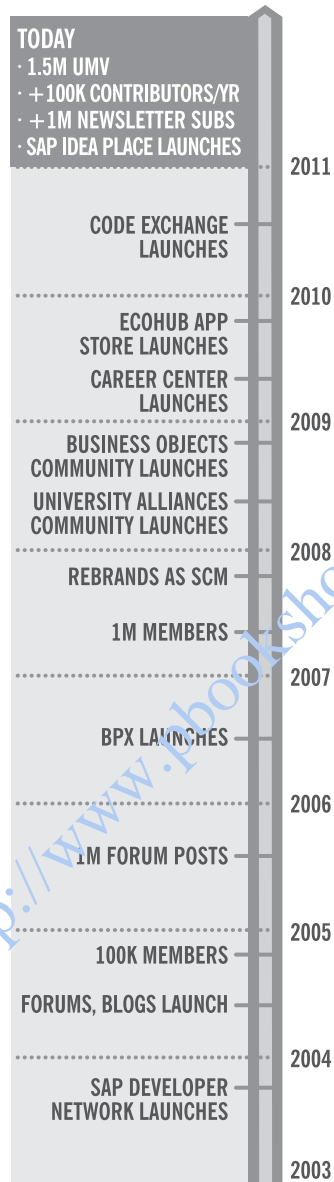


Figure 1.1 History of the SAP Community Network

Note: UMV = unique monthly visitors; SCM = SAP community members; BPX = business process expert community. Ecohub is the name of the brand for one of SAP's app stores for partner products.
Source: SAP AG.

by community sourcing of solutions to customer problems, with high-quality information delivered in a timely fashion to customers and prospects. The collective wisdom of the SAP Community Network (SCN) is now used around the clock to solve customer problems, with over 250,000 community members contributing to the knowledge base.²

SAP regards the SCN as a strategic asset, describing it as a professional social network that drives tangible benefits for both the company and its customers. These benefits address the heart of the original problem: how to reach and assist customers and prospects better. SAP cites SCN for improving customer retention, creating efficiency, and driving top-line growth and revenue.³ Other companies have since gone on to create similar social relationships with customers, but few have been as successful as SAP or have turned it into such an essential component of their business as a sustained competitive advantage.

USING SOCIAL MEDIA STRATEGICALLY FOR HIGH-IMPACT BUSINESS OUTCOMES

SAP's story is an important one in what the world is increasingly calling *social business*—the intentional use of social media to drive meaningful, strategic business outcomes. As we will show throughout this book, social media can be used for significant, sustainable transformative value creation. By intentionally designing new social business models with customers, employees, and value chain partners, any forward-thinking organization can direct and guide social business efforts to access the very highest level of mutual value creation.

Until quite recently, social media were viewed either as a consumer activity, with marketing as the most useful activity for businesses to be engaged in, or something workers used inside the company to collaborate, and occasionally for product innovation or customer care. However, social media have now infiltrated practically every aspect of business operations, and perspectives have expanded

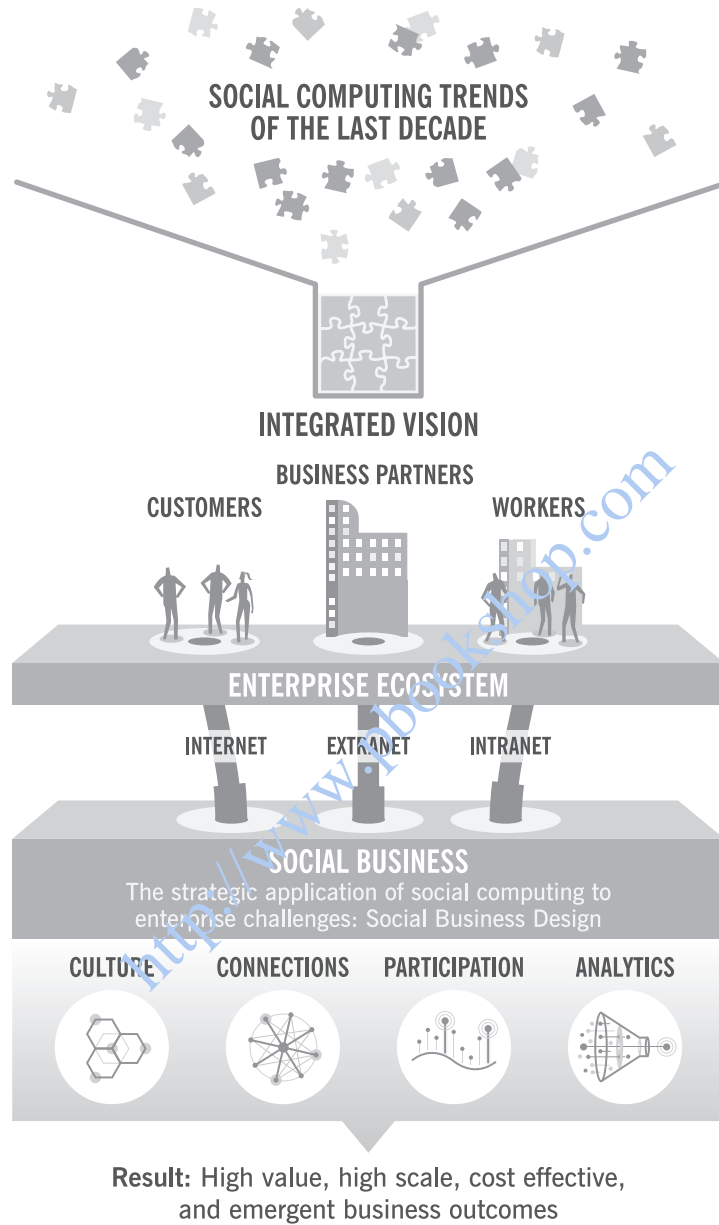


Figure 1.2 The Social Business Marketplace Continuum: Customers, Business Partners, and Workers

to consider four major and interrelated audiences combined with all types of business activities: customers, the marketplace, workers, and trading partners (see Figure 1.2).

Most businesses will seek to update existing work streams and functions with social activities as nondisruptively as possible. However, simply adding a few social media features to a business activity isn't going to have nearly the impact as carefully and intentionally designed improvements. Fortunately, a number of companies have been able to achieve overhauls of their existing business processes and generate significant benefits.

APPLYING SOCIAL BUSINESS TRANSFORMATION TO EXISTING BUSINESS FUNCTIONS

Seattle-based software giant Microsoft had been in a holding pattern, struggling with the doldrums of corporate middle age. The company had a growing challenge supporting its vast network of over 180,000 software development and value-added reseller partners. Its partner network had been its strategic advantage in the software industry since at least the mid-1990s, providing an ability to quickly dispatch consulting experts to customers and prospects across a wide range of vertical industries.⁴ Microsoft created a flow of new business for partners that delivered tailored, product-specific consulting, while partners helped ensure that customers used the full benefits of Microsoft products with long-term loyalty to the company's solutions.

However, as the partner program continued to grow and diversify, its size made it difficult for Microsoft to support and engage effectively using traditional means. Worried about the state of affairs, a survey of the partners in 2009 confirmed Microsoft's worst fears: 64 percent of partners were less than satisfied with the software company. Just as damaging, the survey revealed global partners' perception that Microsoft didn't value them and provided only a bare

minimum of proactive communication, such as periodic formal e-mail announcements and occasional online updates—62 percent of partners expressed a strong desire for improved support and information.

Microsoft executives concluded that bold action was necessary to avoid losing the vaunted partner relationships that had been instrumental in making the Fortune 500 leader an industry juggernaut. A key insight in their analysis was that existing channels of communication had lost their effectiveness as collaboration expectations between Microsoft and its partners had risen. In response, Microsoft decided to use the same social media tools that had been effective in helping people organize quickly and effectively elsewhere in the world. Microsoft began an integrated effort to employ Twitter and launch new blogs, publishing in languages specific to the locales where they needed to reengage partners, increasing the flow of vital information, and fostering increased participation. This meant the company effectively employed a reverse version of strategy that citizens had been using to drive governmental regime change. But rather than individuals organizing to topple an institution, in this case the institution was organizing to unite with its diversified constituent base.

Within a few months, Microsoft's continuous read-and-respond strategy, consisting of close monitoring of relevant social media conversations with a matching reply in short time windows, began to turn the situation around. In the first year of the new social media engagement program, partner satisfaction levels increased by double digits to 15 percent. Microsoft experienced even better results in the program's second year, with a 17 percent increase in overall partner satisfaction. Over the same time period, a 30 percent corresponding drop in calls to the company for partner assistance provided a key cross-check that the partner program was actually turning around.⁵

It might come as little surprise that Microsoft and SAP, technology companies, have been fairly adept at applying social technology to their businesses. However, many social business transformation stories exist outside the technology industry. In fact, one of the best

examples of rethinking an existing business process comes from the fast-moving consumer goods industry. Consumer products multinational Procter & Gamble found itself in a market situation similar to Microsoft's: a core product line supported by tried, true, and tired communication tactics. Old Spice, one of its best-known products, was a customer favorite but losing market share, especially among younger consumers, to new competitors. In response, Old Spice rolled out advertising slogans such as, "The original. If your grandfather hadn't worn it, you wouldn't exist," which did little to increase sales.

The brand management team realized that revitalizing the brand required more than new slogans generated by advertising. It came up with an idea that would use traditional media but integrated heavily with social media support. The new campaign presented an updated image for the product showcased by actor Isaiah Mustafa. New advertisements for Old Spice launched during the 2010 Super Bowl and the television commercials were posted on YouTube, with the @OldSpice Twitter account engaging with consumers in real time. When individuals tweeted the "Old Spice guy," Mustafa responded in YouTube videos, even referencing the tweets, engaging everyone from celebrities and influencers to everyday people. This type of real-time response in advertising was unheard of. Whereas ads typically take weeks to produce, shoot, and publish, Old Spice was creating new ads in hours, with a copywriter standing by ready to respond to tweets and video comments, an actor with a warehouse full of props like faux Olympic medals, and media channels that enabled rapid publishing and instant feedback.

The wide reach across traditional media kick-started social media participation, which then led to compelling two-way conversations in social media between Old Spice and consumers. Together they created a groundswell of response in the marketplace, with one estimate that the combined campaign reached nearly half of the Internet over its lifetime. The engagement numbers are impressive: on the first day, the social marketing campaign received almost

6 million views, more than President-Elect Obama's victory speech, which received nearly 5 million views. The social media campaign eventually went on to achieve 1.4 billion views after six months.⁶ However, as significant as these numbers are, it's the bottom-line results that should make business leaders sit up and take notice.

After years of declining sales and decreasing relevance for Old Spice, the new campaign helped increase sales of the product by 27 percent after just six months, a growth rate that continued to accelerate, showing 55 percent after three months and 107 percent in the month following the engaging campaign. More significant, Old Spice went on to become the top body wash brand for men, something that would not have been the case without the well-integrated traditional and social media aspects of the marketing effort. These exemplary results and significant return on investment serve as a good example of what's possible when redesigning an existing business function to be more social.⁷

Once purely a consumer phenomenon and used only by businesses for limited purposes, social media are now achieving increasingly serious business results. Early and recent adopters are realizing benefits and strategic outcomes far beyond minor increases in productivity and efficiency; they are driving significant changes in unleashed creativity and productive output with very different cost structures and investment levels than traditional business methods. In the next chapter, we begin looking at the trends that contribute to social business.