

Measuring the



Loyalty

of the

Social

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Customer

Companies that engage customers online gain a unique ability to build loyalty beyond what is otherwise possible. The trick is quantifying it.





Social media sites teem with activity between brands and consumers. These online interactions often present opportunities for building engagement and loyalty unavailable in any other channel. They also present a challenge: Social CRM requires new methods of measuring impact, particularly in the case of loyalty.

Companies are exploring ways to link activity on blogs, social networks, private communities, microblogging sites (e.g., Twitter), and forums to increases in loyalty using new and established measures. In the brick-and-mortar, email, and e-commerce channels specific behaviors often indicate loyalty, whether attitudinal or behavioral. These behaviors include actions like purchase frequency, survey completion, and loyalty program participation. Not surprisingly, many marketers track similar types of activities when measuring social media efforts.

In general, “most people are measuring rational loyalty, which relates to price, selection, and service levels,” says Esteban Kolsky, founder of Managed Experiences, Loyal Customers. “There’s a different approach to measuring emotional loyalty. The long-term value of a customer shows that the cost of marketing, sales, and service interactions should decrease over time if emotional loyalty is increasing.”

In the case of social media, since most social sites aren’t transactional, the increased interaction often linked to behavioral loyalty doesn’t necessarily equate to a stronger, more loyal relationship. Clicks and visits aren’t always a reflection of engagement. More accurate measurements are number of postings, completed profile percentage, participation in polls and surveys, or service-related questions asked or answered in a forum. These activities make attitudinal loyalty more measurable within the social realm than in other interaction channels—and closely correlate with success or failure of a brand’s blog, community, or other social initiative.

“Attitudinal loyalty really gets toward relationship strength because it suggests you have trust, you’re committed to a customer, and there’s an alignment of values and perspective,” says Tom Lacki, a Peppers & Rogers Group senior advisor. “It’s possible to develop that deeper connection with customers [on social sites].”

In fact, “listening” to customers via social media helps companies to measure customer loyalty, and delivers the added benefit of helping to build loyalty. “Social media is an instantaneous addition to emotional loyalty because customers see a different side of the company—one that cares about them,” Kolsky says. “If your strategy in becoming a social business is using emotional loyalty to create lifetime customers, giving customers a great experience through Facebook or Twitter is one step closer to that goal.”

Listening to customers’ mostly uncensored comments on social sites—whether customers are speaking directly to a company or airing their opinion in public—can shed light not only on customers’ preferences, satisfaction levels, and the like, but also on the depth of their loyalty. Consequently, using sentiment analysis to mine solicited and unsolicited customer comments in social sites is another way companies are getting the information necessary to determine loyalty online (see “Getting Sentimental About Customers,” page 42).

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Is social value the new customer value?

One new currency companies are measuring to understand customer loyalty via social sites is "social value." Just as customers' value to a company may shift over time, their value will also vary greatly within the social channel depending on their social value, or how connected they are, according to Lisa Bradner, a Forrester Research principal analyst. There's no set formula for social value yet, but primarily it measures the

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impact of social media outreach on customer value, specifically in terms of how much additional engagement and brand recognition customers build through advocacy behaviors exhibited on social sites, including suggesting new product features, blogging about a favorite brand, or encouraging others in their network to participate in a brand's online community.

"It's important to understand how many people a customer will touch," Bradner says. "Not every customer has the same value; some are good customers but purely transactional, some don't buy as much but contribute to product development and become an outside counsel. Sizing each of these segments is necessary to figure out each customer's social value."

According to Bradner, companies need

to integrate the CRM and social technologies they use to tell the whole story of the social value chain. "Nothing operates in a vacuum," she says. "Consumers move across channels rapidly and they expect companies to follow them. A lot of this is best practice customer experience that will eventually become table stakes."

That's not to say every company with a Facebook fan page is building advocacy and driving loyalty, though. Bradner says some of the numbers can be deceiving. "Sometimes you see companies tapping into existing brand advocates through social media rather than building them," she says. "Three million Coke fans on Facebook is more a reflection of all the equity Coke has than a new thread of advocates. The companies that are truly building brand advocates live their brand promise through social tools the same way they do with the rest of the customer experience."

Measuring that engagement through the behaviors and attitudes customers express in social sites reveals not only the impact of social media, but also how to use it to build loyalty even further.

Community breeds loyalty

Scientists and engineers aren't the first groups that come to mind when thinking about who participates in online communities. Yet that's exactly who National Instruments (NI) designed its social media strategy around.

What began as a customer forum in 1999 grew into a complete community two years ago. The site, supported by a Jive platform, allows NI's customers to exchange code, blog, and learn about new products. (NI makes hardware and software for laboratory settings, including a graphical programming language called LabView.)

"Originally we wanted to provide

support to our customers and build up the user forum we already had for service," says Deirdre Walsh, NI's community and social media manager. "Over time we've expanded our efforts to include product feedback, building loyalty and awareness, and driving sales."

Walsh says NI's reason for engaging its customers within a branded community, as well as on Facebook, Twitter, YouTube, and other social sites, was obvious. "We wanted to respond to the conversations happening off our domain and provide resources for customers who were going to talk about our products whether we were there or not," she says. Today NI's community has 120,000 members who participate in discussions, post to blogs, and suggest development ideas, all of which increases engagement and customer loyalty.

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Perhaps the most impressive measure of engagement is NI's Idea Exchange, which is entirely run and moderated by the company's R&D department. More than 600 ideas have been posted and voted on by customers, some of which will be implemented in next year's new software release. While that number is impressive, aggregate numbers aren't the only way NI measures the success of its social initiative.

"We're really focused on facilitating conversations first," Walsh says. "We'd rather look at that than number of fans or number of members. We're not trying to re-create our website on every platform and attract X number of customers, we just want to be where our customers already are."

Advocacy strengthens loyalty and brand perception

Creating “better tasting and better for you” pizza isn’t the only thing Zpizza cooks up; the company’s innovation extends beyond the kitchen and is baked into a social networking strategy designed to solicit feedback and promote advocacy. Previously, the company gauged its customer satisfaction and brand perception through secret shoppers.

In the past few months Zpizza has analyzed customers’ loyalty via social media by asking customers who have a good experience to become brand advocates online. The company asks all guests to fill out an online survey rating their experience.

Zpizza is able to collect more than 1,500 responses per month, supported by Empathica’s Drive Experience and GoRecommend tools, but that’s only the tip of the iceberg. Those who rate the company in the top tier are asked if they want to post a notification on their Facebook account saying they recently ate at Zpizza, and include a personal message explaining their experience.

“Social media is more honest, and because of that tends to be more validating for third parties or potential customers

thinking about visiting us,” says Chris Bright, Zpizza’s CEO. “We’re getting a great response so far, with seven percent of guests who fill out the surveys also posting a message promoting our brand.”

Not only do high ratings get recognized, customers who rate the company in the lower tier are heard as well. Bright responds to dissatisfied customers within 24 hours. His “rescue plan” includes a personal apology and an offer to bring customers back into the store. Whether customers post a positive or negative comment, Bright says, the ones who participate are the brand’s core customers—people who value healthy food that tastes good. They also often have a network of friends on Facebook who share those same values.

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In addition to enabling advocacy, social media also helps Zpizza with more relevant marketing, which drives repeat business. Company representatives often reach out to customers on blogs for health-conscious and organic diets. In addition Bright wants to use Twitter for real-time discounts, like offers that only last a few hours and discounts based on geographic location.

“As the technology evolves, we’ll find more ways to increase our customer loyalty,” Bright says. “We’re able to understand where we’re excelling by restaurant and system-wide, and we’re getting feedback from the customers who we want to develop deeper relationships with.” ■

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Three Steps for Success

In the recent report Social Brand Strategy, Forrester Research principal analyst Lisa Bradner outlines how to best integrate a social strategy into a multichannel marketing initiative. She recommends that senior marketers:

1. Do not require opt-in: Registration is essential to understanding customers and their social behavior, but it should be optional for most social media access. Companies can encourage registration (e.g., via their newsletter or by offering discounts), but the site should be freely available to anyone—except in the case of a private community.

2. Understand the number of advocates: Measure how many people are already engaged with the brand online, like how many people opt in via a social site to receive a newsletter or who comment frequently in a forum. This is especially important in the planning stages to gauge interest and determine how extensive a social media initiative should be.

3. Integrate loyalty programs: The same people who join loyalty programs are likely to participate on social media sites. Companies can encourage participation using such means as creating a private customer community for loyalty program members or giving members additional points or rewards based on their level of activity in the community.

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