SOCIAL MEDIA MANAGEMENT

SOCIAL MEDIA STRATEGY IS CAUGHT BETWEEN TWO POLES: PROXIMITY TO CUSTOMERS AND A LOSS OF CONTROL
It is a Monday, sometime in 2023. Peter E., social media manager, is looking at his monitor and evaluating his company’s social media dashboard. As expected, the market has responded enthusiastically to the current product launch. A sentiment analysis reveals that public sentiment is very positive, and the YouTube clip that blogger Lisa had posted six days ago has already received three million clicks—an excellent result. Thanks to the evaluation of the previous launch in spring, Peter is aware of the strong correlation between sentiment development in social media and subsequent revenue development, so the present response indicates booming sales. However, the product’s tactile properties have been criticized in some blogs and on Twitter, and Peter decides to keep an eye on this issue. He prepares a brief update on these insights to pass on to marketing, product development, and the board. He leans back in his chair and smiles as he remembers how amateurish his company’s social media attempts had been ten years ago...
Dear Reader,

Social media has had an almost unparalleled impact on the first decade of the new century. Social networks, blogs, web forums, and more have become established in almost every sphere of life, and have had a substantial influence on our society. Smartphones and tablets have made it easy and cheap for users to create new content and share it with their contacts, as well as to review and comment on contributions—anytime and anywhere.

The importance of social media for enterprises is growing steadily—and with it, both opportunities and risks. The persons responsible are called on to professionally explore the social media phenomenon—which involves so much more than just establishing a presence in the social web and collecting fans and followers. If companies want to effectively exploit the enormous potential of social media, they need to systematically collect and evaluate a multitude of data and information. Only organizations that are able to measure the impact of social media will truly benefit from its effects.

On the following pages, we have compiled information about social media in companies, on measurement of social media activities, and a guideline for implementing KPI-based social media management. We hope that you find this publication thought-provoking, and we look forward to entering into a dialog with you.

Best regards,

Denis Burger
Social media is the collection of digital media and technologies that enables users to exchange information and individually or jointly design media content. Essentially, two types of social platforms are relevant to companies:

- “Internal social media” facilitates communication as well as knowledge- and experience-sharing between staff and strengthens solidarity within the company.
- “External social media” comprises third-party platforms that companies use as a mouthpiece and feedback channel to reach their partners, and especially their customers.

This article will concentrate on external social media. Typical external social media platforms are blogs, forums, video and picture portals, microblogs like Twitter, and social networks such as Facebook. In recent years, these platforms have experienced rapid growth, and have become firmly established, heavily used communication platforms—a trend that will continue in the years to come.

Companies dedicate a significant share of their social media communication to their product and service offerings. Because of the independence and immediacy of the opinions voiced on these platforms, they have become a valuable resource for potential consumers. Moreover, impressions, information, and experiences disseminated in this manner give companies a direct view into their customers’ minds. Thus, the systematic collection and structured evaluation of social media content can be likened to keeping a virtual “ear on the street.” In addition to just passively listening in on what the social media community has to say, companies can actively participate. Current studies show that today around half of the companies in developed countries employ social media in some form, and that 75 percent of social media users are aware of their activities. In most cases, organizations use this medium for PR purposes, advertising, and sales. However, it is not only possible but also makes good sense for companies to use social media along their entire value chain.
The benefits of social media impact a company’s costs and revenue, either directly or indirectly. If, for example, an enterprise uses the medium for PR purposes and thus improves its brand awareness, its social media activities indirectly lead to an increase in revenue. Social media activities can also have a direct influence on revenue, for example by extending a media company’s reach. However, these activities need to be very subtle, because social media users are very sensitive to obvious commercialization. It is also possible to distinguish between a direct and an indirect influence on costs. For example, the opinions of the social media community about a product can be measured by way of so-called sentiment analyses. The results can subsequently be used as a basis for forecasting the product’s exact sales volume, and production capacities can be adapted accordingly. In this way, social media indirectly helps to reduce costs. Direct cost savings can be achieved by shifting at least some of the customer service activities to the community. A company could, for example, create a portal on which users can advise other customers on how to use the company’s products or services.

Use of social media along the entire value chain

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<th>R&amp;D</th>
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<td>„The Daimler Blog”</td>
<td>Supplier portal aid matrix</td>
<td>Internal social media portal Yammer, e.g. at DHL</td>
<td>L’Oréal video channel on YouTube</td>
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<td>Stronger innovation flow, concrete market data based on customer wishes, customers’ opinions about innovations</td>
<td>Simplified selling and buying of products thanks to an integrated communication platform for customers and suppliers</td>
<td>Higher productivity because of time savings, less e-mail traffic, and better management of teams scattered across geographies</td>
<td>Lower costs and higher sales efficiency</td>
<td>Growing customer commitment, greater transparency by publicly processing customer enquiries, collection of additional customer data</td>
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Stylefruits, the German social shopping community, where you can easily create own outfits, has successfully established a direct connection between social media and e-commerce. Customers using the company’s website create their own outfits from different online shops. Other users can then appraise, comment on, or directly purchase these outfits via partner shops. Stylefruits benefits not only from the revenue generated on the social shopping platform but also from the page’s “traditional” media elements. Numerous first-hand data points, opinions, and trends are available for analysis, and the company can then use the results to adapt its product portfolio. Various activities, such as outfit competitions, or direct communication with fans, keep both users and Facebook fans active, which pays off, thanks to the direct link between shop and fan page. Moreover, Stylefruits achieves cost savings by shifting some of its customer service activities to the Facebook community.

An American airline provides an example of how social media can work to a company’s disadvantage. When the airline refused to pay compensation to a passenger whose guitar was damaged on a flight, the passenger recorded a scathing song about the incident. His video generated 1.4 million views in the first four days alone.

However, besides the many opportunities, new media also carry risks, which mainly arise from the customers’ direct perception and the implicit effect on the company’s operating profit. Opinions and experiences voiced by users are usually published unfiltered. This means that social media contributions on third-party forums are largely outside a company’s control—by contrast to those on a company’s own forum. Unfortunately, it is not possible to avoid mass distribution of a negative image by staying away from social forums entirely. On the contrary, only companies that actively participate in the dialog and respond to contributions from customers are in a position to manage their image and use social media to their own advantage.
In practice, most companies don’t know how to effectively use social media, let alone quantify and optimize such usage. Forty percent of companies with a social media presence are unable to measure their own activities, and an additional 14 percent don’t even attempt to do so. All too often, companies venture into the world of social media without a carefully considered strategy, thus exposing themselves to avoidable risks.

To exploit the enormous potential of social media, companies are well-advised to systematically collect and evaluate the multitude of data available on such platforms—for only companies that are able to measure the impact of social media activities can optimize them. On the flip side, it is essential to also identify and monitor social media risks so that they can be avoided. The totality of measures aimed at maximizing benefits and identifying risks are subsumed under the term “social media management.”

The goal of social media management is to improve both efficiency and effectiveness of social media activities. Thus, activities include collecting, filtering, preparing, and evaluating relevant data available on social media platforms to obtain a transparent information base for discussions and decision-making:

- Who is saying what about my product?
- What factors influence my brand perception, and how?
- What is the best way for me to translate positive commitment into a selling situation?
- How can I achieve maximum virality?
- How are individual players and elements interlinked in Web 2.0?

Survey among 186 companies:
Do you measure your social media activities?

- Yes
- No, but I am interested in doing so
- No, I am not interested

Social media management covers planning, measuring, and managing social media activities in order to optimize positive effects and recognize risks early.
The tools and processes for answering the above questions differ depending on a company’s social media sophistication. Today, companies still base many social media decisions on intuition and implement them by way of ad-hoc processes. At a higher skill level, social media management involves carrying out data-based evaluations and structuring social media activities with the help of guidelines. Best-in-class companies have developed an explicit social media strategy that they live by. They have access to consistent data from different sources that is automatically updated, evaluated, and presented in user-friendly reports and dashboards.

These companies can use their data-driven analyses to identify trends and forecast the demands that customers will place on the market. Complex tools for monitoring social media are even able to spot and partially explain macro-level trends—for example the fact that, and the reason why, at peak times, more than one percent of the world’s population are playing “Farmville” on Facebook.

The tools and processes for measuring social activities depend on a company’s skill level.

**Basic**
- Social media decisions are largely based on intuition and experience
- Only little data exists on the success of social media activities
- There is no underlying plan for communications via social media platforms

**Intuitive decisions and weak processes**

**Best-in-class**
- Social media activities comply with an explicit social media strategy
- Relevant data from internal and, if appropriate, external sources are consolidated in a consistent data warehouse
- User-friendly interfaces make data warehouse analysis possible
- Processes and results of social media activities along the entire value chain are measured
- Communication channels and reporting structures have been defined, ensuring that all relevant parties are comprehensively informed

**Data-based decisions and strong processes**
A prerequisite for carrying out systematic social media controlling is to correctly record the activities and their impact. The aim of this step—called detection by Oliver Wyman—is to create a transparent database for decision making. The next step—termed reaction—is to integrate social media management into the company’s organizational processes and structures.

DETECTION
As a rule, companies draw on the instincts and experience of experts for their decisions on social media activities. Both are indispensable, but they should be supplemented by data-based insights. For this, the company needs to create a consistent and complete data base by consolidating—ideally, automatically—internal data and external data feeds supplied by web analytics providers. Once that data is captured in a data warehouse, it can be analyzed to glean valuable insights about customer reactions and opinions throughout the social media community.

The data should be evaluated in a structured and systematic manner. One established method for doing so is to implement a KPI-based framework that organizes the many success-critical aspects of social media, and thus lays the foundation for targeted evaluations and analyses. Many companies find it very challenging to create such a conceptual framework within the social media context.

Oliver Wyman’s framework can help companies to overcome these hurdles. It translates the social media strategy into operational measures and, with the help of KPIs, makes the quality of both process and results of social media activities clearly visible. Furthermore, it provides a structure for operational management and optimization, and constitutes a basis for reporting within the company. Implementation of Oliver Wyman’s framework is based on a typical value chain and comprises three steps:
1. Definition of the strategic goals of social media activities
2. Derivation of concrete measures for implementing strategic goals
3. Operationalization of social media activities through KPIs

1

The first step of Oliver Wyman’s framework is to define a consistent social media strategy. This strategy not only ensures that the company’s internal social media activities focus on the defined goals, but it also specifies the framework for measuring success. As a rule, development of the social media strategy is based on an analysis of internal and external factors. The corporate strategy, which also encompasses the social media strategy, has the strongest influence of all internal factors. It raises the fundamental question as to the orientation of corporate social media activities. Should corporate awareness be enhanced by communicating existing or new content via social media platforms? Or should a company mainly focus on generating new ideas and potentials along the value chain through partners and users of social media forums? The most important external factors, by contrast, are customers’ and competitors’ social media profiles. What social media activities can be observed among, or expected from, customers and customer segments? In what way, and in which forums, are competitors active, and what are their goals? If a company’s internal goals are matched with customer and competitor structures, it is possible to compare the status quo with the target situation. Thus, the strategic analysis is the starting point for selecting and prioritizing areas for action and for formulating them as concrete goals along the value chain.

2

Ultimately, the way in which strategic goals are translated into operational measures always depends on a company’s specific business design. However, social media activities should always be in line with a company’s social media strategy. If the strategy calls for dissemination of existing or new content among the social media community, the company’s social media activities should target user activities such as reading, downloading, observing, inviting, and linking. If, on the other hand, the strategy focuses on generating new content and insights—thus exploiting the full social media potential—the company should strive to motivate users to evaluate, comment, write, upload, and invite. It is also possible to merely observe users, for example by carrying out sentiment analyses to determine the opinion of the social media community on specific topics.
Oliver Wyman’s framework segments the social media strategy into operational measures

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<tr>
<td>Generate ideas for new products</td>
<td>Identify new suppliers</td>
<td>Adapt production capacity to market demand</td>
<td>Generate demand for new products</td>
<td>Increase sales figures by launching new products</td>
<td>Reduce after-sales costs of customer service</td>
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<td>Conduct competition on Facebook</td>
<td>Provoke discussions in expert blogs</td>
<td>Carry out social media analysis to determine demand</td>
<td>Increase product reach through YouTube video</td>
<td>Create link between product and “want” button on Facebook</td>
<td>Establish customer service on social media platform</td>
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<td>Number of participants in competition</td>
<td>Number of active discussion participants</td>
<td>Social media reach of platforms used</td>
<td>Number of YouTube clicks generated</td>
<td>Number of “wants” clicks</td>
<td>Number of users of customer service on social media platform</td>
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<td>Percentage share of implementable suggestions</td>
<td>Resource investment to obtain a ranking of potential suppliers</td>
<td>Correlation between sentiment analysis and revenue</td>
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<td>Investment per click</td>
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<td>Revenue generated with winning innovation</td>
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<td>Greater product reach</td>
<td>Revenue generated with “want” button</td>
<td>Cost reduction by partially outsourcing customer service</td>
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3

The KPIs help to document both the processes and results of social media activities. Because the selection and definition of KPIs must always be oriented on a company’s strategic goals, KPIs will differ from company to company. Nevertheless, it is possible to assign them to functional groups: usage, performance, and impact.
- KPIs falling into the usage category answer questions as to the extent of social media platform usage. Which social media platforms does the company use? How many users are active on a platform? How many interactions are generated with one user? How many platforms are used to reach a user?

- Performance KPIs reveal the quality of social media activities. How quickly do interactions take place? How long does it take to answer a question? How many resources are needed to answer a question? Did the interaction lead to a result? How good was the result? How was the quality of the interaction evaluated?

- KPIs in the impact category record the financial impact of social media activities on a company. How high were the cost savings thanks to the use of social media? To what extent (in percent) was it possible to reduce time-to-market? How has brand awareness changed? What revenue effect can be traced back to the use of social media?

Collecting data is a fundamental challenge when implementing KPI-based social media management. The data comes from various sources, some of which are not freely accessible, and it is often difficult to relate this data to a company’s existing technologies and processes. Furthermore, the data supplied by social media analytics providers, who by now number several hundred, is heterogeneous—standards are few and far between. Because the industry has been developing at such a fast pace, it is important to ensure that the company’s data environment is compatible with these dynamics—an enormous challenge for companies, not least because of the time it involves. Nevertheless, seamlessly integrating the results of own big-data analyses with third-party data is an essential element of social media management if this is to be effective over the long term, and must be carried out at an early stage. Another important factor is the user-friendliness of the data. Intuitive web tools and analysis platforms make it easy for decision-makers to view all relevant information, and thus enable them to immediately include these insights in their decision-making process.

SOCIAL MEDIA DIRECTOR OF A MEDIA COMPANY

Our company’s heterogeneous business units have very different goals when using social media. Consequently, our social network strategies must be adapted to multiple targets.
Social media management only concretely adds value after the generated information has been incorporated into the organization’s decision-making process. Doing that usually calls for modifications to be made to both structures and processes. At the same time, a company must be aware of the actions that it can take—depending on the success of its social media activities. Furthermore, it is important to address two typical structural and process-related issues, namely the clear definition of fields of activities and responsibilities. Which division is responsible for data collection? Who reports to whom? At what intervals are evaluations carried out? What is the setting for discussing the results? Today, the persons responsible for carrying out social media activities are also in charge of measuring their performance. However, as social media activities become more and more professional, the traditional controlling function will probably take over performance measurement. Consequently, it is important to define interfaces between IT (data generation), controlling (data analysis) and, in particular, all those areas of a company where products and services can be improved by the information generated, such as product development, marketing, and customer service.

Clearly defined processes and guidelines are needed to ensure that the data is prepared, interpreted, and used efficiently. In general, it is possible to set up a central information tool by building on existing reporting structures. However, two characteristics of social media need to be taken into account. First, the phenomenal speed of social media calls for companies to respond almost in real time. Companies need to define escalation levels so that they can react quickly in exceptional circumstances. And second, social media information adds the most value by provoking discussions and analyses. Consequently, it is important to establish corporate forums promoting the interactive use of social media management insights.

Once the company has ensured that the information is available to the right people at the right time, it must determine what leeway these persons have to act. How should they respond to the insights gleaned? Here, as well, the goal is to optimally exploit positive effects and reduce risks.

**SOCIAL MEDIA DIRECTOR OF A GERMAN MDAX-LISTED COMPANY**

Our employees must become aware of the reach and sensitive to the risk of our social media activities. Our company supports this process by developing behavioral guidelines and in-house communication forums.
If the social media community reacts positively, a company must strive to exploit this effect. It might, for example, expand its activities by applying a successful concept to other products or services. In addition, it might also make sense for the company to extend its social media presence to other platforms.

If the community’s feedback on a company’s social media activities, e.g. a competition on Facebook, turns out to be negative, the company has two options—it can either adapt its activities to the social media community’s requirements, or discontinue them altogether. In the latter case, withdrawing from a social media platform is a valid option if a company wants to reduce its risk. Things become more difficult, however, if social media reactions are triggered by actions other than the company’s social media activities themselves. If this is the case, companies must avoid damage to their image by dealing with such situations openly and communicating clearly.

For a longer-term learning effect in this new field of social media management, it is important to comprehensively document and analyze both the methodology and the community’s reactions.

CONCLUSION
The importance of social media for enterprises is growing steadily—and along with it both opportunities and risks. Many companies have already recognized this and are trying to make the most of the emerging opportunities. However, they often proceed unsystematically and lack the necessary management and analytical skills to unlock the full potential of social media. Implementing systematic social media management that is aligned with the company’s strategy makes it possible to remedy these deficits. Doing so gives companies a powerful new medium to leverage.
Peter E. still remembers his company’s initial difficulties with building its social media activities. In the starting phase, his employer had only just begun to develop a suitable communication strategy for this new medium, and was a far throw from being able to realistically assess or measure its impact. But he had enlisted professional support and drawn on external know-how at the right time, making it easier to systematically and sustainably develop the company’s social media activities. Thanks to this measure, Peter’s company was able to successfully position itself in the use of social media.
ABOUT OLIVER WYMAN

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