Rewriting the Rules of CRM in the Social Media Age

CRM played by the same rulebook for many years. Along came social media and suddenly the rules changed, catching many businesses by surprise.

Customer Relationship Management (CRM) has operated by the same rules for years, and the first rule was that businesses were responsible for choosing the time, place, and type of customer interactions. Along came social media and the first rule was tossed out, along with much of the rest of the playbook. People are now free to interact with each other, access businesses without talking to a single person, share experiences about products and services, comparison shop with ease, and shift over to a competitor with a click of a mouse. Traditional CRM strategies simply do not fit this dynamic environment because they do not recognize the fact that the power has shifted to the consumer. Now companies must pull in customers through interactions that often have nothing to do with selling by integrating social media and CRM, now referred to as social CRM.

Originally, CRM was a strategy focused on increasing sales by collecting data on existing customers, creating niche market profiles, and then targeting the niches with specially crafted marketing campaigns. The business functions most responsible for carrying out this strategy are marketing and sales. In many ways, despite being called "relationship management", the process represents an arms-length interaction with customers because data and marketing occurs on business turf, so to speak. Before the internet and social media, customers had to interact with an employee in some way before anything could be sold. Marketing would develop advertising to pull customers in and sales people could push customers to buy products and services. The relationship management part of CRM was devoted to target marketing, selling, and follow-up customer service.

With an estimated 66 percent of online adults using social media, networking abilities have shaken up traditional CRM because people making up the marketplace now have the power to communicate with each other. They can share product information, ask for references, check online reviews posted by other consumers, and post positive or negative product reviews of their own. However, the critical fact is that the market can now exchange information without contacting the sales or customer service departments, and consumers can drive the discussions held about the brand rather than the business driving the brand image.

Businesses missing the implications of the new social interactions are at a higher risk of experiencing brand damage. Facebook, Twitter, and other online forums open to the public provide customers a means of communication that can exclude the business, and that communication may be positive or negative. Before social media, a retail store's dissatisfied customer would not be likely to take a complaint further than the customer service desk. Now that customer can use mobile technology and tweet the complaint about lack of service or a faulty product to everyone in their network. Any business that does not know how to interact with internet-enabled customers using social media loses control of its brand.

A Customer Relationship Management strategy in the age of social media recognizes the urgency of joining the virtual world conversations. Effective CRM has shifted from being one-sided to being bidirectional, and the customer voice has to be embedded into business operations. Businesses can use social media to enter the conversation and strengthen customer relationships to get the opportunity to prove it offers value. One of the important points to keep in mind is that interactions through social media are not designed to sell. They are meant to engage and develop loyalty. Generating sales is an end-product of social CRM and they are produced when the company understands customer needs and behaviors and can respond appropriately. This is a difficult concept for some businesses to grasp because selling has traditionally been the driving force behind marketing campaigns.

What does all this mean in terms of business processes? First, traditional selling strategies must change to strategies that identify and engage potential buyers. CRM should track the interactions between the company and the marketplace and not just sales activity. Consumers can now complete an in-depth online review of products and services by communicating via social networks. Closing sales is no longer a matter of a sales person convincing someone to buy. Rather selling has become a public relations function because rapid responses to customer inquiries, problem solving, and clear messaging define the marketing process in social CRM.

Value, and Not Just Relationship, Building

Social CRM is technologically enabled but it is not about technology per se. Social media becomes a source of information and data that is used to streamline services, identify potential problems, pinpoint upsell and cross-sell opportunities, manage costs, and address competitive pressures. Automation enables companies to go into the social media networks and find out what people are saying about the business and how they can deliver tangible value. Naturally, the right CRM system is the one that can provide the information the company determines it needs to monitor and interact with the marketplace.

The transition from formal customer service to relationship building requires the ability to identify what does and does not need a response. There are new risks introduced with the use of social media like Facebook and Twitter. It is common today to see news reports about improperly worded tweets or rude posts made by employees, generating instant bad publicity. The staff responsible for monitoring and responding to the online community has to know when and how to respond in a way that strengthens the company brand. The social media service personnel have to develop the skills needed to address a dynamic marketplace. "I'll get back to you," is no longer acceptable because people do not have to wait. They can simply move on to the competition.

The world of social media is equalizing and turns businesses and customers into partners. The customer delivers insight into what is seen as having value, while the business delivers value. The reinvention of this customer relationship has an impact on all business processes, including marketing, sales, customer service, product development, and even billing and refund policies. Businesses must be where their customers are, which is in social media sites, and then listen closely to what they are saying. What they hear may be quite surprising.