Title:
The Role of Social Media for Customer Engagement

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Abstract

Nowadays the market is becoming increasingly competitive. Consumers have a wide variety of choices and make their decisions based on the recommendations of other peers, which they consider more trustworthy compared to traditional advertisements. In such a scenario customer engagement is becoming the most important challenge for businesses. In fact engaged customers are not only loyal, but also active recommenders of the product/service to other peers. Social media, thanks to their interactive features, allow building relationships with customers and therefore they have a key role for customer engagement.

The paper analyzes how companies can use social media in order to build a customer engagement strategy. The project begins with an overview of the literature available about two main topics: customer engagement and social media. In the later analysis, the author demystifies social media for business by analyzing what are the main functionalities that they provide and how these functionalities can be used in order to create a social media engagement strategy. A new model is presented: “The Social Media Engagement Cycle” that highlights how engagement on social media helps driving repeat sales and getting new customers through the existing ones. The author addresses the organizational and cultural implications of the model to highlight which are the changes that companies should address in order to implement a successful social media strategy. Finally the author discusses a case study from the telecommunication industry, and drives general conclusions about how the engagement on social media has a pervasive importance across industries.

Keywords: Customer Engagement, Social Media, Evangelization, Advocacy, Web 2.0, Business to Consumers, Word Of Mouth, Customer Experience, Social Media Engagement Cycle, Social Media Marketing
Table of Contents

1. INTRODUCTION ................................................................................................................. 6
2. THESIS PROJECT .................................................................................................................. 10
   2.1 Problem Background ................................................................................................. 10
   2.2 Research Questions ..................................................................................................... 12
   2.3 Research Methodology ................................................................................................. 12
      2.3.1 Research Approach and Reasoning Methods .................................................... 13
      2.3.2 Scientific Method .................................................................................................. 15
      2.3.3 Sources of Analysis ............................................................................................. 15
3. LITERATURE REVIEW ....................................................................................................... 16
   3.1 Customer Engagement ................................................................................................. 17
      3.1.1 What Is Customer Engagement ......................................................................... 17
      3.1.2 Customer Evangelism .......................................................................................... 18
      3.1.3 The Customer Engagement Cycle ....................................................................... 21
      3.1.4 Customer Experience .......................................................................................... 23
   3.2 Social Media ................................................................................................................... 34
      3.2.1 Introduction .......................................................................................................... 34
      3.2.2 What Social Media are ....................................................................................... 37
      3.2.3 Social Media Platforms ......................................................................................... 40
      3.2.4 Social Media Business Report ............................................................................. 50
4. THE ANALYSIS .................................................................................................................... 53
   4.1 Scope of the Analysis .................................................................................................... 54
   4.2 Social Media for Business ............................................................................................ 55
      4.2.1 Communicating: Social Media Platforms and Marketing Objectives ............... 55
      4.2.2 Listening .............................................................................................................. 66
      4.2.3 Push-Pull Paradigm ............................................................................................... 69
   4.3 Social Media and Engagement ..................................................................................... 70
      4.3.1 A New Business Model ....................................................................................... 70
      4.3.2 Social Media Engagement Cycle ......................................................................... 73
   4.4 Organizational and Managerial Implications ................................................................ 79
      4.4.1 Introduction .......................................................................................................... 79
      4.4.2 Organizational Implications ................................................................................. 79
      4.4.3 Cultural Implications ............................................................................................. 84
5. SOCIAL MEDIA ENGAGEMENT IN TELECOMMUNICATION .............................................. 86
   5.1 The Market ..................................................................................................................... 87
   5.2 Giffgaff, a Case Study .................................................................................................. 87
      5.2.1 Giffgaff and the Social Media Engagement Cycle .............................................. 90
   5.3 Generalization .............................................................................................................. 91
6. CONCLUSIONS ................................................................................................................... 93
   6.1 Results of the Research ............................................................................................... 93
   6.2 Future Implications ...................................................................................................... 96
7. REFERENCES ..................................................................................................................... 98
List of Tables

Table 1. The Rising of WOM ................................................................. 7
Table 2: Web 1.0 vs. Web 2.0 ................................................................. 37
Table 3: Classification of Social Media by Social Presence/Media Richness and Self-Presentation/Self-Disclosure ................................................. 40
Table 4: Social Media and Marketing Objectives .............................. 66
Table 5: Organic vs. Mechanic Organizations ...................................... 81

List of Figures

Figure 1. The New Communication Paradigm .......................................... 8
Figure 2: Social Media Tip: Tools vs. Strategy ........................................ 11
Figure 3: Dynamics of Inquiry .............................................................. 14
Figure 4: Customer Engagement Cycle ................................................ 22
Figure 5: Identify the Moments of Truth of the Customer Journey .............. 26
Figure 6: Kano Model ........................................................................ 28
Figure 7: Correlation between CXi Score and Three Loyalty Metrics ............ 32
Figure 8: Net Promoter Score ............................................................... 33
Figure 9: The Most Influential Online Services ...................................... 43
Figure 10: Commonly Used Social Media Tools ..................................... 52
Figure 11: Benefits of Social Media Marketing ....................................... 52
Figure 12: Classification of Social Media Based On Communication ............ 57
Figure 13: The New Business Model .................................................... 71
Figure 14: The Social Media Engagement Cycle ..................................... 73
Figure 15: Centralized Social Media Team ............................................. 83
Figure 16: Decentralized Social Media Team ......................................... 84
1. INTRODUCTION

Nowadays companies are operating in an environment that is becoming day by day more challenging. The globalization of commerce has produced an economy rich with choices, even for very simple products and services. Just figure yourself in a supermarket in front of the milk’s shelf. People can choose among different strengths (such as skim, light, full etc), flavors and types (such as soy, rice, oat, and goat), that makes at least 12 different variety of milk. Or just consider how many coffee shops, fashion outlets are available nowadays compared to 10 or 15 years ago. In a world with so much choice, how do people even make decisions anymore? How do we decide, between 165 cereal products and 85 different breakfast bars?

As a response, businesses are compelled to invest more in marketing channels. Mass media advertisements are screaming louder and more often just to squeeze through the clutter. Every day, we are inundated with ads on television, on buses, under computer browser windows, in the waiting rooms of physicians and dentists, on phone cards, on the back of lottery tickets and on banners towed by noisy planes circling around crowd. Accorded to David Shenk (1997), an average person is exposed to approximately 3000 advertising messages per day. These continuous, mind-numbing marketing repetitions are increasingly losing their effectiveness and trustworthiness. In fact, the great majority of consumers believe the customer experience by organizations will not match their advertising. Not only consumers don’t believe in companies’ ads, they even start to get bothered by these insisting advertisements. A proof of this is the people’s interest in mechanisms that skip advertisements completely. An example, just to name a recent one, is Spotify, a free music sharing platform where people are ready to pay in order to avoid the insertion of ads between one song and the following one.

In such a scenario, where the choice is so wide and the advertisements so ineffective, how customers make decisions?

People start to rely on opinions of trusted friends, colleagues or family members who already experienced the product or service. The phenomenon that we are facing nowadays is a drop in the trust of traditional marketing channels and an increasing trust in peer-to-peer word of mouth (WOM).
There is evidence for the decline among traditional advertising and the rise of word of mouth for making future purchases.

Evidence of this trend is illustrated in the study in Table 1.

<table>
<thead>
<tr>
<th>HOW PEOPLE GET INFORMATION ABOUT...</th>
<th>WORD OF MOUTH</th>
<th>ADVERTISING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants</td>
<td>83%</td>
<td>35%</td>
</tr>
<tr>
<td>Prescription drugs</td>
<td>71%</td>
<td>21%</td>
</tr>
<tr>
<td>Hotels</td>
<td>63%</td>
<td>27%</td>
</tr>
<tr>
<td>Cars</td>
<td>58%</td>
<td>36%</td>
</tr>
<tr>
<td>Computers</td>
<td>40%</td>
<td>18%</td>
</tr>
<tr>
<td>Financial services</td>
<td>57%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Table 1. The Rising of WOM (Ben Mc. Connel & Jackie Huba, 2001)

The phenomenon of WOM referral, either positive or negative, has always existed. However, with the entrance of World Wide Web and social media in the market place arena, its magnitude is growing exponentially. People are disseminating on the web information about the products/services that they experience and businesses are increasingly losing the control on this information.

Consumers’ ability to communicate with one another limit the control companies have over the information disseminated on the web. In the era of social media the control has shifted to consumers. Christopher Vollmer and Geoffrey Precourt (2008) in their book "Always on" stated: “Consumers are in control; they have greater access to information and greater command over media consumption than ever before”. Just with a few clicks of a mouse a consumer has access to the features and reviews for almost any product, to the point where consumers may know more about a product than the in-store sales person. Social media are perceived by consumers as a more trustworthy source of information regarding products and services than corporate-sponsored communications transmitted via the traditional elements of the promotion mix (as television, radio, flyers, billboards, magazines). The new communication paradigm is well expressed in Figure 1.
In such a scenario, where both online and offline WOM is becoming increasingly powerful, companies’ focus is shifting from creating a loyal customer base to creating a “fan” base. Fans (also called in literature “advocates” or “evangelists”) are consumers that are so passionate about the product/service that they support it and recommend it to others. Therefore in order to be successful the following question should be addressed: How can companies “engage” with consumers to make them talk in a good way about their product, supporting and recommending it in front of prospects?

The concept of customer engagement is becoming very popular among firms and has paralleled with the interest in social media. In fact, social media has the ability to establish conversations among individuals and firms in communities of sellers and customers and involve customers in content generation and value creation, and therefore have a very strong potential for engagement. Moreover the online engagement drives social visibility and helps attracting prospects.

The thesis examines how social media can help firms to engage with consumers, with the final objective of gaining new customers through the existing ones. The final purpose is to provide companies with a guideline to implement an effective social media strategy for customer engagement.
The thesis has been structured in several chapters, in order to endow with an adequate understanding of the knowledge contribution provided by this research project. After this short preface, in the second section the thesis project is presented, in terms of the research questions to be answered and the discussion on the scientific methodology and reasoning method to be employed during the research.

The third chapter is dedicated to the literature review, considering the academic knowledge available on the research topic. In particular it has been divided according to two main triggers: the first one is the theory related with customer engagement and advocacy, and the second one is related with social media domain. Academic papers and International Journals confirm the fact that further research is required in customer engagement through social media, emphasizing in particular the lack of a guideline for companies to implement a successful social media strategy in order to engage with the customers.

The fourth section is the core part of the study since it includes the analysis and the discussion regarding the research topic presented as Master Thesis topic. In the first part, the author will analyze social media from a business prospective, in order to highlight what are the main functionalities that social media offer to companies to grow their business. Moreover, a new classification of social media will be provided in order to better explain what type of communication is allowed in different platforms, and in order to link each platform with different marketing objectives. In the second part the author will propose a process composed by three easy steps that companies should follow in order to engage with customer on social media. The steps are presented as a cycle, the Social Media Engagement Cycle, which clearly shows how the engagement on social media helps companies to gain new customers from the existing ones. Finally, in the third part, the author will discuss what the implications from an organizational and managerial perspective are, for a successful implementation of social media.
The fifth section is focused on a specific industry: the telecommunication. A practical case will be presented in order to show how engagement is possible also in an industry where the service offered is increasingly becoming a commodity and decisions of customers are mainly driven by convenience in terms of price.

To conclude, the sixth chapter will sum up the findings of the research project, wrapping up the direct empirical results and drawing the research conclusions in order to answer the thesis queries. Lastly, the implications for research, both in terms of limitations of the study and some interesting lines of research for the future, will be outlined.

2. THESIS PROJECT

The main purpose of this chapter is to present the foundations of the thesis project.

It has been divided into three sections in order to provide a comprehensive outlook of the study. The first part aims at providing evidence of the motivation for the selection of the topic of the research project. The second section shapes the basis for the analysis, defining the research questions that guide the whole project. Ultimately, the last part deals with the research methodology, which encompasses the method used to answer to the research questions. To begin with, a description of the research approaches is presented, with the addition of a brief analysis on the available reasoning methods. Later, the differences among a quantitative and a qualitative scientific method are treated, concluding short after with the sources of analysis employed during the project.

2.1 Problem Background

As already discussed in the introduction section, companies’ ultimate purpose is to create “advocates”, which means engaged people that become fans of the product, and talk about it and support it with prospects. At the same time companies increasingly
understand the potential of social media for customer engagement purposes. In fact social media allow firms to engage in timely and direct end-consumer contact at relatively low cost and higher level of effectiveness than can be achieved with more traditional communication tools. Moreover online engagement is socially visible, and helps generating awareness and attracting new prospects. Some industry gurus claim that if you don’t participate in Facebook, YouTube and Twitter you are not part of the cyberspace anymore. However using social media is not easy, and their characteristics must be deeply understood to be able to implement an effective strategy for customer engagement. On the contrary, most of the time marketers are in rush to start using the tools to enter the cyberspace because they feel “they have to be there”, without nor a clear understanding, neither a strategic approach. In 2011, a survey conducted by members of the World Federation of Advertisers showed that 96 percent of advertisers have been increasing their investments of time and money in social media. However, 50 percent were unsure of the returns they were getting on this investment. Many marketers, even those that already experienced social media, acknowledge that they still have to really figure it out. (Millward Brown, 2011)

Therefore, the purpose of the project is to give a better understanding of what is the potential of social media for businesses and how companies should use it for engagement in a strategic way.
2.2 Research Questions

In order to accomplish the purpose of the project in a structured way, the research project has been divided into three main sections. The following research questions have been proposed:

1. How can social media be used for business?
   1.1. What are the main functionalities of social media?
   1.2. What are the differences between the different categories of social media for what concern communication? What is the link between different platforms and marketing communication objectives?

2. How companies can build a social media engagement strategy? What are the key steps companies should follow?

3. What are the organizational and cultural changes companies should address in order to implement a successful social media strategy?

2.3 Research Methodology

This section is needed to define the structure of the research methodology used for the Master Thesis. A research methodology is described as an accepted, valuable and verified way of solving a research problem. The methodology serves as a main framework for the research project, giving the fundamental basis for the development of an analysis of the problem of interest.

The following sub-sections elaborate the concept of methodology dividing the description into 3 main parts: 1) the research approach and philosophical procedure chosen, including a comparison with the available approaches; 2) the sources managed and a brief explanation of the motivation for their employment; 3) the scientific method used together with the definition of the role of qualitative and quantitative studies in a research project.
2.3.1 Research Approach and Reasoning Methods

While conducting a research study on this subject matter two approaches are available: Positivism and Hermeneutics. An approximate distinction among these two philosophies of knowledge is given by the fact that while Positivism is objective and absolute in its nature, Hermeneutics is subjective, assigning to the human being an active and participative role in the study. Among the founders of Positivism it stands out the figure of Auguste Comte (1798-1857) who might be considered the first philosopher of science. As a matter of fact Positivism holds that the scientific method is unique among the different sciences, both natural and social, and the importance of deduction in research project, being science testable and proved only by empirical evidence, not just pure argumentations.

On the other hand, Hermeneutics is a research approach sustaining the active role of human being in scientific studies, since knowledge is continuously developed along with research experiences. The hermeneutic character of this Master Thesis is described with the active role of the author in the development of the empirical research where information was collected from different sources in a continuous learning cycle. As the empirical study progressed, the researcher’s understanding of the subject investigated increased, proving an additional indication of the hermeneutic approach of this analysis.

With the purpose of drawing conclusions from both theoretical and empirical material, three reasoning methods can be identified. The inductive approach is the one used to form a theory starting from empirical evidence, frequently employed within hermeneutic research.

As an alternative, deduction is more common in positivist studies, since it has its basis in theory which is then tested on empirical reality. Lastly, abduction is a combination of the first two procedures, an approach which varies between both theoretical and empirical field.
A specific explanation of the dynamics of an inquiry process has been given by Awbrey during the 8th International Conference on Technology and Education which took place in Canada in 1991. As illustrated in Figure 3, when a phenomenon occurs (1), different methods can be used to explain it. Abduction’s prerogative is to observe phenomenon and first make a guess about explanation (Awbrey et al., 1991).

![Figure 3: Dynamics of inquiry (Awbrey et al., 1991)](image)

The theory formed by the observed features (2) contains several principles and concepts that are believed to explain the phenomenon. Deduction is used to predict possible outcomes and formulate a model (3). When comparing the model with the original phenomenon, some further experiments might be needed within the inductive approach.

Lastly, when theory is represented computationally, the missing implicit knowledge (4) is clarified throughout an explication process.

Abduction has been recognized by the author as the most suitable reasoning method for conducting the research at the basis for this Master Thesis. Both theoretical studies, as a focused literature review on the research topic, and empirical analysis, thanks to the data gathered from direct observation and direct experience provided by experts, have been used to gain knowledge and investigate on the research question. The analysis
fluctuated between the two fields in order to guarantee a comprehensive research on the selected topic.

2.3.2 Scientific Method

The type of study to conduct during a research project can basically be led by a quantitative method or a qualitative one. While quantitative scientific method is often applied to numerical tasks, working on data that are understandable throughout calculations and analysis, qualititative method is more subjective, aiming at problem understanding in terms of root causes or possible solutions but not necessarily with the use of mathematical tools to analyze data. Due to the high subjectivity of the subject considered, the research project has been developed using a qualitative approach.

2.3.3 Sources of Analysis

The research activity has been supported using different sources of information. The sources of analysis are here below presented:

**Literature**

Research was conducted mostly among publications on International Journals and academic papers. Some other sources were used to enrich the investigation, such as blogs about social media and other organizational publications mostly released by consulting companies. The literature used to background the future research was mainly divided into two categories, so to organize articles and papers according to these two major areas: the theories on customer engagement and advocacy on one side and the theories on social media on the other side. The following research was targeted to organizational and cultural theories about the organization, that background the research on what changes company should undertake in order to successfully include social media in the marketing mix.
Opinions of Experts
Since the topic of social media engagement is very popular nowadays, many experts, from academics to consultants, are commenting and expressing their point of view on the subject. Some opinions were gathered directly from the web, where experts are active by default, especially on blogs. Some other opinions were collected through personal interviews with consultants and people with an academic background. Given the broad applications of the study, the interviews were kept conversational with a “go with a flow” approach, which means that no predetermined questions were asked, in order to remain as open and adaptable as possible to the interviewee’s nature and priorities.

Case Studies
Some companies are already successfully implementing customer engagement through social media. An analysis of the best practices from companies belonging to different industries has been conducted all across the study for two main purposes. First of all it helps proving the findings of the research. Secondly it gives a benchmark for other companies that can emulate these practices in order to improve their engagement through social media and achieve better performances.

3. LITERATURE REVIEW
This chapter presents an analysis of the literature available on the topic of this thesis. The analysis is divided into two main sections: the first section deals with the concept of Customer Engagement and the second one deals with the world of social media and World Wide Web. Even though these two concepts are quite recent, they are so popular that new material is continuously available, such as new posts on blogs related to social media or publications from experts about engagement. The analysis of the literature review will be divided into two main sections: the theories related to Customer Engagement and the theories related to social media.
3.1 Customer Engagement

3.1.1 What Is Customer Engagement

The expression “Customer Engagement” has become very popular in the lexicon of managers in the last years and it has received widespread attention from business practitioners and academics alike. However what exactly these two words mean seems not so clear and they are used with considerable variation in interpretation. The proliferation of different definition by practitioners about this concept is the proof of the fact that there is not a unique agreement upon meaning.

Some definitions are reported and discussed here below, starting from the oldest ones till the most recent ones.

One of the first attempts to define the concept of Customer Engagement was made by Advertising Research Foundation in collaboration with Association of Advertising Agencies and the Association of National Advertisers in 2006. They defined Customer Engagement to be the “turning on a prospect to a brand idea enhanced by the surrounding context” (Advertising Research Foundation, 2006).

The definition was deliberately chosen to be very broad, in order to foster sharing of perspectives on the new upcoming topic. However the definition started to assume more precise connotation along the way. Economist Intelligence Unit in 2007, after conducting a series of empirical studies with companies from private and public sectors worldwide, defined Customer Engagement as “an intimate long term relationship with the customers” where engagement refers to the “creation of experiences that allow companies to build deeper, more meaningful and sustainable interactions between the company and its customers or external shareholders” (EIU, 2007). A blogger defined customer engagement as “repeated interactions between a customer and a brand that strengthen the emotional, psychological or physical investment a customer has in the brand” (Chaffley, 2007). Forrester Consulting defined customer engagement as
“creating deep connections with customers that drive purchase decisions, interaction and participation over time” (Forrester Consulting, 2008).

Even though the definitions presented differ a lot from one to the other one, they all share a common trait: the need to build strong relationship to create engaged customers.

A consulting company that had put a lot of emphasis in the concept of Customer Engagement is Gallup Consulting. The company segmented customers in four main groups: fully engaged, engaged, disengaged, and fully disengaged. Fully engaged customers were defined as “customers that are strongly emotionally attached and attitudinally loyal. They’ll go out of their way to locate a favored product or service and they won’t accept substitutes. They are true brand ambassadors and the most valuable and profitable customers” (Gallup Consulting, 2010). According to Gallup definition, engaged customers are not just “satisfied” or “loyal” but they are emotionally attached to the product or service. Moving along the same direction of Gallup Consulting’s definition of “fully engaged customers”, others expressions have been invented to refer to the same concept. Nowadays we commonly call this category of customers as “Brand Advocates”, “Customer Evangelists” or “Brand ambassadors”. These new definitions strengthen the fact that engaged customers are so passionate about the product that they are going to support it and recommend it to others, thus becoming powerful marketing force.

The next section is dedicated to fully explain this new concept.

3.1.2 Customer Evangelism

In order to understand clearly how a customer evangelist looks like, a distinction has to be made between two different types of loyalty: Behavioral Loyalty and Attitudinal Loyalty. Normally loyal customers are defined as the ones that purchase from the company on a regular base. However their loyalty may be driven just by convenience. For example in case of a grocery store, flower or hairdresser shop, loyal customers may
be those who live within easy walking or driving distance. This means that in case of a more convenient, more attractive or lower priced offer they will easily switch to a competitor.

In literature, loyalty that is triggered by convenience reasons is called Behavioral Loyalty. Companies usually build loyalty programs to reward behavioral loyalty. For example they reward purchase frequency, visit frequency or customer spending. If we take the airline sector, customers are rewarded on the basis of the distance travelled. If we take a grocery store customers are rewarded based on the cumulative spending. However this approach suffers from some fundamental inadequacies: the fact that the customer performed well in the past doesn’t necessarily mean that he/she will perform well also in the future (Reinartz & Kumar, 2003). Attitudinal Loyalty, on the other hand, represents a higher-order, or long term, commitment of a customer to an organization that cannot be inferred by merely observing customer repeat purchase behavior (Shankar, Smith, & Rangaswamy, 2000). Attitudinal Loyalty is important because it indicates propensity to display certain behavior, such as the likelihood of future usage (Liddy, 2000) or how likely is that the customers would recommend the company to their friends or colleagues (Reichheld, 2003).

A customer evangelist goes one step further. Not only he repurchases from the company on a regular basis (behavioral loyalty), not only he is long term committed (attitudinal loyalty) but he feels compelled to recommend the product/service to peers. In the manifesto of customer evangelist (Ben Mc Connel & Jackie Huba, 2001), the clear profile of a customer evangelist is created.

Customer evangelists look like this:

- They passionately recommend your company to friends, neighbors and colleagues.
- They believe in the company and its people.
- They purchase your products and services as gifts.
- They provide unsolicited praise or suggestions of improvement.
- They forgive occasional sub-par seasons or dips in customer service.
- They do not want to be bought; they extol your virtues freely.
- They feel part of something bigger than themselves.

In the manifesto, a real example is provided of a customer evangelist is Ann McGee Cooper, committed with Southwest Airlines. After the 9/11 attacks, which crippled and jeopardized airlines for months, Ann McGee Cooper wrote Southwest Airlines a letter telling the following: “We are encouraging our clients to fly Southwest Airlines. We are buying more stock…and we stand ready to do anything else to help. Count on our continuing support.” Ann McGee Cooper was persuading clients, friends, and family members to fly with Southwest Airlines. She was purchasing tickets on their behalf. She bought the company stock.

Customer evangelists are vital for the success of a company in nowadays environment. In fact evidence shows that acquiring new customers is five times more expensive than keeping a current customer happy. Marketers spend millions of dollars on advertising, direct mail, and branding all in the name of acquiring new customers. However response rates for several campaign tactics continue to decline inevitably. Measures of the average direct mail response rate 1-2 percent. Response rates for television and print advertising remain unclear. On the other hand, evangelists acquire new customers for free. Their recommendation is considered much more trustworthy than any other form of direct marketing. Knowing how to build customer evangelists and how to foster WOM is essential for the success of every company. Organizations that focus on building word of mouth into full-fledged evangelism grow faster, and are more profitable. Mark Collier (2013), a specialist in helping companies better connect with their customers and cultivate fans for their brands, in his book “Think like a Rock Star” compares the way companies should build evangelists with the way rock stars build their fan base. “I think most companies strive to have a transactional relationship with their customers. They want to create a product, and sell it to their customers. That's it. I think most rock stars want to have an emotional relationship with their fans. They honestly do love their fans, and they want that emotional relationship with their fans, because they understand that it will lead to sales. Rock stars understand that customers buy from brands that they love and trust. And they tell others to buy from that brand as
well. It doesn't matter if that brand is a company or a rock star. Rock stars have always understood the value of connecting directly with their customers, whereas thanks to new social media tools, companies have to learn these lessons the hard way”. (Church of the Customer, 2013)

According to Collier, fans love rock stars because they feel loved, they feel important for them. Therefore the way to build Customer Evangelists is to make customers feel important for the company. Customer Evangelism or Advocacy therefore aims to build “deeper customer relationship by earning new level of trust and commitment and by developing mutual transparency, dialogue and partnership with customers” (Lawer & Knox, 2006).

3.1.3 The Customer Engagement Cycle

In literature we refer to customer journey as a ladder of following steps that a customer goes through in engaging with a company. The terminology used to call the different steps varies depending on the author; much of the variation originates from including intermediate steps. However the main phases can be summarized in the following way: Awareness, Interest, Purchase, Satisfaction and Retention.

- **Awareness**: The customer associates the brand with the product/service he desires to buy.
- **Interest**: The customer is aware about the product and looks for information so that he can research and compare among different offerings.
- **Purchase**: The customer is interested in the product/service and decides to buy it.
- **Satisfaction**: The customer experiences the product/service.
- **Retention**: If the customer is satisfied with the product and he/she decides to repurchase.
Advocacy, as we just discussed, is a step forward Retention. In fact advocates are not just repeat customers but they are attitudinally loyal and they passionately recommend the product/service to others. Therefore we could see Advocacy as the ultimate stage of the ladder. Nevertheless many bloggers and practitioners are now looking at the customer journey as a “customer journey cycle” rather than a “customer journey ladder”. In fact recommendations from advocates contribute in building product awareness and eventually trigger a new customer in purchasing the product/service. This way, a new customer enters the cycle and in turn goes through the different phases of the customer journey.

![Customer Engagement Cycle](image)

**Figure 4: Customer Engagement Cycle**

Accomplishing every phase in a successful way is necessary for the customer to proceed to the following phase, but it doesn’t necessarily leads to it. This means that marketing efforts are necessary to trigger a customer from one phase to the following one. For example a customer must be satisfied with the product in order to repurchase. However his satisfaction doesn’t necessarily leads to repurchase; most of the time customers repeat purchases should be triggered with special promotions or loyalty programs (CM Sashi, 2012).
3.1.4 Customer Experience

In the cycle the author introduced the phase “Satisfaction” to refer to the experience of the product/service that influences the decision of the customer to repurchase. However, a new broader expression is becoming very popular nowadays in substitution of “Satisfaction”; it is “Customer Experience”. This concept is increasingly gaining space in contemporary academic and practitioners work, and the proliferation of marketing books and blogs talking about customer experience management is the proof of that. Even though in the last posts customer experience is presented as a new idea, evidence shows that this is far from being a new concept. In fact this concept has its origin in much earlier academic literature, starting from Holbrook and Hirschmann, pioneers in researching experiential consumption, back to the writings of John Maynard, Keynes, Alfred Marshall and Adam Smith (Lebergott, 1993).

Customer experience has been defined by Christopher Meyer and Andre Schwager (2007) as “the internal and subjective response customers have to any direct or indirect contact with a company. Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representations of a company’s products, services, or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth”. Customer experience involves two perspectives of consumer behavior: the information-processing and decision oriented perspective and the experiential perspective (Frow & Payne, 2007). The first one is related to the rational search of information, evaluation of possible options and the final decision on whether to buy the product or not. The consumer makes an assessment on the benefits and sacrifices involved in the purchase. The second perspective emphasizes emotions, contextual and non-utilitarian aspects of consumption.

Thus, consumer experience needs to be considered both from a more rational and emotional point of view. While in business to business market the incidence of the rational perspective is higher, in business to consumer market the importance of
feelings and emotions is gaining increasing importance. Beyond Philosophy, a
customer experience consulting, proposed a definition of Customer Experience that
enhances the fact that the latter is made by conscious and unconscious aspects. The
company defines Customer Experience as “an interaction between an organization and
a customer as perceived through a customer’s conscious and subconscious mind. It is a
blend of an organization’s rational performance, the senses stimulated and the emotions
evoked and intuitively measured against customer expectations across all moments of
contact”. Therefore the focus should be both on rational (conscious) and emotional
(unconscious) aspects. In fact “customer loyalty, by definition, is not rational. In
economic terms, rationality means people will chose the product or service that
provides the greatest reward at the lowest cost. The benefits of a product or service are
measured against its cost compared to similar products or services. Yet customer
loyalty means that a customer is willing to forgo purchasing lower-priced identical
products because of an irrational preference for a particular product or service”
(Beyond Philosophy). The famous 4P marketing tool who dominated the studies about
customers’ loyalty focus on the physical part of the experience, the rational one,
analyzing aspects such as the attributes of the product, delivery times, time to answer
calls and how easy is in general to deal with the organization. Therefore this model
should be updated in order to take into account also the intangible and emotional parts
of the experience.

In order to clearly understand the difference between “Customer experience” and
“Satisfaction” an example has been provided by the author.

Let’s imagine that a person wants to purchase a camera. First of all, before going to
buy the camera, he searches for information. He visits internet websites, he asks
opinions to friends passionate about photography, he has a look through technological
blogs where people discuss and compare different options. Finally he chooses a brand
and a model that he likes. He begins his trip to purchase it; he takes the car and goes to
the shopping mall. Once there he has parking problems, but after a while driving
around the car park he manages to park and enter the shopping center. He inquires
about the camera department, but they give him a wrong direction. After walking
around he finds the photography department. Once there he looks for the camera he likes. When he finds it, he discovers that there is a good offer and he asks the shop assistant to explain the features. The shop assistant doesn’t know the model and he just translates the specifications of the product. He asks the assistant if there is a similar model and he suggests worse ones. After much thinking and given the need to purchase the camera he decides to buy it, so he takes the one he has first thought of. He goes to the cash desk to pay and he finds a long queue. Finally he pays and he returns home. If we were asked in that moment whether he is satisfied with his purchase in the shopping center, the answer would be positive; in fact he was looking for a camera and he finally bought the camera he wanted for a reasonable price. However, what happens with the purchase experience? How was it? Probably the answer wouldn’t be so positive. Let’s imagine the opposite case: more parking places, shopping center maps with well-defined areas, qualified staff, and quick payment without queuing. In this case we would have an excellent experience. They keep our feelings and sensations in mind when making a second purchase.

From the previous example, it is clearly understandable that “Customer Experience” doesn’t refer just to the experience with the product or service, which is better known as the usage of the product/service. It is a broader concept that refers to the experience that a customer has during every interaction with the company, from the moment they decide to purchase till the moment they use the product and eventually decide to repurchase it. Therefore the customer experience involves the Pre-Experience (the decision journey that leads to purchase), the Purchasing Experience, and the Usage Experience. Customer experience has been defined as the user’s interpretation of his or her total interaction with the brand. Every company inevitably provides a customer experience, weather it is conscious or not, and this experience is coming from all the moments when a customer/prospect interacts with the brand.

The interactions among companies and customers are called “touch-points”. A touch-point is defined as “every point in time the customer ‘touches’ or connects with a company throughout the entire product/service delivery; pre-, during and post-purchase” (Customer Think). Touch-points are any internal or external point of
communication and /or interaction between people or companies, from the first call to after-sales service. Email, recommendation from a friend, retail shop, and telephone calls at the call center, blogs, advertising, and websites are all examples of touch points. The following picture shows examples of touch points during a purchasing experience.

![Identify the Moments of Truth on the Customer Journey](image)

**Figure 5: Identify the Moments of Truth of the Customer Journey**

Touch-points can be very different in nature. In the Harvard Business Review blog, touch points have been divided into four main categories (Adam Richardson, 2010):

- **Products:** Using the term "product" loosely here, this includes the hardware, software, and services themselves.

- **Interactions:** Two-way interactions that can be in-person (such as in a store), on the phone, or virtual (web sites, blogs, social network and user forum presences, and so on).

- **Messages:** One-way communications that include brand, collateral, manuals, advertising, packaging.
• **Settings:** Anywhere that the product is seen or used: a retail store, a friend's house, TV product placement, events, or shows.

It’s obvious that companies cannot fully control every touch-point. Moreover the customer experience is by definition partially driven by emotions and feelings, and therefore it strongly depends on the individual. However companies cannot afford to throw up their hands and give up in the face of unpredictably. They should focus their marketing efforts on the most important touch-points that are controllable. Bruce, the co-founder and Chair of the Customer Experience Professionals Association (CEPA.org) suggests to use the Kano model in order to assess what are the most important touch points to focus on in order to create a good customer experience (Temkin group, 2007). Kano model, developed by professor Kano in 1980’s, aimed at investigating the relationship between product attributes and customer satisfaction, under the hypothesis that different product attributes create different perceptions of quality in the customer’s mind. The Kano model classifies product criteria into three distinct categories. Each quality category affects customers in a different way. The three different types of qualities are explained as follows:

1. **The must-be or basic quality:** Customers assume that these attributes are fully in place. If they aren’t, the customer becomes dissatisfied. However customer satisfaction doesn’t arise above neutral with a high-performance product criterion. Examples of must-be attributes for a car is that its breaks stop it when pushed; for a credit card, a must-be is to be accepted for payment in a retail store.

2. **One-dimensional or performance quality:** Customer satisfaction is a linear function of a product criterion performance. High attribute performance leads to high customer satisfaction and vice versa. Examples are prices of products or an interest rate on a bank deposit.

3. **The attractive or excitement quality:** Customer satisfaction increases super linearly with increasing attribute performance. Customers do not expect the attribute to be in place, therefore there is not a corresponding decrease in customer satisfaction with a decrease in criterion performance. Attractive features delight customers when present,
but do not dissatisfy them if the feature is not included. Examples are the refunding of a service fee before the customer asks, including free accessories or the download of an application to complement a product/service purchase.

By classifying product/interaction attributes using the Kano Model, priorities among different touch points become much clearer. Companies should:

- Meet the minimum requirement for all of the must-be attributes;
- Add value with the one-dimensional attributes;
- Infuse a few attractive attributes to really enhance the experience.

Most of the rational part of experience is directly linked to “must be” qualities and “one dimensional” ones, because they can easily be measured. On the other hand the emotions and feelings are strictly linked to attractive qualities. Therefore in the assessment of different touch-points companies should create some “exiting” features that delight the customer in order to improve the customer experience and make the customers more loyal.
3.1.4.1 Mobile Customer Experience

The rapid adoption of mobile devices marked the dawn of a new age in customer experience. Nowadays customers want to connect with products and services also through their mobile devices.

In such a scenario mobile websites and mobile business applications for smartphones have been created in order to allow customers to access to information and interact with the company through the mobile channel. Delivering a good mobile experience is important not only because customers are expecting to interact with companies through their mobile phones, but also because the effect of a poor mobile experience could damage the brand, extending across all the channels and to other potential customers. In fact in a survey conducted by Tealeaf with 2469 adults, 63% of users said they would be less likely to buy from the same company via other purchase channels (online, in-store) if they encountered a mobile transaction problem. Moreover 78% of users who encountered problems completing mobile transactions said that they shared those experiences with others (Tealeaf, 2012).

However mobile experience is not just about mobile transactions. In fact mobiles are a new channel to delight customers in ways previously unavailable: mobile applications have been created specifically intended to enhance customer experience. For example retailers are using mobile applications to enhance the in-store experience such as shopping lists, location-specific product information, in-store coupons and Mobile Barcode Service, which allow retailers to provide information, pictures of products, rich media when potential customers scan barcodes. Another mobile service application that is increasingly gaining interest among business is “Shop alerts” that delivers real-time mobile messages with personalized deals and info. Walmart is the most famous example of retail mobile application intended to enhance customer. Walmart developed an in-store app to improve the purchasing experience. When the customer opts in, the application uses the location to provide with an app designed specifically for that store. The application has useful features: the customer can make a list by speaking into the phone, he/she can search for a product by typing in a word or
phrase (tissues, light bulbs, and toy) and the application shows what aisle to go. It has an interactive map. It shows promotions specific for that store. Finally Walmart is testing a feature called “Scan and Go” that allow scanning items while shopping, so the customer can go quickly through self-checkout. Walmart has transformed a tiring and time consuming experience to shop in a big shopping center into an efficient and effective experience.

JP Morgan Chase, a financial institution, delights its customers by streamlining a time consuming process into a seamless experience for customers. In fact, with its mobile app called “Quick Deposit”, customers can scan the front and the back of endorsed checks, and “magically” their mobile phones auto-transform into virtual banking tellers. While in the past customers should interrupt their daily routine to go physically to the premise and carry out this low-value banking activities, now the app allows customers to deposit checks anytime anywhere without physically going to the premise.

Lufthansa is another example of a company who delights its customers through mobile experience. Its iPad application offers an interactive world map, enabling the customers to trace his/her way from origin to destination airports and helping booking flights. It also allows check-ins and uses an interactive feature to select seats. The “experience Lufthansa” section offers a 3-D rendition of the airline’s new European cabin, and there are 360-degrees views of the A380 cockpit, along with a selection of videos. A second application called Lufthansa Navigator acts as a GPS, providing travellers with an interactive map and Google street view-like functionality. It stores flight information and can tell exactly how to get to the gate, check-in counter, baggage carousel or favorite airport lounge. The section “Member Scout” encourages frequent flyers to engage with one another: share their locations, arrange meet-ups, give and receive travel advice and even share taxis.

In conclusion, Mobile customer experience has created new ways to “delight” the customers and should definitely be considered as an important channel in the evaluation of the companies touch-points. Moreover this channel should be integrated
with other more traditional channels in order to deliver a consistent customer experience. “Companies across multiple touch-points and expect these touch-points to work together as part of a unified customer experience. Therefore customer interactions should persist across touch-points and time, letting users resume interactions regardless of where they started the interaction or when they return to it” (Tony Costa, 2013).

### 3.1.4.2 Customer Experience Management

Many companies understand the importance of managing the customer experience. Forrester research revealed that 60% of companies talk about Customer Experience (that in the following section will be expressed as CE) as a critical need and 36% of companies say that CE is very important. According to Forrester research there is a direct link between customer experience and loyalty. In particular customer experience is directly related to customer loyalty. In Forrester research three main parameters have been selected in order to measure the impact of Customer Experience on loyalty (Burns Megan, 2012)

1. Incremental purchase from existing customers in the same year: happy customers tend to buy more from the company
2. Revenues said by lower churn: happy customers tend to stay longer with the company
3. New sales driven by word of mouth: happy customers tend to recommend the products to peers.

In particular the company studied which is the correlation among the customer experience index, rated by customers (below “CXi”) and the three loyalty metrics.
The table above illustrates the correlation between the CXi and the three loyalty metrics: in particular there is a high correlation between CXi and the willingness to buy from the company again (+0.71) while there is a negative correlation between CXi and customers willing to change supplier (-0.41). Finally there is a positive correlation between CXi and the likelihood to recommend the product to peers (+0.65).

Therefore, the concept of customer experience is highly related with the concept of Advocacy. Also a number of academic studies suggest that these two elements are related. For example, Wolf defines the “perfect customer experience” as one that “results in customers becoming advocates for the company, creating referral, retention and profitable growth” (Dale Wolf .2007). If the customer receives an outstanding customer experience he/she is more likely to share it with family, colleagues and other peers. The same would happen if the customer experience is bad. Actually it has been studied that people are more likely to share bad experiences than good ones: satisfied clients talk about their good experience on average to 4/5 people while unsatisfied customers are talking about their bad experience to 9/12 people. Nowadays with the advent of Social media, people share their experience on the web, thus making this phenomenon much more relevant. Therefore seeking ways to “delight” customers by providing an outstanding customer experience, the so called “WOW experience”, is fundamental in order to generate positive WOM.

In order to assess the customer advocacy propensity a recent key performance indicator, the ‘Net Promoter Score’ (NPS) proposed by Reicheld (2003), was
introduced as an important measurement tool. It involves asking one question: ‘How likely is that you would recommend our company to a friend or colleague?’

Customers respond on a 0-to-10 point rating scale and are categorized as follows:

- **Promoters (score 9-10)** are loyal enthusiasts who will keep buying and refer others, 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 your brand and impede growth through negative word-of-mouth.

![Figure 8: Net Promoter Score](image)

The NPS is calculated by taking the share of customer ‘promoters’ respondents highly likely to recommend your organization to others (scoring 9 – 10 on a 10-point scale), and subtracting the share of customers who are detractors (scoring 0 – 6 on a 10-point scale). The NPS represents a calculation of advocacy. If the company has a substantially higher NPS than the competition, it is likely to grow at a much faster rate than its competitors. NPS is a key indicator to assess advocacy propensity, however it is a synthesis indicator. Deloitte suggests that more detailed indicator (for example for
each touch point) should be added in order to understand the “pain points” and improve the customer experience (Deloitte Consulting SpA, 2010).

Now that the theories related to “Customer Engagement”, “Customer Advocacy” and “Customer Experience” have been treated; the author will switch the focus on Social media. Social media has a key role in the new context. In fact from one side it allows communication between consumers about product services and brands, thus becoming a powerful information source able to influence the purchasing decisions of customers and prospects. On the other side it is a new channel for business to interact with the customers, thus creating new important touch points all along the customer journey.

In the next section the main research about social media will be presented. After a brief general introduction about the impacts of social media in our society, the author will present a short history about the advent of social media. Later on different typologies of social media will be described.

3.2 Social Media

3.2.1 Introduction

Nowadays the concept of social media is a very hot topic. Many authors (Tom Smith, 2009 and Eric Qualman, 2012) are talking about the advent of social media as a “revolution”. A recent infographic from en-gaugemedia describes it as the biggest shift in society since the industrial revolution. In fact social media represents a fundamental change in the way people learn, read, share information and contents communicate and build relationships. The most revolutionary feature of Social media is that it allows the “democratization of information”. The classic freedom of the press gives operators of state, economic companies and religious institutions the right to publish without any restriction. However it doesn’t allow anyone to freely express ideas, opinions and knowledge and to make them accessible to anyone else. Moreover its products are territorially and linguistically limited and not available worldwide. The Social Media and the Internet presents the opportunity to overcome these impediments for free
communication. This leads to a major change for society: “the shift from the freedom of press, to freedom of communication and democratization of information. Any individual is entitled to publish information worldwide, and any other individual has the right to receive, to judge, and to use this content under his own responsibility” (Human Rights Action, 2003). One extreme example of the democratization of the information brought up by Social Media, is the Egyptian Revolution occurred in 2011, against the dictatorship of Mubarak. Ghonim, an accidental activist, went online and wrote. “Today they killed Khaled” “If I don’t act for his sake, tomorrow they will kill me.” Ghonim settled down a fan page called “We Are All Khaled Said”. Two minutes after he started his Facebook page, 300 people had joined it. Three months later, that number had grown to more than 250,000. What bubbled up online inevitably spread onto the streets, starting with a series of “Silent Stands” that ended up in a massive and historic rally at Tahrir Square in downtown Cairo that led to the resignation of President Hosni Mubarak and the dissolution of the ruling National Democratic Party. In turn, Ghonim — who was arrested during the height of the protests — reluctantly became one of the leading voices of the Arab Spring (Hose Antonio Vargas, 2012).

In terms of business the use of Social Media has empowered the consumers against the companies. Consumers are talking online. They are discussing products, services, brands and entire companies. They are offering product reviews, suggestions and recommendations. Eric Qualman found out that 53% of twitter users are recommending products in their tweets on Twitter, 25% of search results for the World’s Top 20 largest brands are links to user-generated content and 34% of bloggers post opinions about products and brands. Social media is perceived by consumers as a trustworthy source of information, much more than corporate one-way communication. This is the reason why many consumers are turning more frequently to various types of social media to conduct their information searches. A research from McKinsey (2009), found that two-thirds of the touch points during the evaluation of alternatives in the customer decision journey involves consumer-driven activities such as Internet reviews and word-of-mouth recommendations from friends and family.
Historically companies were able to control the information available about them through strategically placed press announcement and good public relations managers. Today, however, firms have been increasingly relegated to the sidelines as mere observers, having neither the knowledge nor the chance or sometimes even the right to alter publicly posted comments provided by their customers. Losing the control of the information is perceived as a main threat by many companies. In fact in the past dissatisfied customers would have shared their experiences with immediate contacts such as friends, family, and coworkers. Today, a negative comment posted on a social media environment can become viral and reach hundreds of thousands of people. Just imagine what happened to United Airways. The company accidentally broke the guitar of a customer, Dave Carrol. who didn’t limit to post his indignation for the bad customer service on twitter but he created a video on Youtube were he sing “United Breaks Guitars”, a song detailing United’s mishandling of his $3500 guitar and the company’s refusal to compensate him . Within one week it received 3 million views and mainstream news coverage followed, with CNN, The Wall Street Journal, BBC, the CBS Morning Show, and many other print and electronic outlets picking up on the story. The viral propagation of Social Media is a main threat for business and this case clearly shows that Internet as an incendiary medium, better at attacking than at defending. However, even though companies should accept the new empowered role of customers, they cannot look at it passively. They have to transform this main threat in an opportunity. In fact Social Media gives a unique opportunity for companies: understand what customers think about them. Before, this information was obtained just through costly and time consuming surveys on customer satisfaction. Today companies through Social Medias receive a continuous and real time feedback from their customers or prospects. Not only Social Media allow companies to track the market and better understand their customers, but also it allows companies to talk “with” them, to interact and to build strong relationship, thus becoming a very important tool for customer engagement.

In the next section some definitions about social media will be discussed in order to give a clearer understanding for the future development of the project.
3.2.2 What Social Media are

Social media have been defined by professors Andreas M. Kaplan and Michael Heinlein (2010) as a “group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation of User Generated Content”.

In order to clearly understand the meaning of the definition it is necessary to explain to major concepts that appear in it: Web 2.0 and User Generated Content.

Web 2.0

When the internet was first created the webpages were built following a top down approach, that meant that users could only view webpages but not contribute to their content. This stage is well known with the term Web 1.0. The term Web 2.0 appeared later on and it was used for the first time in 2004 to describe a new way for software developers and end-users to utilize the World Wide Web; that is a platform whereby content and applications are no longer created and published by some specific individuals, but instead they are continuously modified by all users in a participatory and collaborative fashion. The table below shows the main difference among Web 1.0 and Web 2.0.

<table>
<thead>
<tr>
<th>Web 1.0</th>
<th>Web 2.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-way</td>
<td>Two-way</td>
</tr>
<tr>
<td>Authoritarian</td>
<td>Democratic</td>
</tr>
<tr>
<td>Passive</td>
<td>Active</td>
</tr>
<tr>
<td>Static</td>
<td>Dynamic</td>
</tr>
<tr>
<td>Closed</td>
<td>Collaborative</td>
</tr>
</tbody>
</table>

Table 2: Web 1.0 vs Web 2.0

User Generated Content (UGC)

While Web 2.0 represents the ideological and technological foundation of Social Media, User Generated Content can be seen as the sum of all ways in which people make use of Social Medias. The term acquired broad popularity in 2005 and it is used
to refer to any form of media content that are publicly available and created by end users.

According to the Organization for Economic Cooperation and Development, (OECD, 2007) UGC needs to fulfill three basic requirements in order to be considered as such:

- **Publication requirements:** it needs to be published either on a publicly accessible website or on a social networking site accessible to a selected group of people; thus excluding content exchanged in e-mails or instant messages.

- **Creative effort:** it needs to show a certain amount of creative effort; thus excluding mere replications of already existing content (e.g., posting a copy of an existing newspaper article on a personal blog without any modifications or commenting)

- **Creation outside of professional routines and practices:** it needs to have been created outside of professional routines and practices; thus excluding all the content created with a commercial market context in mind.

After the explanation of Web 2.0 and UGC, it is easier to understand what Social Medias are: they are platforms that are built following the logic of Web 2.0 and that allow the creation of User Generated Content.

Within this general definition however, there are many different typologies of Social Media available in the market.

Mangold and Faulds (2009) provide a long list of different examples of social media:

- Social networking sites (MySpace, Facebook, Faceparty)
- Creativity works sharing sites
  - Video sharing sites (YouTube)
  - Photo sharing sites (Flickr)
Some practitioners tried to classify social media, even though it is clear from the long list above that there is no one unique and systematic way to classify them.

The most famous classification was made by professors Kaplan and Hanlein (2010). They classified Social Media relying on a set of theories in the field of media research and social processes.

The first parameter selected for the classification was the degree of “social presence” defined as “acoustic, visual and physical contact that can be achieved between two communication partners” and influenced by intimacy (interpersonal or mediated) and immediacy (synchronous or asynchronous) of the information. Closely related to the concept of “social presence” there is also the concept of “media richness” that refers to the degree of ambiguity and uncertainty of the information transmitted.
The second set of parameters selected for the classification was the level of self-presentation and self-disclosure. The concept of self-presentation is related with the desire of social media users to control the impressions people form over them, firstly because their objective is to influence others to gain rewards and secondly because they wish to create an image of themselves that is consistent with their own identity. The self-presentation is mainly obtained by self-disclosure that is the extent to which the user’s personal information is public. The more the information is disclosed, the more the individual is exposed to the judgment of others and at the same time could influence them.

Combining these two sets of parameters, “media richness” and “social presence” from one side and “self-presence” and “self-disclosure” on the other side the classification was made.

<table>
<thead>
<tr>
<th>Social presence/ Media richness</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blogs</td>
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<tr>
<td>Social networking sites (e.g., Facebook)</td>
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<td></td>
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<tr>
<td>Virtual social worlds (e.g., Second Life)</td>
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<tr>
<td>Collaborative projects (e.g., Wikipedia)</td>
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<tr>
<td>Content communities (e.g., YouTube)</td>
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<td></td>
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<tr>
<td>Virtual game worlds (e.g., World of Warcraft)</td>
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</tbody>
</table>

Table 3: Classification of Social Media by Social Presence/Media Richness and Self-Presentation/Self-Disclosure

3.2.3 Social Media Platforms

As it was already said, Social Media differ from each other based on many different parameters, thus making the classification provided by Kaplan and Heinlein not exhaustive to explain all the differences. In fact, other than self disclosure, self presentation, media richness and social presence, other parameters can be used to make the classification. Just to name some, examples are the information depth, the longevity
of the information, the sponsor of the platform (company or users), the type of access (on invitation or public).

The next section is dedicated to the description of the different typologies of social media. Addressing all the different categories of social media is impossible. Therefore the author will focus just on some of them. Since the purpose of the project is to analyze how companies can use social media for engagement, the criteria used to select the different categories to present depended on the capability of companies to leverage the Social Media category for business purposes. For example, Wikipedia expressly forbids the participation of firms in its online community. At the same time Virtual Game Worlds and Virtual Social Worlds are based on fantasy environment, with new rules, laws and unreal settings, thus making it difficult for companies to use them for communication purposes. However Kaplan and Heinlein suggest that, even though these categories of Social Media are not proper channels for companies to reach their customers, somehow they can still be useful for businesses. For example Wikipedia is an important tool for market research, in order to understand what people think about a specific subject and the popularity of Virtual Worlds can be used for example for more traditional communication campaigns.

According to the criteria described above, six main categories have been identified: Blogs, Social Networks, Micro-blogs, Creativity Content Sharing sites, Online Community and Geolocation sites. The description of the tools will focus both on the technological aspects but also on the reasons behind the usage of these platforms from the point of view of users. Moreover examples of the most well known platforms will be provided for each category.

### 3.2.3.1 Blogs

A blog, that represent the earliest form of Social Media, is defined as a webpage that is frequently modified in which dated entries are listed in reverse chronological sequence (Susan C. Herring, Lois Ann Scheidt, Sabrina Bonus, Elijah Wright, 2004). Blogs are usually managed by one person or a limited number of people, but they provide the
possibility of interaction with other users through the addition of comments to posts published by the authors. In the classification proposed, blogs are considered to have a high level of self-presentation and self-disclosure, in fact they were born with the intent of bloggers to let others know their thoughts and opinions. Among the main motivation that lead people to blog in fact there are the possibility to document one’s life, express deeply felt emotions and articulating ideas through writing (Nardi et al. 2004). For what concerns the other classification, social presence and social richness, they score low. In fact even though they have the possibility of interaction via comments or replies, there tend to be little conversations and comments to posts. The modal number in blogs written by individuals has been found to be zero (Herring et al. 2004). This is a symptom of the fact that blogs are not generally read by users for active and intensive conversation, but more as tools to grab information and opinions from the authors. There are different typologies of blogs. The most frequent one is the blog as a “personal diary”, where the author writes about his daily experiences, wishes and poems, worries and protests. A second main category of blog is the thematic blog, where a single blogger or a group of bloggers who can be considered experts in a particular domain share his/their opinions about a certain topic. Examples of thematic blogs are “The guardian” or “The independent” that host thematic blogs about technology, sport, environment, life and style, art and culture, travel and money. Within this category of blogs, there are some specifically intended to discuss about products and brands and compare different offers in specific sectors. These “sectorial blogs” are considered to be one of the most influential online source of information among consumers for purchasing decisions. In Technoraty report, blogs were found to be the third most influential digital resource (31%) when making overall purchases, only behind retail sites (56%) and brand sites (34%). Blogs are very influential because bloggers tend to be very honest and sincere in their reviews of products and services. They talk about negative and positive aspects of a particular offer or a brand, thus becoming a trusted source of information (Technorati Media, 2013).
Famous examples of platforms that support the creation of blogs are “Blogger” and “Worldpress”.

### 3.2.3.2 Forum

A forum is a web based platform that allows users to discuss about a certain topic. Ethan Feerst and Dylan Stewart describe it as “a place on the internet for trading ideas and information” allowing people to “chime in about their particular experiences, information, tips, tricks, etc.” (Feerst and Stewart, 2007). What makes forums different from a blog is that in the blog one person writes and others can leave comments. On the other hand in forums a lot of people can talk and also they can initiate discussions. Discussions in forum are organized in a hierarchical structure: a forum can contain a number of sub-forums, related to different topics. Within a forum’s topic many opened discussions exist focused on a specific subject. These discussions are called threads (Skyday Elulk, 2009). Discussions can be very long, that could last up to a few months or even years. Forums are usually niche specific so that like-minded people gather around the forums that they are most drawn to, in order to ask questions and answer in
case someone is asking for help. There are Forums about computer technology, about motorcycles, about pets etc. A forum needs to have a moderator who is responsible for keeping the peace and ensuring that everyone follows the rules. If forums should be put into Heinlein and Kaplan framework they would fit close to collaborative projects, with low level of self-disclosure and self-presentation and low level of media richness and social presence: forums in fact are open discussions and everyone can participate without the need to disclose their personal information, some of the platforms don’t even require users’ authentication to participate in the dialogues. Moreover Forum platforms support text based information and conversations are asynchronous and can last for ages, thus scoring low also in social presence and media richness. The most famous example of web forum is “Yahoo groups”, that is one of the world’s largest collections of online discussion boards visible to all users.

3.2.3.3 Social Networks

Social Networks are “web based services that allow individuals to (1) construct a public or semipublic profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and transfer their list of connections and those made by others within the system”. (Boyd and Ellison, 2008) In social networks members often use their real identities to create a profile. This characteristic is opposed to the classical use of pseudonym and enhances the authenticity of the interaction. This is the reason why Social Networks score high in the classification proposed for what concerns self-presentation and self-disclosure. Along with text based information, profiles in social networks often incorporate pictures and video content. Moreover Social Networks have many interactive features. To name some, they offer the possibility of posting (blogging instant messages), chatting, update notifications for the profiles of one’s connections (“friends”), planning meetings, conducting and participating in polls, or “checking-in” to places. All these features make them scoring high for what concerns social-presence and media-richness.

Although exceptions exist, the available research suggests that most SNSs primarily support pre-existing social relations. For instance, Lampe, Ellison, and Steinfeld
(2006) found that Facebook users engage in searching for people with whom they have an offline connection more than they browse for complete strangers to meet. They suggest that Facebook is used to maintain existing offline relationships or solidify offline connections, as opposed to meeting new people. These relationships may be weak ties, but typically there is some common offline element among individuals who friend one another, such as a shared class at school. This is one of the chief dimensions that differentiate SNSs from other tools. Therefore, one of the motivations for people to join social networking sites is to get in touch with friends or with people they met. However, keeping in touch with friends is not the only reason that triggers users to register and be active on Social Networks. In fact, some scholars (Kang & Lee, 2010; Sledgianowski & Kulviwat, 2009) have strengthened the importance of enjoyment as the main motivation of a user's active participation.

Famous examples of Social Networks are Facebook, My Space, Google+, and LinkedIn. According to Frost and Sullivan report (2013) Facebook, in particular, is the largest social networking site in terms of registered users and monthly unique visits. In September 2012, Facebook reached one billion registered users, thus becoming the third “biggest country” in the world in terms of subscribers, just after India and China. Google+’s network has grown to over 400 million users. Together with these famous platforms, that are widely spread and used all over the world, there are examples of social networks that are more targeted to specific groups of people, for example, specific geographical reasons or linguistic groups. For example: Tuenti is a social media specifically used by Spanish teenagers, VK is popular in Western Europe and Orkfut is popular in Brazil.

3.2.3.4 Online Communities

Online communities are defined as virtual spaces where people who share a common interest can interact with each and share their experiences and knowledge. The definition is very general and for this reason, it is not clear what online spaces should be included in this category and what shouldn’t. For example: some practitioners
consider blogs and Social Networks as on-line communities, because they allow discussions among users on the web about a certain topic.

In order to avoid misunderstandings another definition of community has been provided by the author. On-line communities are “a large collectivity of voluntary members whose primary goal is member and collective welfare, whose members share a common interest, experience or conviction and positive regards for other members, and who interact with one another and contribute to the collectivity primarily over the net” (Sproull & Arriaga, 2007). The new definition focuses on shared experience, interest, positive regard for members, collective welfare and primarily web interaction.

This definition helps to better define communities against other types of organized social interaction. For example blogs are excluded from the category. In fact all the people that read a blog might share a common interest but don’t necessarily interact with one another and contribute to the collectivity. Indeed we saw the level of interactions in blogs is quite low. Moreover the definition excludes also Social Network from this category: what makes Online Communities different from Social Networks is the fact that the link among participants is based on a shared interest, while in Social Network the link among “Friends” is, most of the time, an offline relationship. People in on-line communities don’t necessarily know each other, they never or rarely meet face-to-face but they feel linked because they have a common passion or interest. Social Networks, instead, are used by people who primarily have direct interactions in the real world and don’t necessarily share common features and interests, rather than the fact of knowing each other. The definition provided doesn’t exclude Forums from the category. In fact forums gather like-minded people that discuss about specific topic and that support each other providing suggestions and solutions. However we could see forums as one of the many features provided by online community (that generally present many other interactive features, such as posting, surveys, voting).

If online communities have to be located in Heinlein and Kaplan framework they would occupy the same position of Social Network. The most clear demonstration is
that many communities are hosted on social network platforms, such as “Groups” on Facebook or “Communities” on Google +. Communities are always built on a “shared interest” that can be on whatever topic, such as travelling, music, technology, food, fashion and style, photography, sport, a specific country etc.

An example of big on-line community is Cafe Mom, a space that allows women to come together to share experiences and ask questions regarding motherhood. According to Frost and Sullivan report, the community in 2011 reached over 20 million subscribers worldwide (Frost and Sullivan, 2013). Another example is The Student Room (TSR), known from 2001 until 2004 as UK Learning, which is a UK-based academic discussion forum for school and university students. The site has over a million members. Students return to the site time and time again due to its vibrant community. In the community students get help and support from their peers, find resources to help decide what they should study, and they make new friends.

3.2.3.5 Microblogs

Micro-blogging is a web based platform that allows the users to broadcast short messages (typically containing from 140 to 200 characters) to other users of the service. Messages can be made public on a Web site and/or distributed to a private group of subscribers. Micro-blogs have the option to “follow” other subscribers. That means that public messages broadcasted by the person “followed” appears to the “follower” with priority compared to other public posts. Moreover the subscribers have the possibility to republish a message posted by another subscriber, so that his/her followers have more possibilities to see it.

In Twitter, the most famous micro-blog platform, this concept is called with the expression “re-tweet”. Micro-blogs result in relatively high levels of social presence and media richness. In fact, even though the messages shared are generally short and text based, this tool allow real time interactions among users. Twitter for example gained the reputation of reporting breaking news faster than any other channel. Therefore micro-blogs should be considered as mid-ground between traditional blogs
and social networking sites within the general classification of social media. Micro-blogs are growing at a very high rate.

Based on the research conducted by professors Heinlein and Kaplan (2011), three main factors were accounted to be the main responsible of the great success of this new category of Social Media: (1) the concept of ambient awareness, (2) the unique type of push—push—pull communication and (3) the concept of virtual exhibitionism and voyeurism. The concept of ambient awareness refers to the idea that people are constantly aware of each other’s activities. Micro-blogs give the possibility to tell the whole world what people are doing at a particular moment. This ‘awareness systems’ are intended to help people construct and maintain similar levels of awareness of each other’s activities, context or status, even when the participants are not co-located” can lead to “increased effectiveness, stronger social relationships, and overall improved well-being” (Markopoulos, De Ruyter, & Mackay, 2007). The second concept is “the push-pull-push communication” that relates to the fact that posts can be answered (pull) and re-tweeted (push) several times, thus making micro-blogs one of the most powerful tool for viral communications. Last but not least micro-blog is a platform for virtual exhibitionism and voyeurism. In fact from one side it creates a platform for “exhibitionists” to disclose their information on a real time and to reach a huge amount of people, since posts are public by default (unless the user explicitly selects to make it private). On the other side they allow “voyeurism”, which means that users can keep updated regarding people they are interested in without feeling an obligation to react and respond.

Kaplan and Heinlein (2011) say that “Twitter is like a huge one-way mirror which allows millions of people to sit on one side and watch the day-to-day lives of a select few who have decided to share their each and every move with the whole world”. This is one of the main differences between micro-blogs and social networks: the people followed in micro-blogs are not necessarily people that we know in real life, as it happens with Social Network. Followed people are people that users are interested in. They can be either friends or politicians, musicians or other public people. Twitter is the most famous platform. It was launched in 2006 and it rapidly gained popularity,
reaching over 500 million registered users in 2012, generating over 340 million tweets daily and handling over 1.6 billion search queries per day (Frost and Sullivan, 2013).

3.2.3.6 Content Sharing Communities

Content sharing communities are web based platforms that allow and are specifically built for sharing of multimedia contents. Multimedia contents can vary from pictures (Instagram, Flickr), to videos (YouTube) to personal visual bulletin boards (Pinterest). These media are mainly used by users for entertainment purposes, through the sharing of funny ideas and creative contents. Not only users can upload content and see what others have published. They can also comment and re-share the content they like. All the content is public, however, such as it happens in Twitter, users can subscribe to people/channels they want to follow. Following another user creates an additional element of convenience as it reduces the effort associated with accessing the content.

One of the most known platforms is YouTube, a video sharing sites that turned anyone with a video recording device into an actor/director/cinematographer and in some cases turned ordinary people into celebrities. YouTube is made up of millions of personalized channels that allow the user to be in control of the video content shared. Users can comment on videos and subscribe to channels they want to follow. YouTube states that the site receives 800 million unique user visits per month and that more than four billion hours of video are watched each month. Pinterest is an emerging and very successful content sharing platform that allows users to create pin-boards of photos and videos, write captions and classify each pinboard by subject. Much like Twitter, users can “follow” other people’s pinboards and “repin” other’s photos on their own boards. Pinterest has over 10 million users and captures more than 100 million unique visits per month. This site has one of the highest averages in terms of time spent on the site per user per month of any other social environment. Also Instagram, the picture sharing community that users access through their mobile devices, is becoming very popular and counts over 100 million registered users.
3.2.3.7 Geolocation Social Media

Geolocation social media, or mobile social media, are a group of mobile applications that allow the creation and exchange of user generated content. Their peculiarity compared to other Social Media is that they are location-sensitive and time-sensitive. In fact thanks to technologies such as GPS, GSM, Bluetooth and RFID that are built on smartphones, it is possible to identify the exact location of the user, in terms of space and time. These applications allow registered users to post their actual location (also called “geo-tagging”) and interact with the environment.

Users can post their location at different venues, also well known as “check-in”. Check in places can vary, from restaurants to stores, to parks to monuments and buildings. Users can also choose to have their check-in posted on other accounts. One of the motivations besides the use of these platforms is again “ambient awareness”, in the sense that these platforms allow users to know where friends are and what they are doing in a specific point in time. However, the other motivation behind the utilization of the platform is the possibility to interact with the environment that surrounds the user. In fact users can post comments on the specific venue where the check in and at the same time read comments and useful tips left by friends or other registered users who have already been in the same place.

The most famous geolocation platform is Foursquare. This platform is also connected with other Social Network: users who check in on Foursquare can decide to post the information on Twitter and Facebook. As of April 2012, the company reported having 20 million registered users. Another popular check-in service is Gowalla (recently acquired by Facebook).

3.2.4 Social Media Business Report

Many companies are now incorporating social media in their marketing mix. In fact, marketers are increasingly understanding the potential of Web 2.0 against Web 1.0, because it allows them to pass from a 1-way communication (talk “to” the customers)
to a 2-way communication.(talk “with” the customers). The first tool used by companies when they started to enter the social media arena was the corporate blog. A corporate blog is a blog sponsored by the company, where authorized employees write posts and update stakeholders about the company latest news and developments. Not only corporate blogs allow a 2-way communication through the possibility for the users to leave comments, but their colloquial and informal communication gives a “human” side to the company and helps gaining trust from stakeholders. After corporate blogs, companies started to extend their social media presence also to other platforms. Nowadays companies are creating Fan Pages on Social Networks and profiles on Twitter, Pinterest and Foursquare in order to reach their customers and prospects. They are using corporate forum to answer customers’ questions and they are creating brand online communities in order to engage with customers in added value activities.

The Social Media Marketing Industry Report in 2012 shows some statistics on how companies are using Social Media. The study surveyed over 3800 marketers with the goal of understanding how they are using Social Media to grow their business. 83% of the marketers interviewed said that Social Media is important for their business. The commonly used social media platforms are listed in the graph below, with Facebook and Twitter leading the packs (Stelzner 2012).
The main benefits reported by using social media are showed in the graph below:
However the report clearly underlined that there are still many doubts about how to use Social Media effectively to grow business. In particular among the top questions that marketers wanted to be answered were:

- How do I engage my customers?
- How do I create a Social Media strategy?
- How do I select the right social platforms for my business? What is the best use of each platform?

The questions aroused from the report demonstrate once again that many marketers have still a roughly understanding of social media. Therefore the purpose of the project is to give a clearer understanding about how to use Social Media in a strategic way to engage with customers. In the next section the empirical analysis will start.

4. THE ANALYSIS

The literature review presented was focused on two main sections.

First of all, the theories about Customer Engagement have been analyzed, in order to better understand what it is intended by “Advocate” and what is the key role of customer experience to foster retention and advocacy. The second section of the literature review was intended to give a general understanding of social media platforms and the main differences among them from a technological and user perspective (why users use them). The social media industry report highlights the need of further research about how to use social media to create engagement. In the next section the empirical research will be addressed. The author will finally link the two topics presented in the literature review that is how social media can be used to create customer engagement.

The analysis has been organized into three main sections, each one with the purpose of answering one of the three research questions proposed. The first section is intended to
give a better understanding of what is the potential of social media for business. The author will try to demystify social media by analyzing the main functionalities provided to companies for growing the business. In this section a new classification of different social media will be proposed in order to link each platform with different marketing objectives. Many examples and good practices will be provided in order to validate the new classification.

In the second section, the author will propose a sequence of three practical steps that companies should undertake in order to engage with customers online. These steps are part of a cycle, the Social Media Engagement Cycle, which highlights how engagement on social media helps getting new customers through the existing ones.

Finally, in the third section, the author will summarize the findings in a new business model, that highlights the interactions among companies and consumers in the process of social media engagement and analyze what are the organizational and managerial implications for companies in order to take the most out of the use of social media.

### 4.1 Scope of the Analysis

The author decided to focus the analysis on business-to-consumers market (B2C) rather than business-to-business (B2B). The two markets present some differences from a marketing perspective, especially for what concern the purchasing behavior.

While in B2C the buying decision is more impulsive and include a great component of emotion, in B2B, buying decisions are more rational. In fact purchases decisions in B2B are more complex and technical and the amount of money spent in the purchase is higher, thus making it imperative to collect a lot of information about the product and service to be bought, in order to make the most value-returning, least risky purchase possible. Therefore the buying cycle in B2B is more complex, it generally lasts for a longer period of time and involves several stakeholders at different touch-points. For
this reason, the relationships built between buyers and sellers in B2B are deeper than the transactional nature of relationships in B2C.

These fundamental differences between B2B and B2C buyers impact the actual social media marketing tactics a company will take to influence customer buying decisions and build relationship. The focus of the paper will be on B2C.

4.2 Social Media for Business

The section is intended to give a better understanding of social media, and what are the main functionalities that it offers for business. As we discussed in the literature, social media allow interactions:

- Among companies and customers/prospects
- Among consumers to one another.

Therefore companies can use social media in two main ways: communicating with customers/prospects and listening to what consumers are saying to each other. Each of the two functionalities will be analyzed in detail in the next sections.

4.2.1 Communicating: Social Media Platforms and Marketing Objectives

Communication represents one of the two main functionalities of social media. As we discussed in the literature, social media differ from traditional 1-way marketing channels (television, radio, print, bill board etc.) because they allow a 2-way communication between companies and customers/prospects.

However, not all the platforms allow the same type of communication: as the author discussed in the literature review, from a technology perspective the platforms vary and along with that, the rules of utilization and functionality. Therefore different types of
social media can be used for different communication objectives. In order to match each platform with different marketing objectives, a new classification has been proposed by the author, intended to give a better understanding of the type of communication that different platforms allow.

The new classification was made using the two parameters described below:

- **Half-life of Information**: it refers to the longevity of the information in terms of availability/appearance on the screen and interest in the topic. Tools with a short half-life of information can better be used to create awareness, to stay top on mind, while tools with a long half-life of information can be used to convey information and share knowledge with users.

- **Media Richness**: this parameter was taken from the one used in the previous classification. In this case with media richness the author refers in particular to the amount of multimedia content and the amount of different functionalities supported by the platforms. The author selected this dimension because it has a direct link to the motivations that drive users’ participation in these platforms. While low media richness platforms are primarily used by customers for informational purposes, high media richness platforms are used also for sake of entertainment.

According to these two parameters, the different categories of social media described above will be classified and linked with marketing communication objectives. Several examples of companies that are already successfully using these tools will be provided in order to proof the validity of the classification.
A- Long Half Life of Information & Low Richness of Information: 

Tools: Corporate Blogs

Corporate Blogs have a half-life of information that is relatively long. Blogs through the section that is generally called “recent posts” make easily accessible one week worth of blog posts (such as Best Western’s travel blog, GM blog), till one year worth of blog posts (Southwest airlines’ blog, Packed&Ready’s blog). These platforms are predominantly text-based, therefore the media richness can be considered low. Lately corporate blogs have also begun to take a different media format. In fact companies are adding multimedia content to the information published with the purpose of making it more readable for users. However the main reason for customers to visit a blog is to get information, also demonstrated by the poor participation. Therefore these platforms should be used to provide customers or prospects with valuable information in order to educate them about product, service, brand or industry.

Marketing objective: Educate users about the product/service/brand/culture
Examples

One of the most successful examples is General Motors’ corporate blog, which has become a case study for the business blogging industry (Council of Public Relations Firms). Vice Chairman Bob Lutz believes that the open, honest and transparent communication allowed by blogging is an excellent way to help rebuild the reputation of GM as a builder of must-have cars and trucks. GM’s blog has multiple blogs sites, all accessible from the corporate site. In particular there is a section called “Fast Lane” introduced where GM management writes articles that covers news and information about all their vehicles. Besides the low participation that generally characterize blogs, Fast Lane’s posts attract scores of comments from visitors, creating a dynamic and vibrant community of conversation, thus providing GM with direct feedback from customers and car owners on what they think about GM’s products and services; feedback that company would not otherwise obtain in such a direct manner.

Southwest’s corporate blog called “Nuts about Southwest” has been awarded among the 10 best corporate blogs in the World (Marketing Social Media Humanity). Southwest airline use the blog with the aim of enhancing the corporate image, by giving customers a look inside the culture and operations of the company. The blog receives more than 70,000 unique hits a month thanks to its fun, quirky and constantly updated posts that cover everything, from cheap flight specials, to employee hobbies, to customer interviews. What gives the site a bit of a kick is its use of different types of media to get the message across including videos, podcasts, stories, interviews and polls and surveys. The blog was originally launched as a “pure” blog; later the platform as evolved into a virtual community that allows customers to create their own accounts and profiles, meeting with other customers and assisting the company for new product launches. The concept of brand community will be addressed later on.
B- Short Half-Life of Information & High Richness of Information

Tools: Social Networks and Creativity Content Sharing Sites

Social Networks and Creativity Content Sharing sites have a short half-life of information. In Facebook the longevity of the information is relatively low, generally post on friends’ walls last for less than one day. In Instagram and Pinterest a published picture can last even less on the screen of followers. The media richness of these platforms is high. In fact Creativity Content Sharing sites were born specifically for exchanging funny and interesting multimedia content among users. At the same time Social Networks are platforms that provide users with much functionality: from text based messaging to the exchange of pictures and video. As we saw previously in the description of Social Media, users are registering in these platforms also for enjoyment purposes, other than to keep in touch with friends. Therefore the main marketing objective for businesses is to create brand awareness, stay top of mind by sharing funny content and entertain. In the project for the World Federation of Advertisers, 3,687 fans across 24 fan pages were interviewed about what makes a “fan page” appealing and the results they obtains was “stylish design” and “fun content”. Respondents told that when looking at brands’ pages, they want to see something new, fresh, or different — not a rehash of the same information they can get on a brand’s official corporate homepage (Millward Brown, 2012).

Marketing objective: create brand awareness, entertain

On simple way to create brand awareness on social media is to publish funny or interesting pictures. Cosmetic retailer Sephora, for example uses Instagram to spotlight pictures of unusual products and shows how to use them in a creative way to stimulate curiosity. On-line shoe store Zappos posts on Instagram pictures of their employees working in a fun and colorful environment that matches with its friendly brand personality. Other than publishing funny content, another good way to entertain customers is to promote contests and online voting. Engaging customers in these activities not only entertain the customers but also allow companies to make targeted
market research, by gaining creative insights, studying preferences and grabbing new ideas.

Examples

A good example is provided by consumer products giant Nestle’ with its campaign for Kit Kat, called the Kit Kat Chunky Champion launched in January 2012. The campaign was far from being just a promotion: fans were asked to vote their favorite product among four different concepts in Kit Kat’s Facebook page. The product that received most votes was added to the Kit-Kat line-up permanently. Moreover every voter entered into a free prize draw for £100, with one draw a day for 30 days. Nestle’ with this promotion found a funny and engaging way to promote e new product and at the same time they researched on the tastes preferred by the market.

HuHot, the fastest-growing Mongolian grill concept in US, pioneered contests in the restaurant industry by launching in 2012 a contest in Pinterest called “Pin It to Win it”. The participants had to create a HuHot recipe for the company and “pin-it” on Pinterest. One first place winner received a $100 gift card to HuHot, and four runners-up received $25 gift cards. The contest helped HuHot to entertain their customers while collecting a variety of recipes and food styling ideas and generate brand awareness. During the contest, its followers increased from 119 to 169. That’s a 30 percent increase in a month’s time. “Pinterest is a great tool to illustrate the HuHot image. We will continue to use it in innovative ways to build brand awareness and drive traffic into our restaurants.” said Stasia Wheaton, who’s currently heading up social media for the brand (QSR, 2012).

Contests can also be used to engage customers in promoting the product/service. This is the case of P&G, that used several times video contest on YouTube in order to promote their products. In 2007, P&G organized a contest for its over-the-counter drug Pepto-Bismol, whereby users were encouraged to upload to YouTube 1 minute of them singing about the aliments Pepto-Bismol counteracts. In February 2008, in order to
promote quick clean product Swiffer. P&G challenged customers to prepare short videos describing “how they left their old cleaning method for a new romance with swiffer”. The best videos were uploaded on and the users were asked to vote for the winner. One grand-prize winner got $15,000; five runners-up each received $1,000. Lesser prizes included Swiffer products and music downloads. “This program is a great way to keep Swiffer culturally relevant while providing a fun way for consumers to interact with the brand,” said Glenn Williams, a P&G spokesperson (Chief Marketer, 2008). Turism Australia has been extremely successful by using ongoing photo contests on Facebook in order to promote Australia’s nature and landscapes. “A picture just sells it, and because Australia is globally recognized as being number one for natural beauty, photos are the best way to show it off…Through these simple fan photo features we can have the same reach as a traditional campaign every day” said Nick Baker, Executive General Manager Marketing at Turism Australia (Turism Australia, 2013).

C- Short Half-Life of Information & Low Richness of Information

Tools: Microblogs and Geolocation

Microblogs have a very short life of information, even shorter than social networks. Tweets in Twitter can last few minutes on the screen of the user. For what concerns media richness, even though some of these platforms allow uploading multimedia content, the post are generally text-based. Therefore companies should use these platforms to update users with brand reinforcing messages and with promotions, especially the ones that need to be acted upon quickly. Also Geolocation can be inserted in this category. The half-life of information of these tools is short; in fact the information lasts till the user sticks around in the same area. Also media richness can be considered low. In fact these tools are mainly used to exchange short and text-based tips. Therefore the main objectives for these platforms are updating users about news and promoting.

Marketing objective: update and promote
Examples

Many companies are using Twitter to update customers and promote their businesses. Whole Food Market, for example, uses Twitter to broadcast information about special promotions, product recalls and healthy tips. JetBlue Airways every Monday morning tweets messages about special low prices on available seats on flights in the following weekend. These promotions are available just on twitter and they typically expire within the same day. Starbucks uses the channel to update users with latest news and initiatives. For example when it launched “My Starbucks Idea”, a community intended to engage customers in the co-creation of new products, it announced it via twitter, directing all the users to check the new online platform.

Also Foursquare is used by many companies to update and promote. However, Geolocation has an additional feature compared to other social media: they give the possibility to tailor messages to each individual user. Therefore not only companies can update and tailor their promotion depending on the individual but they can also build loyalty programs, by linking promotions and discounts to the number of times a user “checks-in” in a certain location.

Starbucks, for example, awards users with a “barista badge” if they check-in at five different Starbucks locations. American Eagle rewards their most loyal customers with 20% discounts on total purchase. Gap is sending customers a 25% discount coupon to customers after they check in twice to a Gap store and Burger King is offering a soda with a sandwich or a coffee with a breakfast sandwich to people who check in three times. Foursquare also offers “already built” loyalty programs: people with the highest number of check-in in the same location in the last 60 days become “mayors” of the location. Domino’s pizza, for example, is using uses Foursquare’s loyalty program and every Friday awards “mayors” with a free pizza (Kaplan and Haenlein, 2011).
D- Long Half-Life Of Information & High Media Richness

Tool: On-line brand communities

On line brand communities, as we discussed in literature, are companies sponsored communities intended to gather all the people whose common interest is a brand. These platforms can be hosted on company sponsored platforms or on already existing platforms (such as groups on Facebook or communities on Google+). These platforms allow rich interaction with users: they support discussion boards (forum), posting, polls and surveys etc. Moreover they have long half-life of information and therefore they allow ongoing dialogue with customers, thus becoming the better platforms to engage with customers in value added activities.

Open source communities, for example, have been found to be the best tool to be used for peer to peer customer collaboration for the development of new products (Von Krogh and Von Hippel, 2003), also known with the name of “co-creation”. A strong sense of belonging to virtual communities enables strong social relationships, which increase individual customers’ willingness to share their knowledge with the company. (Sawhney, Verona & Prandelli, 2005). Valuing the knowledge shared by customers is a double-edge weapon for companies: firstly it gives the possibility to create and market products in collaboration with customers, thus limiting the risks of product’s failure; second, valuing customers’ ideas makes customers feeling important for the company, thus helping in building strong relationship and increase the likelihood of advocacy.

Marketing objective: build strong relationship, co-creation

Examples

The first company who implemented a co-creation program on an online community was P&G (IBS Research Center, 2009). In 2001 P&G started “Tremor”, a community platform, where recruited teens (trend spreaders, age group 13-19) received free samples of products not yet released on the market and they were asked to give their
opinions about logos, packaging, and punch line. The primary goal for P&G through Tremor program was the creation of advocacy, with the underlined belief that giving to teens information first hand and give them a say in the company’s decision would have made them eager to spread the word about the new product or service and their contribution in it. In 2006 Tremor had over 280000 teenagers registered and it acquired external clients. CocaCola Company for example employed Tremor to market its Soda and Dreamworks released the movie Eurotrip with Tremor’s help. The success of Tremor led P&G to create Vocalpoint in 2005, a new platform specifically targeted for mothers, were recruited moms (age group 25-40, who spoke generally to 25/30 women during the day) were asked to discuss and share their opinions about new products. The platform is now used also by other companies that capitalize on the opinion of the community to launch and market new products. In order to encourage an active participation in the community P&G is using gamification techniques. Gamification is defined as “the use of game design elements in non-game contexts” (Detreding et al. 2011), that means introducing elements in the community such as points, leader boards, rewards, ways to “level up”, virtual currencies that rewards the active participation of members. In Vocalpoint every member has a “powering bar” ranking, that measures how active they are. Top active members have access to better benefits, such as free products and samples.

After P&G many companies started to engage with customers in co-creation projects. Dell, for example, in its online brand community, built a section called “Ideastorm” that enables customers to share crowd-sourced ideas on any topic, new product and features, improvements on products already in existence, policy changes. Users are invited to vote on the site and the ideas that receive more votes receive the priority of implementation. In just 4 years from the launch the company had already 16000 ideas in place and more than 92000 comments. Richard Binhammer, Dell’s past Social Media director said: “If the ideas produce something great for Dell, that's a major win, but having consumers feel like they're part of the process may be the biggest benefit of all” (Mashable.com). On the same line of Dell, Starbucks in its online community called “My Starbucks Idea” encourage customers to give their ideas about the creation of new products or different flavors. The ideas are commented and voted by all the
participants, and the most successful ones are included in the company’s product portfolio, such as the “free birthday beverage”.

Virtual communities for co-creation play a key role also for Ducati, a manufacturer of luxury and sporty motorcycles based in Italy, which relies on its enthusiastic fan base to explore new product concepts. Ducati created a specific section on the website, called the “Tech café”, where customers can share knowledge about motorcycles, support each other, provide suggestions to improve the next generation products, share their projects for customizing motorcycles and even post their mechanical and technical design. These technical forums help Ducati in different ways: first of all Ducati benefits from this knowledge sharing for improving their marketing engineering and design. Secondly, Ducati enhance customer loyalty, because fans are more motivated to buy product that they contributed to create and last it results in significant savings for customer support activities.

Using the knowledge shared by customers in the community in order create peer to peer support is the main strategy of HP. HP is gaining major benefits by using the knowledge shared by customers in its online brand community in order to give support to other users, thus decreasing the company spending for traditional customer support activities like call centers or direct emails and increasing customer experience by resolving issues and problems quickly. HP community presents two main sections: a technical support forum and a knowledge base section, which offers members an additional way to share high value information with one another beyond the “conversational” discussions found in the support forums, thus building valuable knowledge for the company. In order to foster customers’ participation the companies uses gamification techniques based on recognition. In particular recognition comes under the form of “ranking” in the community and can be turned into credit via “kudos”, a virtual currency accepted within the company to buy HP products and services. Thanks to this incentive, the community has a terrific consumer participation rate: 95% of the content created comes directly from community members. Up to 2010 there were 33 HP enthusiasts known as “SuperUsers” who spend an average of 25
hours per week on the forum and have contributed more than 24000 posts (HP Award Submission, 2010).

To sum up, the following table is presented, that matches each platform with specific communication objectives:

<table>
<thead>
<tr>
<th>SOCIAL MEDIA</th>
<th>MARKETING OBJECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Blog</td>
<td>• Product and service education</td>
</tr>
<tr>
<td></td>
<td>• Corporate Culture education</td>
</tr>
<tr>
<td>Microblog</td>
<td>• Update</td>
</tr>
<tr>
<td></td>
<td>• Promote</td>
</tr>
<tr>
<td>Social Network &amp; Content Sharing Sites</td>
<td>• Brand awareness</td>
</tr>
<tr>
<td></td>
<td>• Entertain</td>
</tr>
<tr>
<td>On-Line Brand Communities</td>
<td>• Build strong relationship</td>
</tr>
<tr>
<td></td>
<td>• Co-creation</td>
</tr>
<tr>
<td>Geolocation</td>
<td>• Update</td>
</tr>
<tr>
<td></td>
<td>• Promote</td>
</tr>
<tr>
<td></td>
<td>• Build loyalty programs</td>
</tr>
</tbody>
</table>

Table 4: Social Media and Marketing Objectives

4.2.2 Listening

The matrix described was intended to analyze how companies should use different platforms for different types of marketing communication and objectives. However communicating is not the only functionality provided by social media for businesses. The other big functionality is listening to what consumers are saying. In fact social media allow users to interact with each other; people exchange ideas, opinions and comments, thus producing every day a huge amount of content and information about brands, industries and competitors. Listening to what is said on social space allows businesses to access to a huge amount of consumer-produced knowledge. Companies
can “hear” to what customers and prospects are talking about on social media and act following two main modalities: answering and monitoring.

**Monitoring** means listening passively and keep tracks of what customers say. This way of listening is silent: companies just hear what is said on social media and internalize it in the organization. Knowing what customers think about the brand is one of the most valuable functionality provided by social media. The knowledge grabbed should be used internally, to make marketing segmentation, to build new products that better match with customer needs, to act on internal processes in order to improve the customer service etc.

**Answering** means listening and answering in the same channel where the conversation or the comment has been heard and engage in conversation. Answering can be used for two main objectives:

- **To give support**

  JetBlue Airways, for example, systematically monitors twitter to identify customers that may need proactive management and additional information. For example the company managed to rearrange already booked seats of a flight in order to meet a request by a customer who was asking on twitter for the possibility to be seated close to his two years old daughter but couldn’t find two available seats close to each other. The same company answered a tweet from a prospect who was in search for a ticket for travelling during Christmas at a reasonable price, suggesting to sign up for the company’s Fare Alerts. Proactive support is one of the key ways to wow the customer, since it shows that companies care about their customers.

- **To manage complaints**

  Whole Foods monitors twitter daily to identify negative issues and to engage in conversation to better understand the reasons of the bad experience and gain
back the trust of their customers. Answering to bad comments has been proved to be very beneficial for companies. The study conducted by Oracle (2011) showed that answering complaints can change customers’ attitudes towards the company. In fact it was studied that when a customer receives a response to a negative comment, 46% are pleased and surprisingly 22% even post a positive comment about the organization.

In order to “listen” to what is said on social media space with a holistic perspective, a growing number of global organizations are creating multimillion-dollar “social media mission control centers”, that are dedicated hubs for monitoring social space activity and answering to the torrent of social media commentary and queries, flooding via Facebook, Twitter and other channels. These command centers track a dizzying array of real-time stats and indicators, from mentions on Twitter to general consumer sentiment and social media market share. They are provided with giant panel screens for monitoring and they are supported by state of the art “listening” software applications, such as Radian 6 (from sales force), that allows companies to “listen” across all the social media channels in an integrated way and, thanks to its machine-based analytic tools, allows to process the information created on various channels and detect trends and patterns. Pepsico’s Gatorade pioneered the social media command concept in 2010, deploying a social media mission control in its Chicago headquarters. The room hosts six monitors that measure conversation across the blogosphere on a variety of different topics, from sport trends and buzz to brands attributes and comments. Five people are in charge of analyzing these trends, running detailed sentiment analysis around key topics, and outreaching proactively in conversation.

Dell launched the Social Media Listening Command Center in Round Rock, Texas, a global operational hub for monitoring the tens of thousands of online posts and tweets about Dell every day. Through this hub, Dell can organize and analyze information according to topics, sentiment, share of voice, geography, and trends. The hub has a total of 70 employees monitoring social conversations from around the globe. The team processes 25,000 daily social media events about Dell in 11 different languages, responding to most queries and complaints within 24 hours (CNN money, 2012).
4.2.3 Push-Pull Paradigm

To sum up, social media has three main functions for businesses: (1) communicating, (2) answering and (3) monitoring. If we use the push-pull paradigm the functionalities can be defined in the following way:

- **Communicating**: “push-pull”.
  Communicating refers to the communication triggered by the company in its corporate channels. The company “pushes” the content and receives a “pulled” feedback (in the form of comment, like, sharing etc). As we saw in previous sections there are different corporate social media tools that can be used by companies in order to communicate with customers. Companies should select the right tool based on the objective of the communication, according to the matrix presented.

- **Answering**: “pull-push”.
  Answering works in the opposite way of communicating. The communication is triggered (pulled) by the consumer in the channels that he selects, may it be a company sponsored channel (corporate forum, facebook fanpage ecc) or an independent channel (twitter, industry blog ecc) and companies react pushing content.

- **Monitoring**: “pull”.
  Monitoring is pulled by the consumers but companies remain silent and don’t push any information.

Now that social media have been demystified, the author can finally focus on how social media with their different functionalities can be used in order to build a customer engagement strategy.
4.3 Social Media and Engagement

4.3.1 A New Business Model

Before proceeding with the analysis, one thing should be noticed: while “monitoring” and “answering” address the whole social media space, “communicating” addresses the portion of customers that decided to stay in touch with the company on social media, by subscribing to the corporate blog, following the company on twitter, liking the fan page on facebook etc. The higher the number of customers that decide to stay in touch with the company on social media channel, the higher the online engagement created and the possibility to build strong relationships with customers, stay top of mind and drive repeat sales.

However, besides this direct benefit, online engagement provides an indirect one: it helps getting new customers through the existing ones. In fact the social interactions among customers and companies are visible online and help companies gaining higher exposure. This concept is also known with the term of “social visibility”. So the more the participation that is generated online, the more the business is socially visible and it is likely to be found by new prospects that maybe didn’t even know about the existence of the brand. Moreover this social visibility is targeted: the people who are more likely to be exposed to these online activities are the engaged customers’ personal networks. These people who belong to the network not only hear about the business, but they hear about it from someone that they know and trust. Therefore social visibility with social media is targeted.

Not only online engagement creates social visibility but it also stimulates “social proof”. Social proof is defined by Wikipedia as “a psychological phenomenon where people assume the actions of others reflect the correct behavior for a given situation...driven by the assumption that the surrounding people possess more information about the situation”. This means that people are guided in their decisions based on what others are doing. There are several examples that prove the existence of
this phenomenon. Professor Robert Cialdini, a leader in social psychology, tested messages in hotels to encourage people to reuse towels. He saw that messages like “75% of the guests help by using their towels more than once” resulted in 25% better results than all other messages. In another study, a restaurant increased sales of specific dishes by 13-20% just by highlighting them as “our most popular items”(TechCrunch, 2011). Social proof is the main reason why some night clubs let people enter at a slow pace to create a fictitious line in order to grab the attention of people walking who may wonder what is worth the wait. With social media people receive inputs on products, brands and services used by their personal connections and get influenced for their purchasing decisions.

The new business model proposed is intended to show graphically the link between social media functionalities for businesses and social media population:

Monitoring (1) and Answering (2) address the whole Social Media environment. Companies monitor what is said by consumers in the whole Social Media ambience and in case they want they answer and engage in conversations with customers and prospects to give additional support. Monitoring and answering are important to deliver
a good customer experience. Communicating (3) addresses the group of customers that decided to get in touch with the companies in the Social Media community. These customers receive the communication from the company and by taking “actions” they create “social visibility” among their connections (4) and at the same time they give real time feedback (5) to the companies. The connection can in turn enter the business and participate in the community. The model clearly shows what the advantages of having a big community are:

- Greater efficiency in communication efforts (more customers are object of communication pushed by the company).
- Higher feedback collected in response to company-pushed communication.
- Higher social visibility created among customers’ personal connections.

The bigger the community is, the higher the benefits that can be achieved by the efforts in communication, both in terms of direct and indirect engagement. Therefore the underlined question used as a guideline in order to build a social media strategy is: how can I enlarge the community on social media?

In the next section the author analyzes what are the key strategic steps that a company should undertake in order to enlarge the community and engage with customers online. In particular, in the light of the theories about engagement seen in the literature review, the author identified three key steps to:

- Provide a WOW customer experience
- Convince customers to keep in touch on Social Media
- Engage customers online

The three steps can be seen in a cycle, called the Social Media engagement cycle, where online engagement drives new customers in the loop.
4.3.2 Social Media Engagement Cycle

4.3.2.1 Deliver a WOW Customer Experience

Deliver a great customer experience is the key step for companies to drive repeat sales. As we saw in literature, the experience starts when something triggers the impulse to buy and involves the purchasing experience and the post-purchasing experience. There are many touch-points that contribute to build a customer experience with a brand, and many of them are not even under the direct control of the company. However if we focus on touch-points that can be directly influenced by companies, we can group the components of a good customer experience into two main categories: the product/service offered, that includes all the attributes of the product/service itself (in
literature review this category of touch-points is called “Product”), and the customer service, that refers to the services provided by customers before, during and after purchasing.

If we look again at social media functionalities explained in the past section, it is clear that they have a key role in delivering a good experience to customers, both for what concerns improvement of the product/service offered and the customer service.

**Improvement of the Product and Service**

Social media gives to companies the access to a huge amount of information about consumers. Companies can “monitor” what is said on social media, receive direct feedback in response to their communication and interact with consumers in ongoing dialogues and co-creation projects. This huge amount of knowledge accessed through social media should be used in the development of new marketing initiatives in order to have a better segmentation of the customers and create a product/service that matches exactly their requirements and needs. In the interview with Roberta di Purificacao, expert in theories of marketing and communication and community manager in Telefonica Global Solutions, she stated: “What is marketing in the end? It’s knowing what your customers want. Before, this knowledge was built through surveys, time consuming and limited in frequency. Today with social media, companies have the tool to access ongoing and real time knowledge about consumers”. A better understanding of customers is crucial in order to achieve a better segmentation and build products and services aligned to their requests.

**Better Customer Service**

Social media allow customers to listen and tap into conversations in order to provide customers with additional information and support in every phase of the customer journey, before, during and after purchasing. Companies for example can tap into conversation about the brand in order to provide more information to customers during their evaluation process about different purchasing alternatives. They can use social
media to manage complaints by engaging in conversations with unhappy customers and offer them some benefits to gain back their trust, they can use it for proactive management to meet special requests by clients and finally they can use them as “help-desk” to provide after-sale support. Creating a good customer forum has been considered one of the key elements to enhance the customer experience by Oracle (2011). “If you create a vibrant customer forum, your organization will gain a lot of near-term and long-term benefits. A forum is where a lot of customers start when they need answers. The better the experience they have there, the more likely they are to repeatedly engage with your organization in that venue”. Not only on-line forums give value to customers, but they also benefit the enterprise itself by reducing customer support costs. In fact the answers to the most common problems or doubts are already in place in the forum and customers access them immediately, without the necessity to contact the call center or write an email to the company personally.

It is clear that social media are not the only responsible for delivering a WOW customer experience; many other touch-points should be considered, which vary depending on the type of business. However in this section it is proved that social media have a key role in delivering experience: not only as a new channel of communication they add new touch-points, but they also contribute influencing existing ones (product/service attributes).

4.3.2.2 Convince Customers to Keep In Touch on Social Media

Deliver a good customer experience is a necessary condition to drive repeat sales. In fact it has been studied that memory drives future behaviors (Matt Wilson, 2008). Moreover other studies revealed that people use to remember bad experiences better than good ones. “This is a general tendency for everyone,” said Clifford Nass, a professor of Communication at Stanford University. “Some people do have a more positive outlook, but almost everyone remembers negative things more strongly and in more detail.” There are physiological as well as psychological explanations for this trend. “The brain handles positive and negative information in different hemispheres”;
“negative emotions generally involve more thinking, and the information is processed more thoroughly than positive ones” (The New York Times, 2012). Thus, people tend to overthink about unpleasant than happy ones. This means two things: a bad customer experience would definitely not translate into repeat sales, but at the same time it reinforces the fact that a good customer experience doesn’t necessarily translate into repeat sales, because people may not store the good experiences with the same intensity of the bad ones. For example a person can be invited to a restaurant, eat delicious food and receive an exceptional service, but when he goes back home he might even not remember the name of the restaurant where he was. Therefore, in order to drive repeat sales, not only companies should deliver a great customer experience but they should “keep in touch” with their customers, offering promotions, loyalty programs and sending news and information to stay top of mind in order to become the first company that customers think about when they have to buy again or they are asked to refer.

If a customer receives a WOW customer experience, he will be more eager to stay connected with the company also on social space.

In order to encourage customers to keep in touch, companies can offer some incentives. The practice of asking to customers to subscribe to companies’ newsletter, blogs or other social media channels in exchange of some incentives is becoming very popular. On Facebook for example this phenomenon has even gained a specific expression: “like gating”, that refers to the practice of asking to customers to “like” the company Facebook Page.

Some companies are abusing of this practice, trying to attract as many consumers as possible by offering big benefits. However this behavior encourages many people to “like” the fan page just to benefit from the initial incentive, not because they really want to stay in touch with the company. This trend can be clearly seen by looking at the participation rate on Facebook fan pages (ratio between the number of people that are active on the page and the number of people who subscribed to the page). In fact in March 2012 an independent research of 1.7 million Facebook Pages, categorized across Business, Personal Brands and Interest Groups research, found out that 83,4% of
subscribers never participate in the conversation, that means a participation rate lower than 1,2. (Recommend.ly).

However, this is not a good strategy to be perceived by companies. In fact, as the author discusses, the real power of social media is different from the traditional mass media marketing that has the objective to reach the highest number of people. The real power of social media lies in the interaction between companies and customers, that allows building strong relationships and, at the same time, creates social visibility. Therefore it is better to have a smaller qualified audience that shares content and participates actively, then having a huge amount of followers that just receive passively social media content without interacting.

To ensure that customers who subscribe to social media corporate channels are customers who “want to know more about the company” and might actually engage with the company socially, the offer should be small and related to the business, not something general that everyone wants, such as a contest to win a holiday in the Caribbean or an I-Pad. Examples are discount coupons, notices of special sale days, free product samples and small giveaways, or simply telling customers how can they benefit from the content uploaded on-line.

4.3.2.3 Online Engagement

Once the customer has tapped into social media corporate channels, companies can finally start to communicate “with” customers and engage them on-line. The communication must be customized according to the platform used, as it has been explained in the past section in the social media communication matrix.

With “engaged” customer, the author refers to a customer who takes an “action” towards the company, from simply implicit endorsement (liking a picture uploaded on Facebook, re-tweeting a promotion on Twitter, commenting a post on Google+, sharing a post on the corporate blog), to explicit endorsement (actively participating in the brand community, writing a good review on Foursquare or on a rating site or a
positive comment on Twitter etc.). All these activities are visible on social space and help the companies gaining higher social visibility and social proof. So the stronger the participation generated online is, the higher the likelihood to attract new prospects inside the loop. A technique that can be used to facilitate social visibility is social media platforms integration. Integration can be achieved using specific buttons (also called widgets) that allow users to share the content on other social media platforms, typically the most popular (such as Twitter, Facebook, Google+, Pinterest). This allows customers to share content and help to spread the word about promotions across all social media platforms.

Prospects could directly use a social connection as a first touch point to get to know more about a business, thus entering the cycle directly on the third stage, without even experiencing the product/service first. Once the prospects opt into the social media channel to receive messages about the company, they enter the cycle and become potential customers to be turned into fans by delivering a WOW customer experience. Not only online engagement helps spreading electronic WOM, but high forms of online engagement are also more likely to translate into offline WOM. In fact, this was the primary objective of P&G when launching Tremor and Vocalpoint: engage with customers on-line to create advocacy and referrals in offline conversations.

The Social Media Engagement Cycle illustrates three easy steps that companies should follow in order to build a social media engagement strategy. The analysis clearly shows what the roles of Social Media for customer engagement are, and how the different functionalities can be used in order to deliver a WOW customer experience, enhance the relationship with customers through engagement and attracting new prospects.
4.4 Organizational and Managerial Implications

4.4.1 Introduction

The previous section clearly demonstrated that social media are much more than just a new channel to reach customers and push contents. In fact they give the possibility to better understand customers, by monitoring what is said on the web, engage in conversations and receive real time feedback in response to the communication pushed by companies. Capitalizing on the knowledge is one of the key benefits provided by social media. In the interview with Andrea Laurenza, Management consulting expert in customer engagement in Deloitte Italy he said: “a lot of companies are entering the social media arena, they start to publish content on facebook and answer consumers’ requests and complaints on twitter. However if you ask: “what did you change in the customer service after the complaint about poor quality that you received?” most of the companies don’t know what to answer. These companies didn’t understand yet what the real power of social media is”.

In order to be able to capitalize on the knowledge that is created on social media, companies should undertake fundamental changes. Changes have been divided into two main categories: cultural changes and organizational changes.

4.4.2 Organizational Implications

The introduction of social media implies the creation of new roles and tasks in companies, intended to manage social media activities in the organization. Companies should define a group of people that monitor, answer and communicate with the customers. These people should receive training and education programs in order to receive guidance on how to use the different platforms, what are the legal and regulatory risks and what are the appropriate ways to engage with customers online. In such a contest new roles have appeared on the scene, such as the role of “Social Media community moderator”, a person that is in charge of guiding and maintaining order in
the conversations among customers that occur on corporate forums or other corporate platforms.

However the most significant changes in the organization are related to the macrostructure rather than to the microstructure. In order to meet challenges and opportunities created by customers, companies should redefine processes (how the work gets done) in order to be able to distribute quickly the knowledge created on a daily basis across the different departments of the organization. In fact the knowledge collected through social media involves the entire organization: companies can get information on many different aspects, from feedback to new products released, to suggestions for new ideas to be implemented, to quality issues, to comments about the customer service ecc. This set of information is not important just for marketing and communication departments but also for product development, design, finance, production or public relations. Therefore it is critical for companies to distribute this knowledge promptly all across the organization so that each department receives the right input to continuously improve internally. “Organizations that treat these social interactions separately from the rest of their organization’s support and communication channels will be significantly limiting the potential benefits to be derived from social networks” (Oracle 2011).

In such a dynamic environment, the macrostructure should be built according to the principles of the “organic organizations”. The concept of “Organic organizations” belongs to the Theory of contingency, elaborated by Burns and Stalker (1961) and Lawrence and Lorsch (1967), and was developed to address the failure of classic organization that was becoming more apparent in volatile industries. The contingency theory says that there is not a unique optimal way to structure an organization (as the classic theories of organization were suggesting) but the most appropriate organization depends on the environment where the organization operates. The more the market is dynamic or instable, the more companies should build structures that are more flexible and ready to respond to changes. Organizational structures are located in a continuum between two opposite models: the mechanic system, where companies are considered
as “machines” where one part can be easily replaced with another one, and the organic system, where companies are considered human beings, and therefore not replicable.

In the following table the characteristics of an organic organization are described, in contrast to the characteristics of mechanic organizations.

<table>
<thead>
<tr>
<th></th>
<th>Mechanic system</th>
<th>Organic system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
<td>Stable Environment</td>
<td>Dynamic environment</td>
</tr>
<tr>
<td><strong>Tasks</strong></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Specialization and standardization</strong></td>
<td>Tasks are stable overtime. Therefore they can be standardized and formalized so that operations can run smoothly without breakdowns. High specialization allows economies of scale</td>
<td>Tasks are often changing together with the competences needed. Therefore the level of specialization is low and people should work in team in order to merge the difference competences required and respond quickly.</td>
</tr>
<tr>
<td><strong>Department Integration</strong></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Due to stability of tasks, functions and departments are not heavily dependent on each other</td>
<td>In dynamic environment rapid communication and information sharing is necessary. Therefore departments and different functional areas need to be tightly integrated</td>
</tr>
<tr>
<td><strong>Decision making</strong></td>
<td>Centralized</td>
<td>Decentralized</td>
</tr>
<tr>
<td></td>
<td>The environment is stable, therefore there is no need for complex decision making. Decision making is centralized at the top of the organization (vertical organization)</td>
<td>The environment is dynamic, therefore there is a need for complex decision-making that involves people at lower ranks, that should get empowered to take decisions (horizontal organization)</td>
</tr>
</tbody>
</table>

Table 5: Organic vs. Mechanic Organizations
Changing the macrostructure following the principles of the “organic” organization is fundamental in order to allow companies to respond fast to “knowledge” acquired with social media.

Some of the principles of the organic system can be found in companies that are already implementing a successful social media strategy, such as empowered business unit, team working, department integration. In particular, among these state-of-the-art organizations, we can find two main approaches: Centralized Social Media Team and Decentralized Social Media Team.

**Centralized Social Media Team**

Social media efforts are managed by a centralized team that is responsible to integrate the knowledge with the rest of the departments. In Dell, for example, the social media strategy is managed by a cross-functional team called “Communities and Conversations”, which involves about 40 employees from different functions such as Logistics, Finance, Purchasing, HR, Shipping. These employees are responsible to integrate the customer centric vision back to their departmental colleagues, coordinate strategic initiatives and define metrics and dashboards. Thanks to their input each function deploys its own social initiatives and circle back to the group with insights and best practices. Ducati, on the same line of Dell, reorganized its entire marketing department around the community function, that is tightly linked with the product development division, in order to highly benefit from the community co-creation. Specific organizational roles in the marketing department selectively distribute the knowledge acquired with the department in order to support continuous customer knowledge sharing. The same happens in Starbucks, where the social media strategy is managed by a single central social media organization. The main advantage of this approach is that it allows a strong centralized control of consistent brand messages and customer experiences.
Decentralized Social Media Team

Zappos and Best Buy don’t use a central team but they empower every function and department to engage with customers on social media and implement their own initiatives.

However all the efforts are coordinated by a central team, whose task is to align the single social media strategy of each department with the corporate vision and goals.

The main advantage of this approach is that it empowers every employee to talk with customers. Many companies deploying such a model report that empowering employees increases morale and retention. However it is especially important to devise and communicate clear social policies and procedures in order to manage risk to the business and brands.
4.4.3 Cultural Implications

Providing the right infrastructure is necessary but it is not sufficient to guarantee a good capitalization of the knowledge built on social media. Companies should address cultural changes in order to build a “learning culture” across the different departments. Through learning, individuals can re-interpret their world and their relationship to it. A true learning culture continuously challenges its own methods and ways of doing things. This ensures continuous improvement and the capacity to change. In literature organizations that use knowledge to continuously innovate internally are called “learning organizations”. Garvin (1993) defined a learning organization as “an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights”.

Figure 16: Decentralized Social Media Team
Perter Senge (1990), a leading management thinker, identified five key features that contribute in building a solid learning organization:

- **Personal Mastery**: Personal mastery is the commitment of an individual in the process of learning. “Personal mastery goes beyond competence and skills... It means approaching one’s life as a creative work, living from a creative as opposed to reactive viewpoint.”

  Learning Organizations create an environment that encourages personal and organizational goals to be developed and realized in partnership.

- **Mental Models**: Mental models are “deeply ingrained assumptions, generalizations or even pictures or images that influence how we understand the world and how we take action”, how we shape our decisions and behavior. Learning Organizations create an environment that encourages open culture, by promoting inquiry and trust, rather than personal and organizational goals.

- **Shared Vision**: “Shared vision is not an idea. It is, rather, a force in people’s hearts; a force of impressive power...a shared vision is the answer to the question: “what do we want to create? “When people truly share a vision they are connected, bound together by a common aspiration”. Learning Organizations have a sense of group commitment by developing shared images of the future.

- **Team Learning**: “Team learning is the process of aligning and developing the capacity of the team to create the results its members truly desire… it converts individual learning into institutional learning”. In Learning Organizations group of individuals suspend their personal assumptions about each other and engage in "dialogue" rather than discussion. The idea is that the group’s capacity to reliably develop intelligence is greater than the sum of the individual member’s talent.
• **System Thinking**: System Thinking is the capability to see interrelationships rather than linear cause-effect; and appreciate the consequences of actions on other parts of the system. Learning organizations have the ability to see the “big picture” within an organization and understand how changes in one area affect the whole.

The goal of creating a Training and Learning Culture in an organization is to create an open environment where everyone teaches, everyone learns, and everyone enhances their exceptional abilities. In order to build a learning culture, employees should receive training and coaching. “Employers need to educate their teams about the potential and opportunity on the web. They can show each employee how social media can relate to their jobs and make them more effective, and that’s compelling to anyone,” says Naslund, who hosts a free webinar in 2011 to discuss how small businesses can find social media success in today’s landscape (The Hiringsite). Moreover employees should be encouraged to experiment with new ideas and they should be appraised according to their competences and learning skills.

### 5. SOCIAL MEDIA ENGAGEMENT IN TELECOMMUNICATION

In the next section an interesting case study about customer engagement with social media from Telecommunication sector will be presented. The telecommunication sector was selected for one main reason: the service of connectivity is increasingly becoming a commodity, where consumers’ decisions are mainly driven by convenience in terms of price. Presenting a successful case study of advocacy and engagement with social media on Telco sector proves that social media engagement is not just for businesses that offer attractive products to which consumers feel emotionally connected, but indeed social media, thanks to human interactions, create the opportunity for “boring” businesses to make customers feeling emotionally connected to their products and services.
5.1 The Market

Telecommunication market is one of the sectors that are facing more challenges nowadays. Telecommunication services are featuring changes in the product mix: the growth in mobile services is outpacing the fixed line and the data traffic (images and text traffic) is increasingly replacing voice, which up to now has always been the biggest revenue generator in telecommunication business. Not only the service mix is changing; the service of connectivity is increasingly becoming a commodity. While corporate businesses are still concerned about the quality and the reliability of their calls and data traffic, and they are less price sensitive, residential customers’ decision to select an operator rather than another one is mainly driven by convenience in term of price. The proof of this trend is that telecom industry “boasts - or, rather, suffers - the highest customer churn rate of any industry” (Investopedia), where “churn rate” is defined as the percentage of subscribers that decided to unsubscribe to a certain service in a given period. The high churn rate was also triggered by the fierce price wars created lately by operators, whose main objective seemed to steal customers from competitors rather than keeping their current customers happy. Not only this trend is increasing marketing costs (as we saw in the literature, attracting new customers is between 6 to 10 times more expensive than keeping one), but high churn rate also results in high processing costs for subscribing new customers and unsubscribing the churning ones. In such a panorama of increasing competition and decreasing margins, delivering a good customer experience and building strong relationship through customer engagement is crucial in order to make customers more loyal and profitable. Giffgaff, a mobile virtual operator, is one of the most successful examples of engagement through social media, in the Telco sector, and not only.

5.2 Giffgaff, a Case Study

Giffgaff is a Mobile Virtual Network Operator based in UK. The company is a “sim-card-only” operator and runs its services using the infrastructure of O2, the UK Telco operator belonging to telecommunication giant Telefonica. Giffgaff was founded in
2009 by Gav Thompson, head of brand strategy in O2; after attending a conference in San Francisco about Web 2.0, he had an idea about a business run on the principal of mutual collaboration among peers. In fact the name Giffgaff is an old Scottish term that refers to the principle of mutual giving. The main vision behind the idea of Giffgaff was to create a collaborative business where business is made “by the community for the community”: customers become the ones who run the business and the part of the revenues generated by the company is transferred back to its engaged members.

“It’s pretty clear that the modern consumer wants to be deeply involved in the products and companies that they are loyal to. This is particularly true if they feel they have a voice and can help make them be even more successful. The Giffgaff community gives them the ideal place to be involved and be rewarded” said Giffgaff’s Head of Community, Vincent Boon.

Giffgaff has no retail stores and no call center. The only channel for customers to interact with the company is the on-line community, except for a “help desk” e-mail to solve specific personal billing issues. Nowadays the company also expanded in two other popular social media, Twitter and Facebook, that are integrated with the community platform. Therefore the online brand community becomes the center of the business. Customers participate actively in the community to give support to other members and they are rewarded based on the level and quality of their participation. Pay back scheme is based on “kudos points” that can be redeemed as airtime credit, as Paypal payment or as a donation to a charitable cause. Some indicators about the effectiveness of the community support are reported here below:

- Members have asked over 130,000 questions in the ‘Help’ forums in 2010
- The community has responded with over 1 million replies
- 100% of the questions were answered by the community
- Average response time for questions is within just three minutes (24/7)
- 95% of queries were answered within 60 minutes
- Over 40% of the customer base got involved in the first six months and received Payback cash in return.
Not only customers receive kudos points for giving their support in the forum, but also if they help enlarging the community, by spreading the word by introducing new customers in the community. In particular a member can give a SIM to another member and receive 500 kudos points right after the activation; at the same time the new member receives £5.00 credit immediately. Moreover “Kudos” points can be earned occasionally for marketing promotions.

The community is not just about the “support team”. Giffgaff’s community has a section called “Lithium Ideas” that is specifically dedicated to co-creation projects. Crowd sourced ideas about new products to develop or other types of improvements are collected. These ideas are tested initially in Giffgaff labs and they are available for a short period to all members of the community. If they are popular they are incorporated in the product mix, if not they are abandoned and the company moves to something else. The labs’ products are also beta tested by selected community members before being released. With upwards of 9,000 ideas over the past few years, the community has seen over 270 ideas implemented to help improve mobile service—and an additional 100 community-generated ideas are in development. For example the company successfully used the community to create bundled offers.

Mike Fairmain, the actual CEO of Giffgaff said: “The trouble with many so called “value bundles” is that you have to guess up-front how many minutes you need to buy. Buy too many and they’re wasted, buy too few and you have to pay higher rates when your bundle runs out. So they can end up not being very good value at all”. With the collaboration of the community in June 2011, after 5 months of lab incubation, the company released a new product called "Hokey Cokey": for £5, the customer got 60 minutes, 300 texts and a free extra minute for every eligible incoming minute.

The company also relied on the collaboration of developers in its community for R&D projects. In particular the company built mobile applications in order to make it easier to access the community and purchase products from mobile devices. With the purchasing of Software Development Kits (SDK), GiffGaff was able to release mobile applications for Android and I-phone more rapidly than in a traditional model.
The company has a staff composed just by 25 people, whose main task is to coordinate the efforts of the community. It also has a very light cost structure, since it doesn’t invest in complex infrastructure such as call centers and physical stores, operational and advertising costs are very low. “The value generated by the community is incredible, and it means we can take the savings we make from not having a traditional, high cost infrastructure, and pass that directly to our customers in terms of great product value. Everyone wins!” said Vincent. In December 2012 Giffgaff paid out over £2.9 million to its customers. The top earning Giffgaff gained over £13,000, and he is using that to pay his way through University. (Lithium Technologies Inc, 2012; giffgaff.com).

5.2.1 Giffgaff and the Social Media Engagement Cycle

In the previous section, we presented the engagement through social media as a process composed by three main steps: deliver a WOW Customer Experience, ask customers to keep in touch and finally engage with customers online. Giffgaff social media engagement cycle however presents a peculiarity: it skips the most painful part, which is asking the customers to keep in touch. In fact new customers should register in the community in order to have access to the service.

Once the new prospects register in the community, they are delighted in several ways:

- First of all they get a SIM for free. Moreover if they enter thanks to the recommendation of a member, not only the SIM is free but they receive $5 credit immediately.
- Second, since the offers are realized considering the opinion of all the members active in the community, they will probably find a bundled offer that matches with their needs.
- Third, they receive immediate support in the community forum for any doubt or problem both on desktop and handset.
All these elements contribute in delivering a WOW Customer Experience. Overall satisfaction with the Giffgaff experience was rated by its customers as an impressive 90%, not only a very high score for a Telco company, but for any company operating in any industry.

The Net Promoter Score (NPS), calculated as the number of new customers who would recommend the service to a friend, colleague or a family member scored 77.3%, a value close to the largest internet and consumer goods companies.

The new customers are then invited to join actively the community, to support others, create new offers, and also promote the product, through engaging in advertising and word of mouth referrals. The payback scheme is a huge incentive to encourage customers to participate actively and enlarge the community. Among members interviewed, 63% had sent a Giffgaff SIM to a friend or family member and of that figure, 78% became registered Giffgaff members. Moreover, thanks to the new presence on Facebook and Twitter and the integration of these platforms with the community, the company is also gaining social visibility through implicit endorsement. (Lithium Technologies Inc, 2012; giffgaff.com)

5.3 Generalization

The example of Giffgaff is a clear demonstration that engagement through social media is possible also for companies selling a product that are not appealing and innovative, and to whom people are not emotionally attached to.

Clearly as a start-up Giffgaff presents unique advantages compared to other well established Telco operator:

- Giffgaff doesn’t have an existing and diverse customer base and they can target a very specific niche of customers that are happy to interact on-line.
• Giffgaff has a light cost structure compared to the other operators, that have in place retail stores and big call center infrastructures.

• Since the company is very small in terms of employees the organization is very flexible and reactive. In fact, it is very easy to spread the information within the organization and coordinate the efforts to implement new ideas.

Even though big operators have different characteristics from a virtual mobile operator, this doesn’t mean that they cannot learn anything from this new business model. For example the case study clearly shows how Telco companies can use an active community forum to provide cost effective support to their customers. In the interview with Jose-Angel Alcarez, account manager in O2, said that if O2 could replicate the model with just 25% of their customers participating, it could save £20m per year. However, what is crucial for traditional Telco operators, is being able to integrate all the different touch-points, from retail stores, to call centers, to online and handset, in order to deliver a consistent customer experience across all the channels. Actually having so many different touch-points is what makes telecommunication one of the sector that can capitalize the most from the knowledge and insights grabbed by different interactions with the customers. “Telecom providers have tremendous opportunities to seamlessly integrate the customer intelligence they extract from across the many channels at their disposal”. They “need to find ways to efficiently, effectively and consistently engage with customers to optimize their whole experience across online, retail stores and call centers and capitalize on these other influences rather than lose out to them” (Bamforth and Longbottom, 2011). However in order to capitalize on this intelligence, Telco companies need to overcome their internal silos, and allow communication and information sharing across the different departments. For example, the issues discussed in the forum should be used to detect common problems, and solutions should be rapidly communicated to the call center, in order to deliver an effective and efficient customer support at the phone. Moreover communication across the departments is essential for delivering a consistent customer experience. “Customers have many different ways of reaching an organization, but they expect the
same results no matter which mode they use, even if they have to switch modes in mid-transaction. No one likes to not be recognized when they switch from online to a store or call center, or need to repeatedly key in their personal details every time they communicate with an operator, nor do they expect to have to relay details from one department to another. Telcos need to hold common and consistent information about their customers and use it intelligently” (Bamforth and Longbottom, 2011).

Telco need to hold common and consistent information about their customers and use it intelligently. For example after a conversation that takes place on Twitter, that information can also be harnessed by the call center when the user calls in later talking about their account or asking questions that might have already been answered. Certainly having a Twitter conversation and then calling later and not having access to the same information is not consistent.

In conclusion, Telecommunication operators need to realize that they are in a strong position to use social media in order to improve their performance by decreasing support costs and delivering a better experience to their customers. No other industry touches the customer in as many ways as Telco do. Given this network of touch-points that they alone control, Telco providers can redefine how to connect with the digital consumer on their own terms.

6. CONCLUSIONS

6.1 Results of the Research

The research is intended to investigate the role of social media for customer engagement. In order to present the results in an organized way the author presents the findings following the three sections in which the analysis has been developed.

In the first section the author demystifies social media for business. The research questions proposed are:
1. How can social media be used for business?

1.1. What are the main functionalities of social media?

1.2. What are the differences between the different categories of social media for what concerns communication? What is the link between different platforms and marketing communication objectives?

The author finds out that there are two main functionalities offered by social media to business, which are communicating with consumers and listening to what they are saying on the web and possibly answering. While “listening” is triggered by consumers in the channel that they prefer, “communicating” is triggered by the company in its corporate channels. In order to select the right channel for different types of communication the author proposes a new classification of social media intended to associate to each typology of platforms specific marketing objectives. This classification is important for marketers to understand how to use the different platforms in the best way.

After gaining a better understanding of social media functionalities and tools, the second section proposed is intended to give a sort of guideline for companies to build a social media engagement strategy. The research questions proposed are:

2. How companies can build a social media engagement strategy? Which are the key steps companies should follow?

The author proposes a new model: The Social Media Engagement Cycle, a cycle composed by three practical steps:

- deliver a WOW customer experience
- convincing customers to keep in touch
- engaging with them online.
This section clearly demonstrates the key role played by social media in customer engagement. From one side social media enhance the relationships with existing customers, all along the customer journey, from delighting customers (by offering better products and services and improve the customer service), to maintaining relationship with them, driving repeat sales and fostering loyalty. On the other side, thanks to their peculiarity of having “social-visible” activities, social media generate electronic exposure, thus helping attracting new customers through the existing ones.

In the third section the author addresses the changes that companies should undertake in order to be able to successfully implement a social media strategy. The research questions proposed are:

3. What are the organizational and cultural changes companies should address in order to implement a successful social media strategy?

The author finds out that, in order to be able to capitalize on the knowledge built through social media, companies should undertake substantial organizational changes that allow them to spread the information captured all across the organization, so that each department can benefit from them and react promptly. Low hierarchical structures, decentralized decisions, employees’ empowerment are all common features for an organization able to react to change. In particular the author finds two possible structures for the social media function:

- Centralized
- Decentralized

While the centralized social media function has the benefit of delivering a consistent customer experience, the decentralized function empowers more functions to engage in conversations with consumers, thus generating high motivation among employees. However, providing the right infrastructure that allows a smooth flow of information across the company doesn’t necessarily lead to evolving organizations. Companies
should also focus on cultural changes, in order to build a philosophy of continuous improvement and system thinking.

Finally, the author presents a successful case study about engagement through social media in the telecommunication sector. The case study is not only a good example of how social media can be used by Telco in order to grow their business, but it’s also the proof that engagement through social media is possible for sectors that offer products or services to which consumers don’t feel emotionally attached to (such as the connectivity service in the telecommunication sector).

The final message is that for the first time social media are overturning the traditional way to categorize industries based on the emotional attachment that consumers have towards the product/service sold. With social media approach, what creates emotions and attachment is not anymore the product and service offered, but instead it’s the human relationship built between companies and customers allowed by continuous interactions, dialogues and active participation of consumers in the business.

6.2 Future Implications

The study provides a general overview about the power of social media for business and the changes that companies should undertake in order to benefit the most out of their introduction. However before undertaking significant changes, such as the reorganization of the macrostructure, companies want to be sure about the return on their investment (ROI). From the model proposed it is clearly visible that the introduction of social media brings direct benefits in terms of economic results, both in terms of increasing revenues and lowering costs. In fact social media lead to:

- **Lower marketing costs**: customers become the responsible of promoting the products, create brand awareness and make recommendations among their personal connections. Moreover their promotion is much more effective than the one sponsored by the company.
• **Higher revenues:** social media drive repeat sales from current customers and generate sales from new customers.

However there is still poor research about how to value the financial impact of social media in a precise way. Therefore an interesting line for future research could address the way to calculate ROI coming from social media activities. Being able to calculate the ROI not only could be helpful for companies to justify the investment in significant amount of resources, both in terms of human and financial capital, but it could also be useful for companies to assess the efforts needed to reach specific marketing objectives.

An additional interesting line for future research could address social media engagement in B2B. The research project presented is focused on B2C market, which has always been considered the most influenced the phenomenon of WOM and the most suited for social media engagement. However a relatively recent research conducted by Zuberance (2010) tried to prove the opposite. The research found out that WOM is the first influential source of information also in B2B and Business people are more socially active than consumers. Therefore social media engagement is crucial also in B2B, even though techniques and tools for engagement may differ from the ones used for B2C.
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