Understanding the Impact of Social Media On Companies

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# Understanding the Impact of Social Media on Companies

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Introduction

The use of social media today is more prevalent than ever before. In fact, recent estimates indicate that on any given day, there are more than 100 million users on Twitter alone posting messages that range from the inane to the insightful.¹ For companies, this large user base offers a significant new communication channel to engage the broad base of consumers, as well as their own customers.

But how should companies use social media to engage with consumers and customers? Should they simply watch and listen or proactively engage in dialogue? Do consumers and customers expect the same type of social media engagement from their favorite retailer as they do from their utility company? Do they expect companies to offer customer service through the social media channel? J.D. Power and Associates has been asked these and many similar questions by clients. To explore the answers to such questions, the J.D. Power and Associates 2012 Social Media Usage Study² has been piloted to examine how consumers are currently using social media to interact with companies and to understand the current social media practices companies employ.

J.D. Power is committed to helping companies understand and navigate the rapidly changing landscape of social media. While this special report includes topline findings from the pilot study that address some of the issues and concerns related to social media, further research into this arena is needed. To that end, J.D. Power solicits the collaboration of companies to engage in a dialogue to identify how to maximize the opportunities social media presents, as well as to identify the best practices they utilize to meet consumers’ needs and expectations.

¹ http://mashable.com/2011/09/08/twitter-has-100-million-active-users/

² For the pilot J.D. Power and Associates Social Media Usage Study,³ 3,000 US online adults ages 18+ were surveyed between January and February 2012. Consumers were asked how they currently use social media in general, as well as how they use it to interact with companies, specifically in the auto, consumer electronics, financial services, telecom, travel and utility industries. J.D. Power also surveyed 432 of the company’s clients across those same industries to understand how they are currently using social media, as well as how they plan to do so in the future.
Consumers and Social Media

Statistics regarding consumer adoption rates of social media are easy to come by. What's harder to understand is how consumers are specifically using social media to interact with companies or to learn more about them and what products and services they provide. For the pilot study, online consumers who currently use some type of social media were asked how they use this channel to interact with companies. Five primary ways consumers interact with companies are listed below.

Five Primary Ways Consumers Use Social Media to Interact with Companies

The initial data suggests some interesting patterns regarding how consumers interact with companies via social media:

- **Consumers most often use social media to seek information or to find deals or recommendations.** More than 20% of consumers use social media for these purposes. While social networking sites are a frequent source for this content, message boards are the most-often-used source.

- **Social media usage varies across industries.** While finding information is the most popular use of social media for consumers who interact with companies, the adoption rate varies across industries. For example, in the auto industry, consumers most often use social media to get information or recommendations about vehicles or other auto products, while in the travel industry, they most often look for coupons, promotions, or deals.
Also of interest is the level to which consumers use social media for customer service-related issues. In fact, consumers are more likely to use social media to contact a company with a question or to resolve a problem than they are to find games, videos, or apps that companies offer. This aspect of social media usage notably extends beyond the initial patterns of consumers asking or telling their social media connections about products and services. Companies are forced into the social media sphere in this circumstance: if they aren’t the ones answering consumers’—or their own customers’—questions, they stand to lose an important opportunity for a valuable touch point. While some companies, such as Best Buy and JetBlue, have embraced the practice of utilizing social media for customer service, which is also referred to as “social for service,” many other companies have yet to determine the best strategy for mobilizing in this space.

J.D. Power leverages its expertise in measuring online consumers’ services experiences in social media, as well as its deep understanding of customers’ service experiences, to establish five key attributes that influence consumers’ satisfaction ratings of using social for service. These attributes are used to calculate an overall satisfaction index score. Seven Key Performance Indicators (KPIs) that influence satisfaction ratings are also identified. By targeting the actionable KPIs, companies may positively impact their overall satisfaction index score.

Findings show that, as expected, there is a definite variation in consumers’ social for service experiences. Additional findings show that:

- In general, companies score well. The overall score calculated for consumers’ experiences was acceptable, compared with scores among consumers for other service channels. While this score demonstrates companies are providing an adequate level of service, the KPIs illustrate the true story: no one is excelling in this area. Only 5%

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3 The score is a measure of consumers’ satisfaction with using social media as a service channel. The score is based on five attributes, each describing a unique element that affects customer satisfaction throughout the process. Each attribute has an individual attribute rating that describes specific aspects of the experience. Each of the five attributes represents a designated weight that reflects its relative importance as a component of satisfaction. These importance weights are derived using linear regression. Each rating attribute is weighted based on its statistical contribution to the regression.
of the social for service experiences met all of the KPI measures. In fact, nearly one-fourth of experiences missed five or more KPIs. Failing to meet these measures has a direct, negative impact on overall satisfaction, and results in a highly variable service experience for consumers. (See Figure 4)

- **Consumers who are interacting with companies for service via social media are satisfied with the experience.** Even with the inconsistencies, the majority of online consumers who had used social for service say they “definitely will” or “probably will” use social for service again in the future. Also, a majority of consumers say they will recommend using this contact channel to their family and friends. Since these consumers are already using social for service, a positive experience may translate into a return on investment in the form of positive word of mouth recommendations.

- **Companies that meet the identified KPIs earn higher satisfaction scores.** The KPI scores in the Social Media Usage Study highly correlate with satisfaction scores in other studies conducted by J.D. Power and Associates. This supports the urgency of companies to become proficient in providing customer service through social channels and to create a holistic customer experience. Companies that are not already using social for service should start strategizing how to do it, and understand the most impactful way of doing so.

J.D. Power will continue to explore and measure satisfaction in social for service engagements in future studies, as well as determine how to translate those measurements into actionable business imperatives. It is clear that social media is becoming an important part of the service experience for consumers, and it is therefore important for companies to track and measure it. Identifying what needs to be measured and the most effective ways of doing so are among the collaborative initiatives J.D. Power is undertaking with companies to maximize social media opportunities.

### KPI Scores: Using Social for Service

<table>
<thead>
<tr>
<th>KPI Score</th>
<th>Percent of Companies that Met KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Someone responded in less than 7 hours</td>
<td>49%</td>
</tr>
<tr>
<td>Someone responded via the same channel, phone, or mail</td>
<td>39%</td>
</tr>
<tr>
<td>The representative offered to assist you with another problem</td>
<td>85%</td>
</tr>
<tr>
<td>The representative thanked you for your business</td>
<td>89%</td>
</tr>
<tr>
<td>The representative offered to sell you other products</td>
<td>64%</td>
</tr>
<tr>
<td>The issue was resolved</td>
<td>86%</td>
</tr>
<tr>
<td>The company was contacted fewer than two times before the initial post</td>
<td>66%</td>
</tr>
</tbody>
</table>

*Figure 3*
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Missing the KPIs: The Service Experience is Inconsistent

![Figure 4](image)

**Companies and Social Media**

The adoption and implementation of social media in the business world is similar to that of the consumer world, and adoption varies from nascent to more advanced. Consequently, surveying companies about the topic is challenging—there is no panel whose participants can fully support an expansive survey of business professionals involved in the social media strategy of their company. J.D. Power is aware of this, and understands that further research in this area will present challenges in collecting this type of data.

In conducting the pilot *Social Media Usage Study*, J.D. Power also surveyed existing clients, the majority of which have a centralized approach to social media. It’s important to make this distinction, as companies that have a centralized approach tend to be further along in the adoption and implementation of social media.

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4 http://www.socialmediaexaminer.com/5-social-media-marketing-trends-new-research-2/

5 Almost half of social media adoption was centralized in the company’s sales or marketing department.
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Organizing for Social Media

Even with a centralized and arguably advanced approach to social media, those surveyed for the pilot study displayed a variety of social behaviors:

- **Social networking are the go-to sites.** The most widely adopted type of social media is social network sites. Facebook has the highest adoption rate, followed by LinkedIn. Using social media sites also tops the list among companies that aren’t already using social networking, but plan to do so in the future.

- **More strategic or advanced options are far from mainstream at the moment.** The adoption of other types of social media, including blogs and message boards, significantly varies. Adoption rates range from less than one-fourth to nearly half. The wide variance shows that some companies have grasped the importance of these other platforms, while others have not. Their adoption in the future is also uncertain. Fewer than half of those surveyed plan to use blogs, and a much smaller proportion plan to use message boards.

While adoption rates of various social media platforms vary, the main focus of those platforms remains fairly consistent: pushing information to consumers. Among the companies that use a wide variety of channels, some common trends are noted:

- **One-way communication is still the default.** Although the nature of social media may lead to the assumption that these channels are being used to interact with consumers, findings of the pilot study indicate otherwise. With only a few exceptions (e.g., shopping, ratings, and review sites), the most common reason cited by companies for using social media channels is to publish company information about products and services.
Usage is centered on Facebook and Twitter. Pilot study data suggests companies are most comfortable using Facebook and Twitter. The majority of companies using these channels do so for customer outreach. Usage rates drop to nearly one-third for providing ratings and review sites or message boards.

Comments may be answered, but are not noted or solicited. Nearly half of companies surveyed indicate they respond to comments, regardless of whether they’re positive, negative, or neutral. However, fewer than half of companies use the information on social media sites for research, and an even smaller proportion solicit feedback from consumers on the social media sites they manage.

It is evident that companies are all over the map when it comes to implementing social media, as well as doing so in a strategic manner. Even those companies that report having multiple touch points aren’t using them to their full capability. The initial reflex appears to be using social media in ways in which companies feel comfortable to push content versus actually engaging with consumers. The value of social media is in the experience it provides consumers and the information it provides to companies, while also strengthening the relationship between the two. Initial data from the pilot study indicates that most companies are not capitalizing on the information that consumers are providing via social media channels. Fewer than half of companies surveyed use content found on social networking sites for research purposes, and slightly more than one-third use information from microblogs.

Determining Where Companies and Consumers Meet in Social Media

With consumer and business social media usage all over the map, one may ask where the two might meet. At first glance, there may seem to be some basic alignment. The most widely adopted type of social media among consumers is social networking sites, which is also the most widely adopted type of social media by companies. However, there are gaps. For example, when it comes to interacting with companies on social network sites, consumers most often seek deals, while less than one-third of companies provide deals on their social network sites. The same holds true with location-sharing services, of which nearly one-third offer deals. Using social media channels isn’t enough—companies must also use the channels to provide consumers with the information they’re looking for.

Another example of this gap is the amount of time it takes companies to respond to consumers who have reached out to them via social media. Initial pilot study data shows that the optimum break point is responding to consumers within 6 hours of their initial contact. However, the average response time of companies that participated in the survey for this study is more than 7 hours.

So, is anyone getting social media right? For the pilot Social Media Usage Study, J.D. Power asked consumers to identify which companies they think perform well in social media. This query supports the fact that there is no cohesive approach to social media, as the companies that consumers listed varied widely. Even among those companies that received numerous...
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mentions. (Apple, Amazon, Coca-Cola, Ford, and WalMart received the highest numbers of mentions), consumers listed a variety of reasons why they thought the companies they cited use social media well. While there is no one specific reason consumers mentioned, what might be even more telling is that most consumers don’t seem to differentiate social media as a separate experience. Instead, the initial comments suggest they view social media as part of the whole company experience, a fluid movement between advertisements, promotions, and service engagements.

Among consumers who cite Apple as a company that uses social media well, Apple’s advertisements were specifically mentioned. It may seem surprising that consumers would cite advertisements, especially when considering that social media is about engagement, not pushing advertising. Apple uses one of their Facebook pages (the App Store page) to feature advertisements for various apps. The difference is that these ads offer dynamic content for fans while also driving traffic to the App Store.

Apple Uses Facebook to Advertise Its Apps

Figure 6
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Many consumers indicate they are fans of Coca-Cola’s use of social media, and specifically mentioned the brand’s use of social media for prizes and rewards. While Coca-Cola as a brand is a prolific user of social media, their My Coke Rewards program has its own social media presence. Fans can follow the program on Twitter or engage on Facebook, where they are offered special deals and can also enter their promo codes directly through the site. The Coca-Cola team is very responsive to online consumers, answering questions quickly. Additionally, the multichannel messaging keeps My Coke Rewards members engaged and waiting for the next promotions.

Coca-Cola Uses Facebook to Engage Fans of the My Coke Rewards Program

Figure 7
Ford is another company that received a number of mentions from consumers. However, consumers citing Ford, more than for other brands, did not identify one specific reason why Ford stands out. Some consumers mentioned Ford’s responsiveness and courteous nature in reaching out via social media. Others noted Ford’s expansive presence across channels, as well as the frequency with which they provide information. One consumer even mentioned how Ford incorporated consumer comments and blogs into their advertisements. However, this variance isn’t a negative. Consumers indicate that Ford makes them feel like they have the information and access they need and that they are being listened to. This demonstrates a unique balance.

**Ford Uses Twitter to Provide Consumers with Product Information**

![Twitter Feed](image)
Conclusion

The data from the pilot Social Media Usage Study supports the concerns J.D. Power has been hearing from its social media clients. Clearly, companies are taking a variety of approaches to implementing social media practices into their marketing and customer service strategies. The good news is that consumers do recognize some companies as using social media effectively, and not necessarily because the company answers every single tweet or Facebook post. Instead, consumers respond well to companies that effectively deliver the information they’re seeking. In some instances this means offering rewards and promotions, while in other instances it may be advertisements or answering questions or comments. However, consumers don’t single out social media as a separate experience with a company. Instead, they expect social media to be a fully integrated and seamless part of the overall brand experience. However, companies that take a fragmented approach to social media are not leveraging the opportunities it provides, and demonstrates why the topic needs to be explored more deeply.

This pilot study has begun to uncover the differences that exist between consumers’ expectations regarding the use of social media in engagement with companies and the reality of what companies are currently providing. Additionally, study findings show that there are differences in expectations and realities among industries, another indication that a blanket approach to social media won’t work. J.D. Power has begun to identify specific best practices, or KPIs, around using social media as a service that, when achieved, may lead to higher satisfaction. However, all of these items warrant deeper exploration in a full study on social media. While the list below includes important questions that need to be examined, J.D. Power welcomes companies’ input for additional questions that they think should be added.

“Consumers don’t single out social media as a separate experience with a company. Instead, they expect social media to be a fully integrated and seamless part of the overall brand experience.”
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Questions to Explore in a Further Social Media Study

<table>
<thead>
<tr>
<th>What are the best examples of social media use, and why do they stand out?</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do companies need to staff to meet those information expectations?</td>
</tr>
<tr>
<td>How do companies stack up against each other in social media use?</td>
</tr>
<tr>
<td>How do companies staff to a use social for service channel?</td>
</tr>
<tr>
<td>What are the best practices for using social for service?</td>
</tr>
<tr>
<td>What are the biggest social media opportunity areas for companies?</td>
</tr>
<tr>
<td>How much information do consumers want, and via which channels?</td>
</tr>
<tr>
<td>Which channels and which types of information are most important in each industry?</td>
</tr>
<tr>
<td>How can companies track their performance using a social for service channel?</td>
</tr>
<tr>
<td>How does social media failure affect consumers’ perceptions of a company?</td>
</tr>
</tbody>
</table>

J.D. Power and Associates would like to further explore and understand social media usage and integration, and solicits the help of companies that would like to participate in the process. Please contact the Consumer Insights Group through your J.D. Power account executive with any social media-related questions your company is struggling with or to share your company’s success stories in this communication channel. By understanding the challenges companies face on a daily basis, J.D. Power will be able to develop solutions to meet those needs.