

The Case for Social Media Feedback Management

In response to overwhelming demand, Allegiance Inc has prepared this document to serve as a resource for those looking to justify the budget and resources needed to add social media monitoring to their existing customer feedback / market research programs. All the organizations and corporations listed herein are trademarks of those respective companies.

A Case Study: Will the customer feedback found in social media really help drive revenues?

In 2009, Domino's Pizza had a problem. Pizza deliveries were down 6% compared to 2008 and although they ranked first in convenience and price, they finished dead last in Brand Key's consumer taste preference testⁱ. Consumers complained about their 50-year-old recipe stating that their crust tasted like cardboard and their sauce tasted like ketchup. Ironically social media made their problems worse when an infamous video hit YouTube of Domino's employees doing disgusting things with the pizza ingredients. However, changing their core product was risky. The only other major brand to change their core product in recent memory was Coca-Cola – a change which had to be undone due to a consumer revolt.

Domino's embraced social media by using sites like YouTubeⁱⁱ, Facebook, Twitter (hash tag #newpizza) and other venues to solicit feedback about their new formula. They even invited their biggest food blogger antagonists to give public feedback about the change in formula. The feedback was made famous with a series of TV commercials where the negative comments were read to company employees and executives on camera.

The results? In March 2010, they reported that US sales actually grew by 1.4% while overseas sales grew 3.9%, representing \$23.6 million in profits. Earlier in March their stocks shot up 5%ⁱⁱⁱ.

Times have changed. Social media contains customer feedback that you cannot solicit in surveys.

We're not suggesting you dump your survey programs. But consider the following:

Consumers spend nearly as much time watching TV as they do on the Internet. And what are they doing online? Increasingly, they are researching purchase decisions (97% of consumers^{iv}). The vast majority of consumers now trust product reviews over corporate marketing. And there are a lot of reviews to choose from. 73% of consumers post product or brand reviews on sites like Amazon.com, Facebook, or Twitter and 52% of consumers blogged about a brand's product or service^v. Compare this to the number of your customers who actually take time to fill out your surveys. Research shows that on average, only 4% of your dissatisfied customers will take the time to fill out a survey.

Domino's Grew Sales by 1.4%

Using customer feedback found on social media and focus groups, Domino's grew sales by 1.4% (US) and 3.9% (International) representing \$23.6 million in profits.

Social media allows you to influence the customer experience. How important is this? 65%^{vi} of consumers had a digital experience that changed their opinion about a brand. Of that, 97% of consumers reported their online experience influenced their purchase decision and 96% were likely to recommend the brand to their friends^{vii}. Building on this, 64% of consumers report making a first purchase from a brand because of a digital experience^{viii}.

Technology has changed your customer. Your customer will change your company. The CMO Council reports that 58% of marketing executives say that the Internet and social networks have changed customer expectations for their brand^{ix}.

Capturing the feedback found in social media is no longer a luxury. It's a competitive advantage.

25% of companies are already using Twitter for customer feedback and 27% of companies are using Twitter for customer service^x. Econsultancy reports that 86% of companies are spending more on social media in 2010 than in 2009^{xi}. By the end of 2010, virtually all chief marketing officers plan to incorporate a broader range of customer content sources including customer reviews (59% increase) and Twitter (407% increase) to influence product decisions^{xii}.

As demonstrated with the Domino's example above, social media is entering the realms of legitimate ROI. The CMO Club reports that 81% of chief marketing officers expect to link up to 10% of their annual revenues to their social media investments in 2010^{xiii}.

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While 4% of dissatisfied customers will fill out a survey, 73% will post product or brand review online.

Allowing your employees to leverage social media will not destroy productivity.

Consider the following:

Research shows that 89% of US and global employers say they have NOT been negatively affected by granting access to social media^{xiv}.

Conclusion:

Social media is now part of the customer feedback and market research worlds and the feedback found therein is important for creating a sustainable competitive advantage. You are more likely to find defecting customers in social media than with a survey – thereby giving your company a greater chance to rescue and up-sell / cross-sell that customer. There is now sufficient evidence to show that adding the feedback found in social media to your existing feedback / market research programs can directly link to company revenues.

About Allegiance, Inc.

Allegiance, Inc. offers next generation Voice of the Customer (VOC) and feedback management software to help organizations grow customer and employee loyalty and engagement. The Allegiance Engage Software platform facilitates survey creation and gathers responses and unsolicited comments in real-time into a centralized online system, saving time, effort and money. Allegiance solutions measure customer and employee engagement, revealing precise actions to grow engagement and increase revenue. Allegiance Enterprise Feedback Management (EFM), predictive analytics, and professional services combine to help businesses capitalize on engagement. In 2009, Allegiance was ranked 58th on the list of the 500 fastest growing, privately held companies in the U.S. by Inc. Magazine. For more information about Allegiance, visit <http://www.allegiance.com>. To register for the Allegiance Engage Summit 2010, visit www.engagesummit.com

Foot Notes

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Marketing Charts:

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25% of companies already use Twitter for customer feedback.

For more information, visit www.allegiance.com.
To demo a product or contact Allegiance sales, call 801.617.8000.

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