



# The Economics of the Socially Engaged Enterprise

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## The Top Line

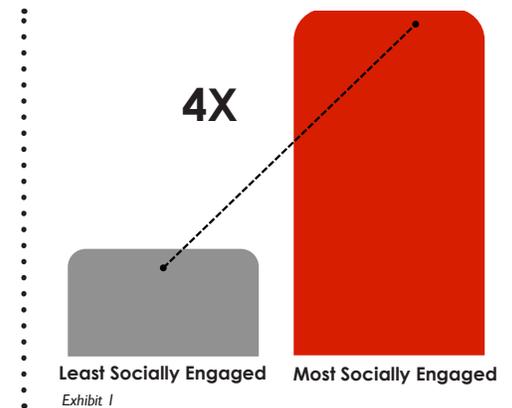
- **4 Times Bigger:** Companies that fully embrace social engagement are experiencing four times greater business impact than less-engaged companies.
- **3-5%:** The average return on social engagement was calculated to be between 3-5%. The most engaged businesses are reporting a calculated 7.7% business impact. The lowest performers achieved a 1.9% estimated return.
- **Top Two:** The top two areas where executives thought social engagement had real value were improved marketing and sales effectiveness (84%) and increased sales and market share (81%).
- **Top Three:** Executives defined social engagement today as online listening (28%), blogging (24%) and building relationships with online influencers (21%).
- **57%:** Big-return companies crowdsource new products (57%), or let customers participate in developing ideas. In fact, they are predicting a significant portion of new products will be derived from social engagement insights in the future.
- **2/3:** Two-thirds of the organizations achieving the highest returns reported that their C-suites are active advocates of social engagement.
- **Wide Reach:** The most successful companies extend social engagement beyond marketing and communications to sales, product development and other functional areas to generate greater business impact.
- **Top Metrics:** The research indicates that benchmarks (33%) and key performance indicators (30%) will be the top approaches for measuring social engagement in the next two years.

## Can You Take a Punch?

Our new research, conducted in conjunction with The Economist Intelligence Unit, shows that companies that fully embrace social engagement are experiencing four times greater business impact than less-engaged companies. Four times. (See Exhibit 1)

Those companies – we call them socially engaged enterprises – have a number of shared qualities. For example, they can take punches - negative customer and constituent comments don't faze them. And that's not all the leaders can do. Leading socially engaged enterprises have the following overall qualities:

- Leaders have a 7.7% average business value return on engagement (vs. 1.9% for the least engaged)
- The C-suite is the strongest advocate of social engagement
- Advocates exist in several departments beyond marketing
- Engagement is unboxed; it breaks down walls between company and customers and goes well beyond listening
- Brand reputation is a relatively low-priority reason to engage – there is more focus on sales and product development
- And of course, leading engaged enterprises can take a punch; they are comfortable with negative comments



## The Six Profiles of Socially Engaged Enterprises

After analyzing the research, we identified six different types of socially engaged enterprises. Some are investing a lot in social engagement; others are investing only a little. Some are seeing big returns and some aren't. Some companies may be content where they are. Many more won't be. In the second half of this paper, we explain each of the six profiles and what our research tells us about what they're doing well and where the areas of growth for them are.

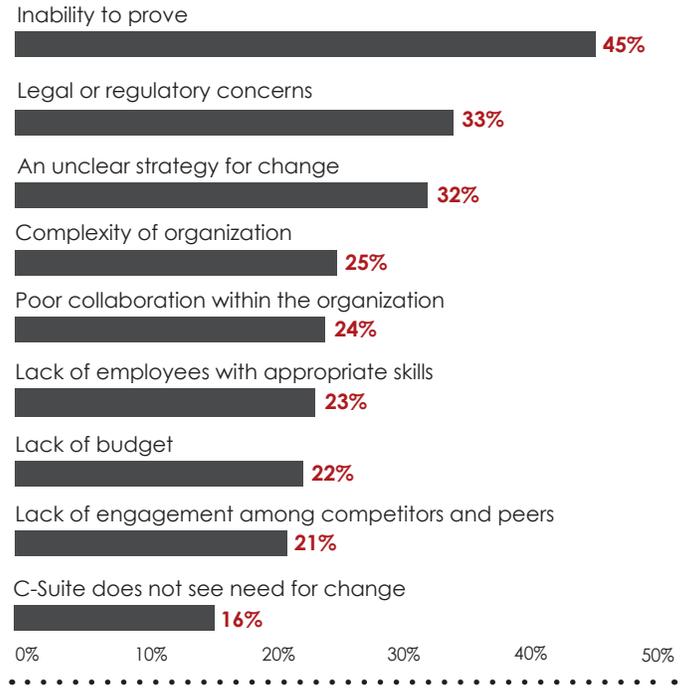
**But First, Let Us Show You the Money. And the Plan.**

Our research shows three big reasons companies haven't fully embraced social engagement. 33% have legal and regulatory concerns. 32% don't have a plan for online engagement. And 45% aren't sure there is economic value to social engagement. (See Exhibit 2)

The research knocks out these concerns. There is real economic value. The average return on social engagement is three to five percent. The most engaged businesses are reporting a 7.7% economic benefit specifically from social engagement. There are ways to build engagement that increase value and also comply with regulations (Think internal engagement with employees first vs. external engagement with customers). And we know what the most engaged companies are doing – so there's a clear path in terms of what companies can do if they want to increase their returns. But before we get there, let's take a minute to explain our numbers.

**What Are The Roadblocks To Deeper Social Engagement?**

Exhibit 2



**The Method: How We Arrived at Our Numbers**

We conducted Wave 1 of this research together with The Economist Intelligence Unit, which is part of the group that produces the Economist magazine and one of the foremost research and analysis resources in the world. Data consists of 328 interviews conducted in February 2012. Each person answered a 20-question survey. We surveyed:

- 157 C-level and 159 executive level management
- 168 companies with <1,000 on staff and 147 with 1,000+ on staff
- People from a variety of industries and job functions
- People in North America

**“We know that across industries, in companies of varying shapes and sizes, the leaders in social engagement are seeing real and powerful returns.”**

• The research generated a wealth of data and some clear patterns. We know that across industries, in companies of varying shapes and sizes, the leaders in social engagement are seeing real and powerful returns. We have looked closely at the answers both leaders and laggards have given us – and are sharing them here.

## You Have To Hear This

Here are the most important insights gleaned from our research.

### 1. The Economic Ratio Is 4:1. Which means...

Four to one is the ratio between big-return businesses and small-return businesses. Socially engaged enterprise leaders are getting a 7.7% return, vs. 1.9% for laggards, in terms of total business value.

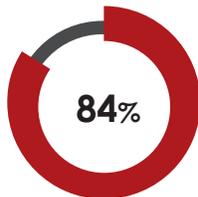
The gap between the big-return companies and small-return companies shows how important it is for companies not just to “engage” for the sake of engaging (or, more bluntly, for them to add a Facebook page and Twitter account and think they’re done). Companies need to develop a real plan for engagement, as well as develop the appropriate skills, tools, and knowledge. Unfocused or nominal engagement doesn’t bring in the big results.

### 2. Where’s The Upside Of Social Engagement?

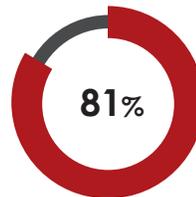
The top two areas where executives thought social engagement had real value were improved marketing and sales effectiveness (84%) and increased sales and market share (81%). (See Exhibit 3)

.....  
Exhibit 3

## Where Do Executives See The Greatest Benefits Of Social Engagement?



**Improved marketing and sales effectiveness**



**Increased sales and market share**

.....  
At least two-thirds (65%-84%) of people surveyed saw social engagement as valuable in marketing effectiveness; market share; improved production and service quality; brand value or stock value; partner collaboration; and speed to market.

This shows a great deal of potential for social engagement: there is a good range and a number of areas where it can be used to add value to a company.



## 5. Building a Better Ruler (Or, the Metrics)

In order for companies to know whether their investments are providing returns, good metrics need to be developed.

This will be more important in the future, as engagement spreads more deeply and widely through a company, there will be an increase in costs and more conversations about, or pressure on, when and where to invest resources.

It's critical to focus the measurement not on the number of Tweets or posts, but on the things that truly reflect engagement – value exchanged between company and constituent, where both benefit. The research indicates that benchmarks (33%) and key performance indicators (30%) will be the top approaches for measuring social engagement in the next two years. Today, companies are depending on executive intuition (27%) or are not measuring impact (28%) and this must change.

## 6. Who's Driving the Bus?

Fifty-nine percent of executives/managers interviewed say that young people, as employees and customers, will expect and value engagement; that's what is driving their engagement plans. Fifty-four percent say that their social engagement plans are driven by customer expectations. Only 29% saw engagement as strategic.

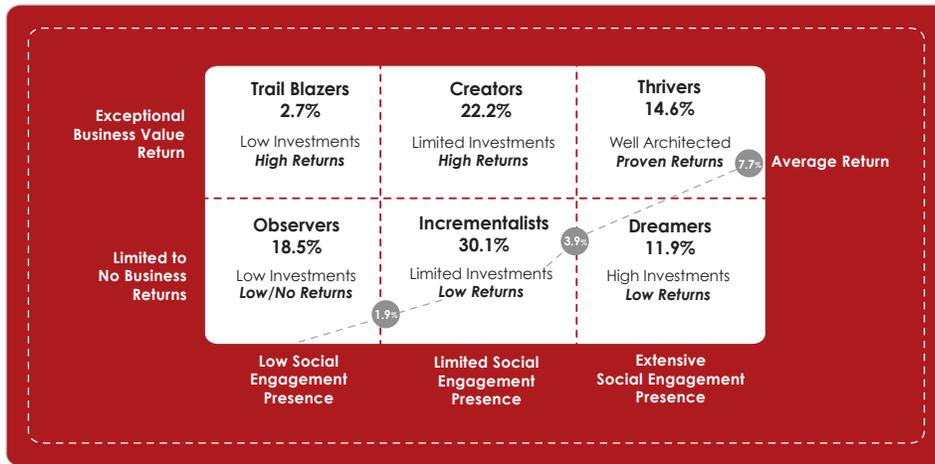
There's no doubt it's good for companies to be aware of what constituents want and to try to keep them happy. But to do something simply because it is expected is vastly different than seeing the power of new technology and looking for strategic ways to unleash it.

Companies have to push beyond a mechanical reaction to get the full value of social engagement. They have to think strategically and build long-term plans for long-term gains.

## The Six Profiles of Socially Engaged Enterprises

We analyzed the research and found that there are six basic profiles, in terms of how companies use social engagement. While different organizations are going to need and/or use different types of social engagement, each type of company also has specific steps it can take to improve its performance. You can find out more about each segment in the appendix.

### The Socially Engaged Enterprise



### This Research Helps Everything (or Nearly Everything)

On some levels, social engagement seems like it should be intuitive: listen to customers; when they ask for something, particularly a new product, give it to them; give value as well as gain it. These seem like such simple, easy to understand principles, much like all the simple precepts kids learn: tell the truth, play fair, be a good person. The problem with simple ideas isn't that they are hard to understand; rather, they can be complicated to implement in daily, real-life interactions.

The challenge of social engagement, in many ways, is figuring out the way to implement the simple precepts. Engagement tools are new and unfamiliar, which means people have to both understand and believe in the tools themselves, as well as the changes engagement brings to daily operations. They also have to develop ways to judge which tools are effective. Becoming a socially engaged enterprise is a process, and, like all processes, it takes time, understanding, and evaluation. This new research should help companies understand where they are, where they want to go, and how to evaluate when they get there.

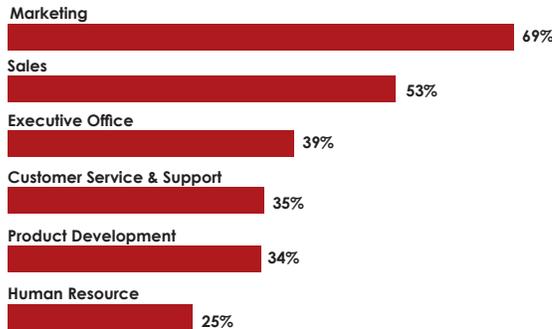
For more information on PulsePoint Group's Socially Engaged Enterprise, please visit our website at: [www.pulsepointgroup.com](http://www.pulsepointgroup.com)

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 Designed by Tishy Bryant  
 Moira Muldoon wrote and contributed to this paper.  
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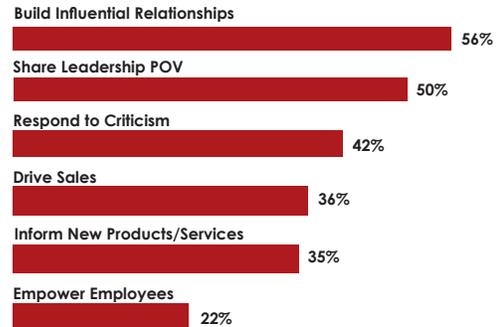
# Appendix

## Quick glossary and overall averages:

**“The Champion Is”** – In the case of each profile, we listed the company departments who are champions of social engagement.



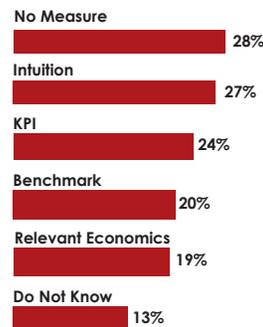
**“Engagement Focus”** – These are the types of social engagement that are most important to the companies in that profile. Some kinds of engagement are associated with a much higher impact than others.



**“Business Impact”** – This shows how much gain, on average, the companies in each profile reported and where the gain has come from (i.e., increased revenue vs. perceived brand value). We list only the top categories here.



**“Metrics”** – This shows how companies in the profile measure the business impact of social engagement. We list only key elements here.



## Dreamers

These companies are investing in social engagement, but the investments have been somewhat disorganized and reactive, and are getting poor returns as a result.

### The Champion Is:

- The C-suite comes in at a low 39%.
- Human resources (29%) and customer service (37%) are low.
- Sales (66%) and marketing (87%) are average to high.

### Engagement Focus:

- Building relationships with influencers online,
- Having leadership champion social media
- Quick response to criticism
- New products/services derived through crowdsourcing

### Business Impact:

- Increase in employee productivity 5.3%
- Perceived brand value 4.8%
- Decrease in the cost of recruitment 4.0%

### Metrics:

- Intuition 41%
- No measurement 21%
- Do not know 10%

**How to Improve Returns:** Product development and marketing understand engagement and its power. Focus on getting them to really use social tools and show others what can be done (overall belief in engagement is very low). Once product development shows how much they have learned through engagement, they should crowdsource new products and services.

## Observers

Observers are using some social engagement, but can be limited by regulations and compliance (e.g., pharmaceutical and financial services companies). They need to see clear results so that executives will commit resources to new and established social engagement programs.

### The Champion Is:

- Sales (26%) and marketing (46%) are the main champions, though they are weak ones
- C-suite is a weak champion (22%)

### Engagement Focus:

- Employee engagement, recruiting
- Online listening
- Developing ideas through social media discussions with constituents

### Business Impact:

- Increased employee productivity: 6.2%
- Decreased cost in recruitment: 5.9%

### Metrics:

- No measurement 49%
- Benchmark 18%
- Do not know 15%

**How to Improve Returns:** Keep listening. Then take action on the data and insights from that investment. Send key posts and insights from the listening center to PR, customer service, and product development so they can take action, as appropriate.

## Trail Blazer

Trail Blazers have had at least one great success with engagement, but overall, the commitment to engagement is low. They are using engagement largely in support functions, and are largely using tools that tend to be low-return. Expanding their focus could bring in higher returns. The C-suite is not yet onboard.

### The Champion Is:

- Customer support 50% (higher than average)
- Sales 44%
- Marketing 44%

### Engagement Focus:

- Online listening
- Developing ideas through social media discussions with constituents

### Business Impact:

- Improved operating margin: 14.1%
- Increased revenue: 13.1%
- Perceived brand value: 12.1%

### Metrics:

- Do not know: 22%
- Intuition: 22%
- Benchmark: 22%

**How to Improve Returns:** Take the success in social customer service and use those same tools in other areas, such as brand reputation and product development. Only 25% of the C-suite are advocates of engagement. They need to be persuaded to get onboard (benchmarking will help.)

## Creators

Creators have gotten a lot right, but given how many and how much people advocate for engagement, the return should be higher than it is. Creators have good overall social engagement and good plans – they get nearly as much value from internal engagement as external.

### The Champion Is:

- Advocacy is widespread throughout company - especially sales (60%), marketing (70%) and customer service (42%)

### Engagement Focus:

- New product developed through listening
- Responding quickly to criticism and opportunities

### Business Impact:

- Lowered recruitment costs: 9.1%
- Employee productivity: 8.9%
- Increased revenue: 9.4%
- Perceived brand value: 13.2%

### Metrics:

- Key performance indicators: 40%
- Benchmarks: 25%
- Relevant economic metrics: 30%

**How to Improve Returns:** Convince the C-suite to invest in new areas. Show them case studies of peers/internal teams who measure their success. Creators have a real measurement culture, as evidenced by the metrics already in place, so measurement is going to be especially persuasive.

## Incrementalists

Incrementalists use social engagement throughout the company, but more than half aren't sure of the economic value, and overall, social engagement lacks a champion. These companies use some forms of social engagement and earn some returns.

### The Champion Is:

- Marketing (72%) is right on the average of the companies interviewed.
- The C-suite is slightly better than average at 42%.
- Other departments are tepid.

### Engagement Focus:

- Building relationships with influencers
- Quick response to criticism
- Use of social media to drive sales

### Business Impact:

- Decreased cost of recruitment: 5.7%
- Perceived brand value: 5.4%

### Metrics:

- More than half (52%) of the engagement tools either have no measurement in place or the executives don't know if there are measurements in place.

**How to Improve Returns:** Build bigger, better, and more widespread support, especially in the C-suite. Use case studies to show how engagement can solve problems, both internal and external.

## Thrivers

Thrivers get social engagement and are using it effectively - they are the top performers. The goal for Thrivers is to continue to build on and sustain the success. Creating better metrics - especially ones that go beyond marketing - will help Thrivers.

### The Champion Is:

- Everyone. And the C-suite is first in line.

### Engagement Focus:

- Developing new products or services based on listening
- Empowering new employees
- Building relationships with influencers
- Responding to criticism quickly
- Leadership champions social media
- Using social media to drive demand and sales

### Business Impact:

- Decrease cost of recruitment (21.6%)
- Perceived brand value (18.7%)
- Increased market share (16%)
- Increased revenue (15.5%)
- Improved operating margin (15.2%)
- Increased employee productivity (14.6%)

### Metrics:

- Intuition (42%)
- Key Performance Indicators (35%)
- Relevant economic measurements (29%)

**How to Improve Returns:** Because Thrivers are already using so many engagement tools well, they can move on to developing, testing, and delivering new products/services. Better metrics are needed, especially for non-marketing areas such as HR and product development.