# How Web 2.0 Is Transforming CRM

Leveraging Social Media to Improve the Customer Experience

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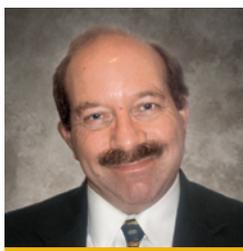
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With the advent and rising popularity of Web 2.0 technologies, companies are now marketing their products and services to an increasingly savvy customer base (see sidebar). Customers today are taking greater control of their own consumer experiences.

We've seen some companies approach Web 2.0 with reservations. They see little value in it, believing that its potential downsides — bad press and harsh product reviews, for example — outweigh any possible benefits. But others view Web 2.0 as an opportunity to grow closer to their customers, better understand customer needs, and empower these customers to influence their company's strategy. This, in turn, opens the door to improved customer service, enhanced customer loyalty, and better customer advocacy.

The fundamentals of business aren't changing: Managing and strengthening customer relationships is still a fundamental strategy for any company. It's the methods and tools for enhancing those customer relationships that are evolving. Web 2.0 enables:

- Influential customer communities that would not have otherwise existed

- The identification of new problems and solutions by members of these communities

- Uniquely accelerated interactions among customers, partners, and employees

- Altered — and often enhanced — relationships between a company and its stakeholders

SAP understands the vast and emerging opportunities that Web 2.0 presents for customer relationship management (CRM). We're embracing Web 2.0 technologies to bring greater agility and ease of use to our CRM software. We're leveraging social computing to build our own CRM community. And we're building new Web 2.0-based CRM applications, providing a collaborative, interactive foundation that will help our customers achieve long-term success.

Explore All Your Web 2.0 Options

The term "Web 2.0" encompasses a set of new technologies — such as wikis, blogs, mashups, and social networking sites — that dramatically improve Internet content usability. Web 2.0 technologies have led to a dramatic increase in community-based collaboration and a proliferation of social media (see figure at right). As a result of its rapid adoption, Web 2.0 is transforming the way companies do business, as well as the role that customers play in influencing products, services, and corporate strategies.

A Web 2.0 architecture harnesses individual participation to create network effects. Consider a company that uses online forums to monitor customer reactions to its new product. The company can then use this indirect feedback to improve

Social media supports a fundamental shift in the ways people communicate and collaborate

Web 2.0 / Social Media

that product. New communities of customers are dramatically influencing company activities and reputations, obtaining product and service information more rapidly from people they trust, and participating more directly in product development.

The many avenues of Web 2.0 provide opportunities both for community collaboration and for content usability.

The Forces Driving CRM's Transformation

Why are Web 2.0 technologies particularly important for CRM? There are several reasons. But at the core is the idea that, when used correctly, Web 2.0 can improve the relationship between a company and its customers. After all, the companies that are able to sustain success are those that build their businesses around their customers, and Web 2.0 technologies can greatly enhance a company's ability to develop such a customer-centric enterprise.

Through the greater insights and collaboration that Web 2.0-based community development provides, companies can better orchestrate processes across the entire ecosystem of internal staff and external resources, suppliers, and channel partners – delivering a superior customer experience across all touch points. Moreover, companies can gain insights and interact with their markets in new ways, allowing them to reinforce and improve their brands.

Software vendors are just starting to grasp the game-changing possibilities of Web 2.0, and commercial firms are only beginning to understand its potential to enhance profitable growth. But before companies begin weaving collaborative technologies into their CRM strategies, it's important that they recognize some of Web 2.0's driving factors.

Customers' Changing Expectations

The latest generation of consumers – often referred to as *millennials* – have grown up using digital technology, and they have new expectations about how to learn, work, and interact. They are multitaskers who blend their personal and work lives, and they believe that collaboration is key to success. Additionally, the habits of these millennials are influencing those born earlier, including GenX'ers and baby boomers – referred to as *digital immigrants*.

The millennials use collaborative Web 2.0 technologies naturally and expect the companies that they interact with to do the same. They want to do business with organizations that will act as facilitators of conversations and creators of Web 2.0 communities.

In all, we have seen a general increase in *social customers*. Now more than ever, and regardless of their generation, customers are talking to each other even when companies don't provide a venue to do so. They will reach out to independent communities where they can fully collaborate with other customers – and perhaps even competitors.

Companies must be mindful of the growing power of these social customers. In the past, companies could carefully craft their brand image through traditional media such as television and newspapers. But they cannot control what is now being said about them in blogs, wikis, and social networking sites. Consumers are leveraging tools such as Digg and del.icio.us, as well as social networks such as MySpace and Facebook, to exchange information about companies and their products – and they are even identifying and solving problems without company involvement.

To keep pace with customers, companies need to fulfill the expectations of this new consumer base. Consider an electronics company that targets a younger audience for its latest music player. In the past, packaging an instruction manual and including limited phone support might have been considered satisfactory. Today, consumers are looking for other avenues of customer support. They want to visit a chat forum where they can ask questions in real time. Or they want to find a user community in which they can exchange ideas with other customers. To be successful in the face of such expectations, companies should create these consumer environments, allowing customers to share ideas not only with each other, but with the company as well.

The Need for Heightened Customer Awareness

Savvy companies have also realized that they can use Web 2.0 technologies to heighten the customer-centricity of their organizations. These companies

Considering How to Take Advantage of Web 2.0? Ask Yourself…

- **How can my company harness the value of social networks for our employees, our partner network, and our customers?** It's important to identify in which areas Web 2.0 can best help you align with existing strategy or influence new strategy, rather than just jumping onto every Web 2.0 trend and hoping that it will work for your company.

- **What are my company's concerns about social networking?** There are significant benefits to Web 2.0 technologies, but identifying potential concerns (such as relinquishing power to customers or losing control over branding) and proactively resolving them is crucial to ensuring that your company wholeheartedly embraces the idea.

- **To what extent are my competitors adopting Web 2.0?** If you're not the first company in your industry to start using social media technologies, consider what your competition has done in this space – perhaps you can figure out how to improve upon their processes.

- **To what extent is our employee population advancing or hindering Web 2.0 developments?** For companies looking to use internal Web 2.0 processes, consider how you can best respond to employee preferences.

view social media as a game-changing opportunity to transform the way they look at CRM. And it doesn't matter what industry a company is in. For example:

- A credit card company could use Facebook to find out what college students want in a credit card and design new services based on that input.

- A large bank could establish several blogs to provide customers with information about student loans, personal financial management, commercial products, and so forth, making it easy for potential customers to research and contact them.

- A PC manufacturer suffering from some harshly negative consumer postings could provide online forums that allow customers to influence and improve its products and services.

These are all great examples of opportunities for companies to collaborate with their customers to solve problems — and they all demonstrate the enormous opportunity that Web 2.0 presents for CRM.

How SAP Is Embracing Web 2.0 for the Benefit of Its Customers

For some time, SAP has recognized and been responding to the Web 2.0 phenomenon — by building Web 2.0 into our own business and by developing functionality to help our customers do the same. At SAP, we're focusing on Web 2.0 capabilities in three ways.

#1: Using Web 2.0 to Improve Ease of Use and Productivity in SAP CRM 2007

SAP is integrating Web 2.0 capabilities into SAP CRM 2007 to make the solution more user friendly and intuitive. For example, companies can personalize the SAP CRM user interface to meet the needs of

business users in sales, marketing, and service — providing navigation similar to that of many popular Web sites with drag-and-drop functionality, content syndication, and rich content presentation. Using AJAX-enablement, we've embedded analytics within applications, allowing the use of graphical views to filter and further analyze data (see **Figure 1** for a pipeline performance management example).

We've also facilitated mashups to syndicate content from external sources, such as Yahoo Finance, and present it in the context of customer information, allowing users to take advantage of Web 2.0 concepts directly from their desktops.

#2: Practicing What We Preach: The SAP Community Networks

SAP has itself been implementing Web 2.0 capabilities to connect and collaborate with our customers and partners. We're gaining a deeper understanding of customer needs and requirements — and enabling customers and partners to interact more closely.

SAP started building a community network in 2004 with the launch of the SAP Developer Network (SDN; **www.sdn.sap.com**). About two years later, we added the Business Process Expert (BPX) Community (**www.bpx.sap.com**), which shares SDN's platform. While SDN focuses on SAP NetWeaver topics, the BPX Community centers on business processes and SAP business applications, such as SAP CRM.[1]

The BPX Community has been immensely popular — it had 500,000 members and over 100,000 CRM-related discussion forum contributions within six months of its inception. Customers can use these forums to exchange information about their SAP implementations and experiences. For example, you can find blogs covering best practices, upcoming events, and thoughts on new functionality.

With the BPX Community, we provide a collaboration platform that includes tools to publish content, create discussion forums, post blogs (including a highly popular video blog format), and build wikis. Setting up such a communication and support channel not only supports SAP customers looking to interact with other users, but also helps us secure feedback from our community. The BPX Community is a new way for SAP to get closer to our customers, build better products, and improve the overall

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FIGURE 1 ▼ This pipeline performance management tool has become highly interactive with the use of Web 2.0 technology — for example, clicking on the graph causes the data to refresh

[1] For more information, see Mark Yolton's "The Top 8 Things You Didn't Know You Could Do Through SDN and the BPX Community" in the April-June 2007 issue of *SAP Insider* (www.SAPinsideronline.com).

customer experience. Community members and industry thought leaders have praised the BPX Community – reaffirming how Web 2.0 developments can truly transform the customer experience.

#3: Building New Web 2.0-Centric Applications

SAP's vision for future SAP CRM applications involves building Web 2.0-centric applications from the ground up. To enable companies to enhance their market insights and customer experience, we'll provide functionality that combines unstructured information – from blogs, wikis, and social communities, for example – with structured information, such as customer orders and service tickets, that is traditionally part of a CRM application.

We will also provide the ability to deliver CRM functionality on new social channels, such as Twitter and Facebook. Here are some capabilities we are planning for future releases of SAP CRM:

Customer Service: We will provide companies with capabilities to monitor the conversations in social communities like Twitter and react appropriately. We have a rules-based text analytics engine that can determine the general sentiment of text blurbs. It can be configured to parse these blurbs into various categories, such as "strong negative," "negative," and "neutral." The system can then react to the discussions in social media forums and create customer service tickets to respond to these conversations. The system will overlay these social analytics with operational analytics to give customer service organizations a complete picture of their performance.

For example, the upcoming CRM analytics dashboard will display the number of service tickets created in a particular week in response to social media conversations – thereby alerting customer service representatives of trends. SAP will also deliver functionality to enable companies to harness the collective wisdom of online communities. This will enrich a company's knowledgebase and enable the

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monitoring of conversations in those communities to ensure prompt reactions to customer feedback.

Marketing: Future releases of SAP CRM will enable marketing professionals to launch promotional offers on social channels like MySpace and Facebook. We will deliver CRM widgets that can run on these social networking sites to allow companies to leverage viral marketing to increase revenue and improve brand awareness and customer advocacy.

Sales: We are planning capabilities that will provide sales professionals with the information they need to appropriately qualify leads and prepare for sales calls – including news from the Web, personal profiles, and connection information from prominent social networking applications such as LinkedIn. The future releases of SAP CRM will also give sales teams access to the most appropriate content and collateral for their specific selling context, and will connect sales teams with appropriate subject matter experts that can aid in closing deals. We'll provide sales a direct channel for relaying feedback to marketing regarding the quality of campaigns and leads, thereby facilitating improved collaboration in marketing efforts and boosting overall lead conversion rates.

We plan to regularly enhance our traditional customer service, marketing, and sales capabilities as well. Our strategy is to extend these traditional approaches with social media channels to enhance the customer experience and drive greater transparency between an enterprise and its customers.

Conclusion

Web 2.0 is transforming CRM: It is enhancing the central role customers play in influencing a company's products, services, and strategy. And with the entry of millennials into the workforce, the adoption of Web 2.0 is accelerating. Forward-thinking companies are embracing the opportunities Web 2.0 provides to make their organizations more customer-centric.

Web 2.0 concepts are also permeating aspects of SAP's CRM activities – from how we imbue our own products with greater usability to how we market them through new channels. SAP is committed to leveraging Web 2.0 advances to help our customers enhance value for – and improve interaction with – their customers. We're working to ensure that future releases of CRM software will include the functionality our customers need to do the same. For more information, please visit **www.sap.com/crm**. ◼