

# Unlock the Potential:

**Best Practices for Using Social Networks  
to Grow Your Business**



## Executive Summary

*An increasing number of companies are using social networks to communicate with customers and prospects in order to improve customer service, expand the reach of their brands and build competitive advantages.*

Web 2.0 technologies, particularly social networking, have been adopted by millions of people worldwide as a tool for communicating and collaborating. Social networks generate large volumes of content in the form of user reviews, ratings and discussions, on which other members rely when making their purchasing decisions. Companies are incorporating these technologies into their businesses as a way to interface with customers in order to improve customer service, market their brands more effectively and build lasting competitive advantages.

In order to successfully use social networks to grow their businesses, companies must follow a few best practices and some common sense. Success depends on a company's ability to gain the trust of the community. In order to build trust, companies must engage in open and honest communication, stay involved in the relationships that develop and adapt their strategies to reflect the preferences of community. Participation in social networks an part of a larger strategy to communicate with clients will yield long-term benefits in the form of improved customer retention, broader brand recognition, and an insight into future opportunities.

## What are social networks and why do they matter?

*Social networks allow members to quickly and easily share information, which gives social networks the power to change public opinion.*

The term “Web 2.0” refers to a group of Internet technologies that enable collaboration and communication. It does not refer to a new Internet, but rather to a new way of using the Internet. It signifies the transition from an Internet of static, one-way communication, to an Internet of interactive, two-way communication.

Among these Web 2.0 technologies is social networking. This technology allows people to communicate, share knowledge and build relationships with others. In the United States, over 40 million people actively engage in social networking.<sup>1</sup> The largest of these networks boast global membership in the millions and are among the most visited sites in the world, as shown in the figure below.

**ALEXA GLOBAL TRAFFIC RANKING: SOCIAL NETWORKS<sup>2</sup>**

RANK	WEBSITE	RANK	WEBSITE
3	YouTube.com	19	Hi5.com
6	Myspace.com	39	Flickr.com
7	Wikipedia.org	40	Friendster.com
8	Facebook.com	41	Skyrock.com
11	Orkut.com	47	Craigslist.org

The popularity of social networks will continue to grow exponentially as new members join. Each new member adds her knowledge to the network, which increases the value of the network for all the other members. The combined knowledge of thousands is a valuable and persuasive source of information, which many find as reliable as professional reviews. That knowledge is also valuable to companies trying to understand and influence public opinion. Companies that participate in social networks to communicate with their customers and prospects will be better able to improve customer service, expand the reach of their brands and build competitive advantages.

<sup>1</sup> NetPop Research LLC, “Social Networkers US: Who they are and what they mean for next generation advertising” (2008).

<sup>2</sup> Alexa.com Global Traffic Ranking as of January 30, 2009.

## What can social networks do for my business?

*“The most valuable aspects today are providing a means for customers to have a direct dialogue with us. This provides benefit to both parties. If we get something wrong, our customers let us know very quickly and they expect to know when we are going to address it. This rich dialogue also brings us ideas and suggestions on future product developments, which is extremely valuable.”<sup>3</sup>*

According to a 2007 McKinsey Global Survey titled “How businesses are using Web 2.0,” 70% of the executives surveyed use a combination of Web 2.0 technologies to interface with their customers. Over 40% of executives surveyed by McKinsey already invest in social networking and collective intelligence technologies (which are often embedded in social networks) and nearly 50% identify these technologies as being in the top three technologies that are most important to their business. As the research shows, companies that use social networks to communicate with customers are able to:

### **Improve Customer Service**

Engaging customers in conversation provides valuable insight into what customers think and expect. Companies that use social networks (among other Web 2.0 technologies) to address customer complaints, to communicate plans for improving products or services, or to simply check on customers are able to improve customer service and retention. In fact, a recent Aberdeen Group study found that over 80% of the best-in-class companies surveyed realized year-over-year improvement in customer retention as a result of employing Web 2.0 technologies.<sup>4</sup> This success is largely due to Web 2.0 technology enabling companies to quickly identify and react to customer feedback, and continue to foster a dialogue with their customers. Also, opening an additional channel through which customers can address their concerns fulfills a basic principle of good customer service – give your customers as many ways to reach you as possible. Placing those channels in places where your customers are likely to find them greatly improves the chances that those channels will actually be used. A company’s commitment to its customers is reflected in the steps it takes to solicit feedback from them, and in the way it responds to that feedback.

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<sup>3</sup> McKinsey & Company Global Survey, “The McKinsey Quarterly: How businesses are using Web 2.0” (January 2007).

<sup>4</sup> Aberdeen Group Benchmark Report, “Social Media Monitoring and Analysis: Generating Consumer Insight from Online Conversation” (January 2008).

### **Market Effectively and Cheaply**

Engaging customers and prospects in conversation also creates a unique marketing opportunity. Building and maintaining multiple channels of communications allows companies to announce new product offerings, promote special events and test market responses at a fraction of the cost of traditional means. Information travels by word-of-mouth in social networks, which means that dissemination of information happens quickly and cheaply. When it does, it also tends to come across as more credible because it takes the form of a personal recommendation rather than a marketing pitch. Well-managed marketing messages have the tendency to reach a far broader audience, in a much shorter span of time and have a more measurable impact than messages transmitted using traditional media channels. Best of all, the aggregation features that most social networks provide allow companies to keep track of how the market is responding to their marketing campaigns and adjust their strategies in real time.

### **Build Competitive Advantages**

Good customer service, loyal customers and thoughtful innovation are some of the competitive advantages that can be achieved through proper utilization of social networks. Companies that actively engage in conversations with customers are in the best position to quickly realize these advantages and are better able to steer their businesses in a profitable direction. As a company gains a reputation for good customer service and insightful messaging, it will continue to distance itself from its competitors. The savings achieved from using social networking can be reinvested in product development and on further improving customer service. In addition, companies that monitor public feedback about their competitors can better differentiate themselves in the marketplace and proactively target and win customers away from their competitors. Properly utilized, social networks can help companies build lasting competitive advantages.

## Best practices for using social networks

*In order to successfully leverage social networks companies must build trust by engaging in open, meaningful and genuine communications with customers and prospects.*

The popularity of social networks is largely attributable to the fact that the technology caters to a fundamental human drive to be social. As is the case with all human interactions, these networks developed a series of informal rules that define acceptable behavior. These rules are designed to build trust, without which social networks would fail. With the following best practices, and a little common sense, companies can successfully leverage social networks to grow their business.

### **Build Trust**

Social networks are based on trust. Traditional gauges of trustworthiness such as body language and tone are not available online. Social networks adjusted to this challenge by developing informal rules and a variety of tools to measure trust. Friendships, group affiliations, commenting, profiles and community censorship are all examples of these tools. Companies must understand these tools and use them appropriately. In order to build trust, companies should be transparent about their identities, their affiliations and their intentions. Companies should give people the opportunity to communicate freely and not attempt to alienate or discredit individuals. Over time, these actions will reinforce a company's commitment to the success and satisfaction of its customers.

### **Embrace the Good and the Bad**

Opening communication channels is the reason companies should participate in social networks. We all hope that the feedback that these channels deliver is positive, but sometimes it may not be. It is easier (and much more pleasant) to focus on positive feedback, but companies who only focus on the positive do so at the risk of missing a unique opportunity to improve. Positive feedback should be encouraged and acknowledged publicly; it should also be studied and leveraged. The same is true for negative feedback. Use negative feedback to identify areas for improvement. Take advantage of the opportunity to communicate with customers, even if your attempts to reach them fail. Follow up on specific feedback and provide updates if appropriate. Be prompt and open in your responses. Encourage all feedback – good and bad – learn from it and be ready to act. Doing so will increase your chances of success.

### **Stay Involved**

Companies who seek to enjoy the benefits that social networks have to offer must be ready to commit to long-term interactions. Monitoring the conversations once they start is easy, but continuing to participate in those conversations is far more important and rewarding. On-going involvement allows companies to communicate new product information or future product plans, all while receiving real-time feedback about their messages. Remember, social networks are successful because they cater to our desire to be social. Continuing to engage in conversations reinforces a sense of belonging among customers, of knowing something that others don't and of being important. All of these are strong motivators that help companies generate buzz for their brands, improve their products and build customer loyalty. Continue to stay involved as a matter of respect to your customers and as a signal to your on-going commitment to your customers' success.

### **Measure and Adapt**

Most social networks provide tools that help their members identify areas of interest. These tools include real-time rankings, measures of page views or lists of topics generating high levels of interest within the network. Companies should use these tools to monitor trends in conversations and reactions to their messaging or products. The information that is collected can be used to quickly adapt messaging, identify influencers within the community or explore future opportunities for product development. Social networks could also be used to test multiple strategies that could later be adapted for broader distribution through traditional media channels. Some social networks offer companies tools to simplify the monitoring process. Utilize these tools to stay close to customers and conversations, to save time and to measure success.

### Conclusion

The emergence of Web 2.0 technologies has quickly transformed the Internet into a platform of communication and collaboration. Leading this transformation are complex, global communities of individuals known as social networks. Research indicates that consumers are spending more of their time online communicating through social networks. This reality presents a new and unique opportunity for companies to communicate with the customers and prospects in order to improve customer service, expand the reach of their brands and build competitive advantages. Now is the time for companies to get involved in social networks. In order to do so successfully, companies must take care to follow the social norms of social networks, build trust, stay involved and be ready to adapt. If done successfully, participation in social networks will result in happier customers, more effective marketing and a more successful business.

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### About OpenBottles

OpenBottles is a wine social network. Our members communicate and collaborate about all things wine. We feature a variety of social networking, cellar management and learning tools, as well as information and member-contributed reviews about more than 30,000 wines and 4,000 wineries. In addition, OpenBottles offers wineries a unique set of tools to help them communicate and interact with their customers and prospect through our social network, monitor community activity relating to their brands and generate new sales leads for their wines. To learn more, please visit us at [www.openbottles.com](http://www.openbottles.com).