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EXECUTIVE SUMMARY

As the number of online social media platforms continues to grow, the amount of user-generated content on the Web has exploded. A significant portion of this content has centered on the experiences that consumers have with service businesses. Indeed, there are now 4 million local business reviews on Yelp; 15 million consumers have weighed in on Trip Advisor; Angie's List, focusing on local service providers, has 1 million reports.¹ Disgruntled consumers have launched Web sites like PayPalSucks.com, and formed groups like "I Hate McDonald's" on Facebook.² And Twitter's 140-character micro-blogging platform has empowered individuals to broadcast and offer opinions on just about every interaction they have with service providers.

Businesses have responded. A study found that 56% now employ someone to identify and monitor what is being said about the company on the Internet. But far fewer – only 37% – have someone that *actively* manages the company's reputation.³

This report will provide an overview of the four categories of social media platforms that today's managers must be familiar with: (1) Review Web sites; (2) Social media Web sites; (3) Consumer-generated blogs and Web sites; and (4) micro-blogging Web sites. It will then discuss how managers are currently using each to achieve three service marketing related goals: customer acquisition, customer service and customer retention. Finally, this report will provide a strategy for business

¹ "Next on the Internet, Everyone Knows You're a Dog." *Fast Company*, Dec. 2008 - Jan. 2009, p53-55.

² <http://www.facebook.com/pages/I-hate-McDonalds/50370931793>

³ "Businesses Fail to Monitor What Consumers Are Saying About Them on the Web." *New Media Age*, July 9, 2009, p5.

managers to become more engaged in social media, leveraging the platform to foster stronger customer loyalty, drive revenues and enhance corporate bottom lines.

OVERVIEW OF SOCIAL MEDIA PLATFORMS

For the purposes of this report, social media platforms are categorized into four distinct buckets that are outlined, with examples, in the following table.

Category	Examples
Review Web sites	Trip Advisor, Yelp, Urban Spoon
Social media Web sites	Facebook, MySpace
Consumer-generated blogs & Web sites	ILoveStarbucks.org, Consumerist
Micro-blogging Web sites	Twitter

The widespread adoption of these social media platforms has made it increasingly important for businesses to recognize what they provide consumers: a virtual soapbox and an ability to organize easily. Review Web sites allow consumers to broadcast to the world their experiences with service providers. Meanwhile, social media Web sites and consumer-generated blogs and Web sites, which include video sharing Web sites like YouTube, provide not only a soapbox but also a forum for consumers to rally around shared experiences (both good and bad). These forums can greatly amplify sentiments, essentially creating virtual communities of either happy or disappointed consumers. Finally, micro-blogging Web sites provide consumers with the most immediate mechanism for relaying their service experiences – although the ability to organize and connect is not as easily facilitated as with social media Web sites and consumer-generated blogs.

Why do these four categories of social media matter? Two simple reasons: they are experiencing explosive growth and are increasingly impacting consumer-purchasing decisions. Facebook was listed as the tenth most trafficked Web site in the United

States in Jan. 2009, according to metrics provider comScore.⁴ A Forrester report from Aug. 2009 found that more than four in five U.S. online adults participate “socially.”⁵ According to Nielsen, Twitter experienced an amazing 1,382% growth in year-over-year traffic from Feb. 2008 to 2009.⁶ At the same time, a Deloitte study found that 62% of consumers read reviews online; of those, 82% said that their purchase decisions were directly influenced by that review.⁷ In sum, this growth, coupled with research on consumer purchasing behavior, provides a compelling reason why business managers must take social media seriously.

CUSTOMER ACQUISITION

New customer acquisition is critical to any service provider. Social media offers businesses a low-cost alternative to more traditional and costly marketing strategies, like advertising. For small business owners who rely heavily on word of mouth, the impact of free social media tools can be even more profound. Take Curtis Kimball, an entrepreneur who operates an itinerant crème brûlée cart in San Francisco.⁸ Before signing up for a Twitter account, Kimball had no cost-effective means of communicating to and with his customers. Today, he has 7,707 “followers” to whom he broadcasts his cart’s location and current flavors. For Kimball, this digital word-of-mouth has revolutionized his business. And it has not cost him a dime.

Social media is not just being used by small businesses to acquire new customers. Large companies are also utilizing the various online channels to poach disgruntled

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http://www.comscore.com/Press_Events/Press_Releases/2009/2/Top_US_Internet_Properties

⁵ <http://blogs.forrester.com/groundswell/2009/08/social-technology-growth-marches-on-in-2009-led-by-social-network-sites.html>

⁶ http://blog.nielsen.com/nielsenwire/online_mobile/twitters-tweet-smell-of-success/

⁷ <http://www.marketingvox.com/most-consumers-read-and-rely-on-online-reviews-companies-must-adjust-034250/>

⁸ <http://www.nytimes.com/2009/07/23/business/smallbusiness/23twitter.html>

customers from competitors. In a well-publicized case from 2009⁹, Southwest Airlines offered to help out a traveler who had tweeted about his unhappiness with low-cost carrier JetBlue. Although Southwest was not ultimately able to convert the contact into a quantifiable sale, the case does provide a glimpse into how social media channels might be utilized in the future to spur customer acquisition.

CUSTOMER SERVICE

Many “fires” that ignite online can be traced back to a consumer’s poor service experience through traditional service channels. Perhaps the most cited example of bad customer service gone virtual and viral is the experience of Bob Garfield, an *Advertising Age* columnist and host for NPR. In Sept. 2007, Garfield purchased “Triple Play,” a Comcast bundling of Internet, cable and phone service. Then, for the next month, he faced constant obstacles in trying to get the services up and running. Exasperated about the experience, he put up a blog post on AdAge.com titled: “Comcast Must Die: Seeking Ideas for a Consumer Jihad.”¹⁰ The response from readers also fed up with Comcast was overwhelming. Garfield next launched ComcastMustDie.com – which became a lightning rod and online gathering place for similarly disgruntled customers. Thousands visited and shared their experiences. The media began running stories about mistreated consumers. And Comcast finally started listening.

Two years after Garfield’s experience, in Sept. 2009, he declared victory against Comcast. The “vast, greedy, blundering, tone-deaf corporate colossus,” he wrote, has “finally seen the light.”¹¹ As such, ComcastMustDie.com will now evolve into a customer complaint Web site, Customer-Circus.com, where “other infamously arrogant corporations will be subjected to power of aggregated rage,”¹² Garfield wrote. Customer Circus will compete directly with Consumerist.com, the highest-

⁹ <http://www.corebrand.com/content/view/308/44/>

¹⁰ http://adage.com/garfieldtheblog/post?article_id=120338

¹¹ <http://comcastmustdie.com/>

¹² Ibid.

trafficked consumer news and complaint Web site on the Internet. Consumerist, purchased in Dec. 2008 by Consumers Union (publisher of *Consumer Reports*) receives about 1.8 million unique visitors per month.¹³ It regularly publicizes consumer complaints – its biggest story came in June 2006 when it ran a blog post on the travails of Vincent Ferrari, an AOL user who famously recorded his lengthy interaction with a customer service representative.¹⁴

The proliferation of review Web sites and consumer-generated blogs and Web sites provides a compelling reason why companies need to be engaged in social media platforms. If managers are not willing to trace these customer service shortfalls back to their source – that is, the failure of traditional service channels – they must, at the very least, be proactive in their monitoring of and response to online chatter. Failure to do so could lead to an online grassroots groundswell, one in which consumers band together and recognize the power that many voices have over one. Their subsequent actions could spur a costly public relations nightmare, tarnishing a company's reputation irreparably.

CUSTOMER RETENTION

Beyond acquisition and service, social media platforms can also be used by services businesses as a mechanism for responding directly to and retaining customers. For example, take California-based Farmstead Cheeses and Wines, whose co-owner, Jeff Diamond, responds to every customer review on Yelp.¹⁵ Cited in a piece in the *New York Times*, Diamond explained how he reached out to a customer who had complained that one of his employees had been rude during a visit. After an internal investigation, Diamond learned that the employee who had interacted with the customer was hard of hearing, a fact he communicated in a private message to the

¹³ <http://www.nytimes.com/2008/12/31/business/31consumer.html>

¹⁴ <http://consumerist.com/consumer/aol/the-best-thing-we-have-ever-posted-reader-tries-to-cancel-aol-180392.php>

¹⁵

<http://www.nytimes.com/2009/07/30/business/smallbusiness/30reputation.html>

angry customer. The customer appreciated the communication and opted to join the store wine's club. Diamond succeeded in converting a disgruntled customer into an evangelist. "The most important thing is not to argue with your customer," he said. "It's to listen to your customer. Try to put yourself in the customer's place."¹⁶

Not all businesses, however, have taken a similar proactive approach. Take another California-based business, Pizzeria Delfina, whose co-owner, Craig Stoll, has his waiters and waitresses wear t-shirts bearing negative customer reviews from Yelp.¹⁷ "I think it is a lose-lose proposition," he said, in regards to contacting unsatisfied customers. "You either wind up coming off as defensive or accusatory. There's no way I would get on there and answer somebody's review."¹⁸

Unfortunately, the failure of owners like Stoll to reply implies their complicit agreement of the review itself. And businesses not seeking to remedy negative online reviews run the risk of alienating new and current customers.

A CASE STUDY

To see for myself how service providers are utilizing social media platforms today, I recently undertook an experiment. Playing the role of a consumer getting ready to take a trip abroad, I tweeted messages to three companies, Wachovia, JetBlue and Verizon Wireless – testing them in their customer service, customer acquisition and customer retention capabilities. My messages are details in the table below.

Company	Tweet
@Wachovia	Are there service fees for using my Wachovia ATM card overseas? If so, how much are they?
@JetBlue	Trying to decide if it's worth paying an extra \$50 for a ticket on JetBlue. Are the satellite televisions and free chips worth it?
@VZHelpNetwork	Is it possible to put a cell account on

¹⁶ Ibid.

¹⁷ "To Yelp or Not to Yelp?" *Inc.*, June 2009, p20.

¹⁸ Ibid.

	temporary hold? I'm traveling outside the country soon and won't be using my phone.
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Within 15 minutes, I'd received a response from each company. Wachovia tweeted: "An International Service Assessment fee of 3% for each international transaction" and provided a link to a listing of fees on their Web site. JetBlue shot another reply back: "we're slightly biased.... but if the Bluechips aren't worth it, the Munchies Mix certainly are :)". Finally, Verizon Wireless tweeted: "We are forwarding your message to VZWSupport and they will follow up with you." Twelve hours later, another message instructed me to call the customer service toll-free number in order to "to discuss your options for your account."

The results of this simple experiment indicate that Wachovia, JetBlue and Verizon all recognize the importance of being where their customers are. Wachovia's reply provided me with a high level of customer service; it also stopped me from calling their support hotline, saving the company \$20, the estimated fully loaded cost of a direct consumer call to a representative.¹⁹ JetBlue's quirky message reflected the airline's "fun" attitude toward flying; the direct outreach could very well have resulted in a new customer acquisition. Of the three, Verizon Wireless' reply was the least helpful. It also took the longest. With that said, Verizon does say that its Twitter account is a "beta test of a system designed to better help our customers."²⁰

A SOCIAL MEDIA STRATEGY

This report has clearly established the importance for service businesses to become engaged in social media to achieve customer acquisition, customer support and customer retention goals. Indeed, leveraging the platform can help foster stronger customer loyalty, drive revenues and enhance corporate bottom lines. A strategy for achieving such goals can be broken into five key steps.

¹⁹ Services Marketing session 9 class notes

²⁰ <http://twitter.com/VZHelpNetwork>

1. **Commit company resources to monitor the conversation and empower employees to take action.** Fifty-six percent of businesses employ someone to keep tabs on reviews and chatter about the company. If your company doesn't, it needs to start immediately. Recognize that failure to do so could result in lower levels of customer service and retention. Of the companies monitoring the conversation, only 37% have employees that *actively* manage the company's reputation. Develop an internal protocol for how employees engage with customers online and empower those employees to take actionable steps on behalf of the company.
2. **Respond. And respond quickly.** Engage with your customers online. Thank those who have had positive experiences and follow-up with those who have not. Show your customers that you are listening and value high levels of customer service. With time, inaction, especially with customers who have had negative experiences, can make matters worse. Engaging with customers on a timely basis can prevent frustrations from snowballing.
3. **Utilize reviews as intelligence.** Think of online reviews as continuous, and free, market research. Take advantage of this direct feedback to refine your service and make changes to better suit the needs of your consumers.
4. **Stay honest.** In July 2009, Lifestyle Lift, a cosmetic surgery provider, was found to have posted fake positive reviews about the company on various Web sites. It was fined \$300,000 by New York's attorney general's office.²¹ Companies need to play by the rules and stay honest online. Do not falsely promote yourself or attack your competitors. The potential fall-out from exposure to such action could be irreparably damaging.
5. **If you are not on social media, your competitors are.** Lack of action can lead to lower levels of customer service and provide competitors with an opportunity to poach your customers – impacting revenues and, ultimately, the bottom line.

²¹ <http://www.nytimes.com/2009/07/15/technology/internet/15lift.html>