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Customer Relationships in a Web 2.0 World

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The Big Picture

Influence – Power exerted over the minds, behaviors and actions of others; it can be received unconsciously or consciously.

Customer Relationships – The value that customers derive from interactions with a company rather than the utility of their products, and the value the company derives from this influence

Web 2.0 World – The Internet has evolved FROM being websites displaying information about a company and its products...

TO a content rich network of information and people that enables much more participation by customers. Customers now generate content, share experiences, engage in discussions. When they search for information and guidance they are influenced by one another.

A Growing Buyer-Seller Disconnect – Changing business dynamics are contributing to a growing disconnection between what business practices are serving-up and what today's customers value. The net result—businesses are losing influence with customers and their products are more rapidly becoming commoditized.

Two powerful examples of this disconnect:

Eighty percent of business executives believe they are doing a good job in serving customers. Only 8% of customers agree! Bain & Co., 2006.¹

Consumers rank companies, their executives, employees, marketing and products in the bottom third of trust scales. They rank peers near the top.

2006 Edelman Trust Barometer.²

Communities of Interest & Influence – Customers are increasingly relying on social networking and social media to establish interactive relationships. “Social” is used here as a relational connection that motivates customers to participate and contribute. These relationships help customers extract more value from present experiences and provide guidance in dealing with a fast-changing and increasingly complex world. These networks and communities have lasting influence in customers' lives.

Influence

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Shifting the Focus of Customer Relationships – Companies that focus on shifting the focus of the relationships with customers can regain influence. The shift needs to be from selling and servicing “things” to building trust and credibility with customers. These are the interactions that help customers extract greater experiential value and predispose them to meaningful relationships.

Online and Offline Strategies – Companies that embrace the interactive, networked nature of a Web 2.0 world can regain influence with customers both online and in physical world interactions.

The evidence is very clear. Customers trust peer-to-peer reviews. Over sixty percent of online shoppers say that peer-to-peer reviews are their most trusted source of information.

Mycustomer.com, 2007

When Customers Search...

Customers who search the Internet are signaling their interest in a topic. A high proportion of shoppers are now turning to online sources to help them make informed decisions, to decide what to buy, where to buy and how to buy.

The evidence is very clear. Customers trust peer-to-peer reviews. Over sixty percent of online shoppers say that peer-to-peer reviews are their most trusted source of information.³ The Edelman Trust Barometer that found “people-like-me” (peers, friends or associates) to be near the top of the trust scale when it comes to recommendations.

How do anonymous people gain this trust and credibility? They do so by talking in terms that are meaningful to other customers. They use online channels to describe various aspects of their customer experience. They describe: the purchase process, installation, using the product, and company support. They put the experience in a context that is relevant to other customers. When an online source describes experiences that are meaningful and relevant, this source has credibility.

The search for relevant information means the customer is engaged—the issue already has meaning. Both emotion and logic are involved. Indifferent customers shop for the best trade-off between price and convenience. Not so for engaged customers. The more engaged a customer, the greater the perceived value and desire and the less concerned they are about price.

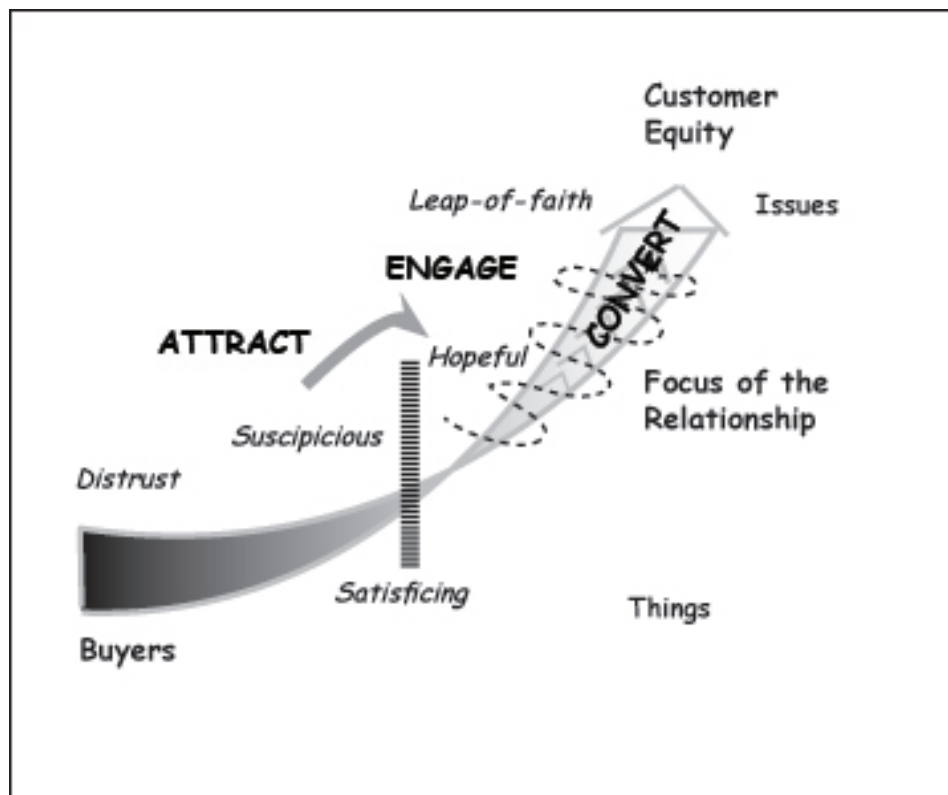
A systematic study of CompUSA customers who made content-related searches found they spend more time on the site, convert at a higher rate, purchase higher priced items and spend 50% more on the average order.⁴

Engaged, customers seek to simplify their life, gain a new level of understanding and achieve a greater sense of predictability and control. This gives them the confidence to make a purchase decision and it prepares them to become more passionate and active consumers. They discover how to put the product into their context and how use it to address their problems, issues or desires. As a consequence these customers develop conviction and have high-lifetime value.

Additionally, these customers are ideal evangelists or advocates. They know how to define the value proposition in terms that are especially meaningful to peers, especially peers who have similar needs, issues or desires. The London School of Economics has recently published research that finds strong customer advocacy on behalf of a company is one of the best predictor of top-line growth.⁵

A Framework for Leveraging Web 2.0 Technologies

Gaining Influence and Relationship Value



Attract Customers – Take action that help customers address their challenges and enable them to have a more compelling customer experience. In answering

This ongoing dialog and interaction helps shift the focus of the relationship from buying and selling things to big picture issues. As this shift takes place the company accrues Customer Equity.

the question “What’s in it for the customer?” companies must demonstrate they are a credible and trusting source of insights and information.

In the attract stage the goal is to gain visibility and credibility. The company must generate meaningful content that is highly accessible. Company have to realize that it is not about them or their product. It is about the customer and how to help the customer have a more compelling experiences.

Online articles, Blogs, Webcast, Podcast, News Releases, Facilitated Peer-to-peer reviews and Social networks are all powerful ways to build visibility and credibility. Properly written they can motivate customers to seek greater engagement with the company. Properly implemented they can easily be found by customers.

Engage Customers – Engaged customers become open-minded, share intimate information and trust this information will not be used against them. Customers find it easier to become engaged in interactions with other customers because of their general distrust of companies. For a business to gain influence, the engagement process must clearly signal a credible, trusting, win-win agenda.

When customers engage, they expend the emotional and mental effort necessary to work through more complex issues to understand “What’s in it for them.”

White papers, eBooks, interactive webcasts, forums and Wikis can be effective engagement tactics. They should help the customer gain the knowledge and insights to make an informed decision. The focus for the company should be to gain relationship value that encourages customers to seek future engagements.

Communities of Interest – Trusting relationships with a company can help customers in the present, but they also have future value. They offer customers a source of insight, information and know-how to adapt to a fast-changing and increasingly complex world. As this relationship value grows, customers become more open, co-operative and collaborative.

Communities of interest require ongoing dialogues and interactions. Enewsletters are effective ways to keep in touch and offer a vehicle for customer input and sharing of insights. Customers want new and relevant information and they want to participate. Online forums and Wikis can provide for this. Often thought leadership comes from other members. The company solidifies its relationship value by providing the vehicle for discussion and sharing.

This ongoing dialogue and interaction helps shift the focus of the relationship from buying and selling things to big picture issues. As this shift takes place the company accrues Customer Equity.

As customer equity accrues customers increasingly:⁶

Desire the company's offering

Are less price focused

Their consumption increases desire

Forgive snafus

Seek advice on big picture issues

Value the relationship

Become advocates

Have high lifetime value

¹ James Allen, Frederick F. Reichheld, and Barney Hamilton, *The Three "Ds" of Customer Experience*. HBS Working Knowledge, November 11, 2005.

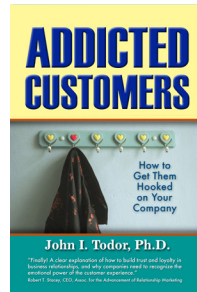
² Richard Edelman, *The 2006 Edelman Trust Barometer*, PRWeek, January 26, 2006.

³ Cited by Neil Davey, *Everyone's talking: How to Harness Word of Mouth Marketing*, Mycustomer.com, June 14, 2007.

⁴ BazaarVoice.com, *Ratings, Reviews & ROI: How Leading Retailers Use Customer Word of Mouth in Marketing and Merchandising*. 2007.

⁵ Ed Keller & Brad Fay, *Single-Source WOM Measurement*, The Keller Fay Group, 2006.

⁶ John I. Todor, *Addicted Customers: How to Get Them Hooked on Your Company*, Silverado Press, 2006.



This topic and other related issues are dealt with in detail in a new book by John I. Todor, Ph.D., *Addicted Customers: How to Get Them Hooked on Your Company*, 2007.

www.AddictedCustomers.com

John I. Todor, Ph.D. and William D. Todor, Ph.D. are partners in The Whetstone Edge, LLC a customer experience consulting and training firm that applies scholarly research on human behavior to buyer-seller dynamics including customer loyalty, trust, retention, customer service, CEM—customer experience management, and marketing strategy. They speak, offer workshops and consult worldwide on these topics.

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