

UNIVERSITY OF WOLVERHAMPTON BUSINESS SCHOOL

**Evaluating the Impact of Social Media
on Relationship Marketing**

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ABSTRACT

The recent exceptional growth of social media has demonstrated its immense potential in complementing relationship marketing programmes for companies. For decades, the concept of relationship marketing was related to offline efforts. This study uses three case studies which prove that online efforts especially social media is instrumental in establishing and maintaining relationships with customers. Ideally it will sift through the relevant academic literature in support of the claims. An exploratory approach will be used while analysing these multiple case studies, which provide real life examples of how companies used social media in their marketing efforts. Through various means this evidence-based study will show that companies can leverage passion, brand trust and familiarity into forming online brand communities initializing the establishment of relationships reinforcing the value creation process. Finally, within the scope of this study it will make analytic generalizations highlighting the key points that are considered to be the building blocks for establishing relationships that can be enhanced by social media.

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Chapter 1 - INTRODUCTION

1.1 Background

Marketing has made a dramatic shift in the ways companies communicate to their customers in this digital world. In a world driven by digital media and the internet; the time is up for companies to dominate the channels to push their marketing messages in a one way channel. Now the customers have the power to choose what and where to buy. They listen and trust their friends and peers more than what companies are saying. The new dynamics have thus made it clear that if companies want to have these people as customers they need to have a relationship with them. A relationship, built over time. This comes about through the process of understanding them, knowing them and providing real value before they even expect the customers to buy. In general companies need to quickly adapt themselves with Relationship Marketing.

In this new digital era, customers get their messages not only from the companies but mainly from their trusted peers. According to Shama Kabani (2010) over half of all consumers say that they have already purchased something - or switched to another brand or retailer - because of a recommendation they got through a social media site. Peppers (2009) explains the relatively small number of people with the most connections in a network exerts influence through the cascading effect. If these influencers say something positive about a product, it cascades through the network. However, negative opinions and reviews from influencers also cascade. In such a socially connected world companies need to be aware of these cascades building upon the positive reviews and defend the bad ones by being part of the networks and befriending the users (i.e., potential customers). An organization's trustworthiness is also critically important in developing this bond.

The rise of social media has made it easier and more convenient in shaping the opinions of these customers in different social networks. Hence, this study sheds lights upon how social media can help complement relationship marketing programs. Despite the low levels of developments of finding an intersection between relationship marketing and social media; fields which are highly inter-dependent this study will try to identify the points and issues where social media can augment relationship marketing efforts and spot out clear links between relationship marketing and social media.

The next sections discuss about the aims, objectives and importance of this study.

1.2 Research Aim

The study aims to evaluate the impact of social media on relationship marketing. Ideally it will try to compare and contrast the efforts made by companies implementing relationship marketing strategies using social media with those which are not using social media.

1.3 Research Objectives

The researcher intends to meet the following objectives during this study:

- To define and explain the key concepts in social media and relationship marketing
- To identify the key theories applicable
- To ideally sift through the relevant literature and critically review it
- To establish a clear understanding of the link between social media and relationship marketing
- To measure the impact of SM on RM Strategies and analyse the findings

1.4 Research Importance

After over 15 months of working as an intern and then promoted to a Social Media and Content manager for a social media company (Muxlim Inc.) in Finland between 2009-2010, the researcher found studying the relationship between social media and relationship marketing very interesting and very contemporary. Relationship Marketing has been in the business world for more than 4 decades and has been using obsolete tools and cumbersome methods to create the relationship with the customer with no apparent long-lasting positive results. With social media coming to light as recently as 2004 and dominating all forms of media, the platforms and tools newly available have opened a clear opportunity for marketers to take advantage of in complementing their relationship building efforts. Interestingly, even though both social media and relationship marketing are highly complementary there have not been deeper studies exploring the nature of their interdependency and connection. Hence, within its scope this study tries to evaluate how social media is crucial in developing the desired relation with the customer. The following chapter discusses the various theories used for explaining relationship marketing and social media. It critically reviews the relevant academic literature in order to create a clear understanding of their association.

Chapter 2 – LITERATURE REVIEW

2.1 Overview of Social Media

2.1.1 Definition of Social Media

As shortly mentioned earlier the infancy of the social media field has not encouraged for a clear cut definition by academics until now. The reason could perhaps be its fragmented nature or the fact that it is a phenomenon which is aggregating activities that have been already taking place. All in all social media takes the form of a tool that facilitates conversations on the internet in one way or another. A prominent social media professional Solis (2010) defines social media as the democratization of information, transforming people from content readers into publishers. It is the shift from a broadcast mechanism, one-to-many, to a many-to-many model, rooted in conversations between authors, people, and peers. This definition reiterates the fact that previous publications of any forms of contents had a one-to-many format which was becoming more and more ineffective. Thus giving rise to a dialog between a content publisher and its readers. Note that content publisher here is interpreted as a creator and publisher of any form of content such as a blog, video, image or mash up of these contents and makes it available for others to see or use. A content publisher can be a company or an individual.

Messages conveyed through the previous *one-way* media were all aimed at targeting masses. Television and Radio are the prominent examples of media which were the main broadcast mechanisms for marketers for their Buy! Buy! Buy! messages. Now the usage of the medium has changed. As Brogan (2010) explained that we view social networks as media not because they help us communicate, but because they are extensions of *human relationships*. This was something that the former media were unable to achieve.

Kaplan and Haenlein (2010) further define social media associating it with two concepts: Web 2.0 and User Generated Content (UGC). To shortly explain Web 2.0, it is a new stage in the evolution of the web where users were able to continuously modify and edit contents in a collaborative fashion. UGC can be described as the various forms of contents accessible by the public and created by individuals. OECD in 2007 made 3 pre-conditions for a content to be a considered UGC:

- 1) it needs to be published either on a publicly accessible website or on a social networking site accessible to a selected group of people;

2) it needs to show a certain amount of creative effort;

3) it needs to have been created outside of professional routines and practices

With the above explanation of Web 2.0 and UGC in mind, Kaplan and Haenlein define social media as a group of internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content.

There also seems to be a confusion of mixing up the differences between a social media website and a social networking website. Both even though having a similar core understanding of socializing, a social media website is a site where users can consume, create or share content along with their friends. There is also a networking element attached with this. But a social networking site is a site which helps users to connect/network with friends and family regardless of geographic locations or other forms of physical obstacles. Hartshorn (2010) further explains the differences as social media websites transmit, or share information with a broad audience. Everyone has the opportunity to create and distribute content. On the other hand, social networking is an act of engagement. Groups of people with common interests, or like-minds, associate together on social networking sites and build relationships through a community. With this in mind, there are new social media and social networking sites appearing every day. Each site has its own characteristics and niche target-user. Categorizing these sites on the basis of their purposes and characteristics would make it easier to better understand the social media landscape. But grouping these sites still needs some stronger theoretical argument that supports and justifies the categorisations.

2.1.2 Theories Related to Social Media

A set of theories are used here to support the classification of social sites into their respective characteristics based upon theories of social presence and media research. With regards to the social component of social media, the theory of social presence (Short, Williams, & Christie, 1976) states that media differ in the degree of “social presence”—defined as the acoustic, visual, and physical contact that can be achieved—they allow to emerge between two communication partners. Social presence is influenced by the intimacy (interpersonal vs. mediated) and immediacy (asynchronous vs. synchronous) of the medium, and can be expected to be lower for mediated (e.g., telephone conversation) than interpersonal (e.g., face-to-face discussion) and for asynchronous (e.g., e-mail) than

synchronous (e.g., live chat) communications. The higher the social presence, the greater the social influence the communication partners have on each other's behaviour. On the other hand, the concept of social presence is related to media richness. That is to say the ability of a medium to broadcast more information than others – and therefore qualifying this medium as effective and ineffective. The media richness theory (Daft & Lengel, 1986) is based on the assumption that the goal of any communication is the resolution of ambiguity and the reduction of uncertainty. It states that media differ in the degree of richness they possess—that is, the amount of information they allow to be transmitted in a given time interval—and that therefore some media are more effective than others in resolving ambiguity and uncertainty. Applying these theories into media component of Social Media, one can choose to join a social network on the amount and type of information processed or transmitted (media richness) and the degree of socialization (social presence), i.e., how close the user feels with the other networkers

Taking the social element of Social Media – self-presentation plays a crucial role in determining the impression of oneself on other people. A study by Goffman in the late 50s states that in any type of social interaction people have the desire to control the impressions other people have of them. To some extent, this is done to gain some sorts of rewards or praise, portraying an image from the fashionable outfit worn or other forms of positive outcomes. There are various personal websites that try to depict the owners "qualities" in one way or another. Knowingly or unknowingly these sites disclose a large amount of information about the site owners be it their biographies, thoughts or ideas, feelings, interests or the like. Most agree that in order to develop a close relationship with an individual self-disclosure is vital. This could happen between two intimate individuals (for eg. while dating) or between strangers. The degree of self-disclosure defines the strength of the relationship. Going back to the social media context, the nature of self-presentation and self-disclosure plays an important role for users joining a social network. In other words, a network appears to be appealing to a certain group of users with the degree of freedom it allows to express themselves and the amount of self-disclosure it requires.

With the above explanations in mind, it is now possible to classify social media based on self-presentation and self-disclosures from the social point of view and social presence and Media Richness from the media point of view. Collaborative projects like wikis (eg. Wikipedia.org) have a low score against social presence and media richness as these are

merely text-based interactions and simple exchanges. Whereas blogs are types of text-based interactions which score higher when looking at them from the self-presentation and self-disclosure angle compared to collaborative projects. Blogs can usually cover various topics and domains but wikis are usually concentrated on a specific subject. Social media sites and content communities have a higher score from the social presence and media richness point of view as these sites allow for the exchange and sharing of pictures, videos, images or other content forms. Some examples of such sites include Facebook, YouTube, Twitter, Hi5. Social networking sites especially have a higher self-presentation and self-disclosure scores too. Virtual worlds (eg. Habbo Hotel, 2nd Life) have the highest social presence and media richness scale as these sites have the ability to depict the face-to-face interactions of people virtually.

2.1.3 Types of Social Media and their Current Application

Solis (2010a) describes while new media will always be “new”, the principles that govern behaviour, interaction and support remain constant. This is why Social Media is a chapter in the evolution of new media now. In this part, the tools discussed are just tools of trade right now. They could change in a year or 10 years from now. At this moment, they are the tools considered to connect users quickly and effectively. These are tools that help create communities and trigger conversations amongst users. These tools are further categorized according to their types into various niche groups. Solis (2010a) has categorized them as follows:

Blogs: WordPress, Blogger, Tumblr, TypePad

Social Networks: Facebook, MySpace, Hi5, Orkut

Micro-communities: Twitter, FriendFeed, Identi.ca

Micromedia (subsets of Micro-communities): Seesmic, TwitPic, Twitvid

Lifestreams: SocialThing, AOL IM, Lifestream

Forums: Grouply, Google Groups, Yahoo Groups

Business Networking: LinkedIn, Plaxo

Ratings and Reviews: Yelp, Epinions

Video: YouTube, Metacafe, Vimeo, Blip.tv

Pictures: Flickr, Picasa, Photobucket

Social Bookmark: Delicious, Stumble upon, Evernote

Wisdom of the crowds: Wikipedia, about.com, Mahalo

The list goes endless. While not all of these networks will be discussed in detail, this study tries to explain the key ingredients that are common to all of them. The proceeding paragraphs discuss three main social media: Blogs, Social Networks and Content Communities.

Blogs: OECD in 2007 released a study in which it described blogs as the earliest forms of social media, and web pages which display date-stamped entries. They could be understood as the social media equivalent of personal web pages. Individuals maintain their own personal blogs writing their diaries, life incidents or a particular subject. Companies also use blogs to update customers, employees, shareholders, press to the wide internet public of new updates or press releases. The two-way channel nature of blogs is expressed in their ability to allow commenting by other users about the subject under discussion. This has first and foremost changed the one-to-many broadcast mechanism for the better. Discussions started on popular blogs create a sense of community by users having the same interests and tastes. The world's popular blogs have similar qualities in common. Solis hails these blogs as hubs for demonstrating expertise, sharing vision, listening to and responding to customers, communicating progress, curating relevant market and trend information, and hosting dialogues to further the company's values and principles.

Social Networks: According to Kaplan and Haenlein (2009) social networking sites are applications that enable users to connect by creating personal information profiles, inviting friends and colleagues to have access to their profiles and exchanges emails and instant messages with each other. These profiles can be composed of texts, pictures, videos or audio files. On the other hand Boyd and Ellison (2008) define social networking sites as web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system. The nature and nomenclature of these connections may vary from site to site. Both views are expressing one thing in different words. Users connect and network

on these sites with other users to share the information posted on their profiles, share photos and videos or display their skills and profession in business-related environments.

Online social networks like Facebook, MySpace and Freindster allow their users to present themselves, articulate their social networks, and establish or maintain connections with others. These networks support both the maintenance of existing social ties and the formation of new connections (Ellison *et al.*, 2007).

Content Communities

Content Communities through the help of the Web 2.0 technologies have increased consumers' access to information and the availability of more choices. Previous online communities had little to offer in terms of content which was overturn by content communities like YouTube, Flickr and last.fm. These communities were rich with contents like photos on Flickr, videos on YouTube and music (audio) on last.fm. These content being easily searchable on the internet, the usage, functionality and the ease of sharing these contents in the communities have tremendously helped in the growth and influence of these communities.

2.2 Evaluating the Social Media Impression

The concept of measuring the effectiveness of social media has always been hovering around the social media space ever since the inception of social media. Marketers were used to number of clicks or views to their advertisements on web sites but there has not been a metric specifically coined for measuring social media as it encompasses different forms of media. In other words it was difficult to relate the value of a comment on a blog along with the impression a video made on a viewer. Social media was more concerned with moving marketers from a broadcast marketing relationship to consumers to a relationship where consumers engage with the brand messages and pass them along to their friends – this is known as Earned media. In essence earned media is an exposure a company receives or the number of times the brand was mentioned on media outlets because the content was interesting and engaging. For example an earned media on Facebook takes the form '**Alex Jo and Wang Li became fans of Barclays**' where Alex and Wang are the viewer's friends. This form of earned media can be termed as 'Organic Impression', which means it is organically generated by the users browsing through the profile of Barclays and become their fans. Barclays has not paid for this impression.

A study by Nielsen (2010) shows that viewers exposed to a normal home page ad (paid) on Facebook increased ad recall by about 10% but a normal ad with an organic impression (unpaid) increased ad recall by 30%. In addition homepage ads with organic impressions showed a 9 percentage point increase for brand awareness from an exposure to normal ads. Finally, exposure to organic impressions also increased purchase intent from 2% to 8%. According to this study social advocacy and earned impressions can impact consumers in three important ways: by making them more likely to notice an ad (ad recall), to take away its message (awareness), and to increase their interest in making a purchase (purchase intent). The next step is to expand this understanding to offline sales and long-term brand value.

2.3 Overview of Relationship Marketing

2.3.1 Background

During the industrial era, mass production and mass consumption gave rise to the transactional approach by marketers. It is during this period that more and more people moved to the cities and started working in professional jobs thus adding to the demand for the basic necessities of life. And the producers with the aim of taking advantage from the economies of scale started producing in masses reducing cost. While these producers manufactured products in mass, there was a clear need for finding markets to sell them. Hence along came the need to compete for every market segment available giving rise to more aggressive marketing activities by newly formed marketing institutions. This has led to the emergence of the transactional orientation of marketing whereby marketers were concerned more with the sale and promotion of goods and less with building relationships. As the competition intensified; marketers realized that short-term oriented transactions with the aim of making quick profits started becoming unsustainable. According to Sheth *et al.* (1995) this phenomenon led to the development of two important changes. The first was the marketer's realization that repeat purchase by customers was critical, making it necessary to foster brand loyalty. The second significant change was the marketers' control over channels of distribution, which helped in blocking competitors from entering into these channels.

At this point marketers realized that their 'transaction-only' approach needed to be supplemented by a relational approach which is oriented in caring for the customer. Sheth *et al.* (1995) argue that there are various factors that forced the start of relationship between the producer and the customer. According to them the factors are based mainly

on the following: 1) Change in Information 2) Adoption of Total Quality Management 3) The growth of the service economy 4) development of organizational processes and 5) more concern for customer retention.

2.3.2 Definition of Relationship Marketing

From the background discussed in the previous section it could be understood that relationship marketing (RM) is typically associated with a long-term relationship with the customer rather than a shorter version of it. Berry and Parasuraman (1992) in Petrof (1997) define relationship marketing as consisting of processes to attract, develop and retain customers. On the other hand Morgan and Hunt (1994) refer to it as all activities directed towards maintaining successful relational exchanges. Grönroos (1995) identified relationship marketing as not only to acquire customers but to keep them as well.

RM theory suggests that relationship adds quality to marketing transactions. As Mitchell (2001) in Egan (2004) puts it:

Traditional markets are extremely powerful but they have huge limitations. Real human exchange is much richer than market exchange. Whenever people deal with people in 'relationships' or communities (rather than markets) they not only exchange money for goods, they share ideas, opinions, information and insights. They have a say. They also tend to form affections, bonds, ties of loyalty, and feelings of obligation and so on. They begin to share and exchange values as well as value. And the people whose values are most in tune with those around them tend to form the strongest, most supportive bonds with other people.

It has been widely accepted that in calculating the benefits of customer retention, the front-end costs of acquisition exceed the cost of retention (Egan 2004). Although RM has additional focus on both acquisition and retention strategies it is the latter that is given more prominence. It has become one of the underpinning convictions of RM that it encourages retention marketing first and acquisition marketing second.

Recognition of the importance of RM was further driven in part by the realization that people trade over lifetimes (Ambler and Styles, 2000). The lifetime value concept suggests that a company should avoid a short term view of the profit (or indeed loss) of any individual but rather should consider the income derived from that company's lifetime association with the customer.

The value proposition of a company is a summation of all the reasons why a customer should buy the company's product or services. If successful, the value proposition will also provide the basis for differentiation and the foundation for any ongoing buyer-seller relationship (Christopher et al. 2002). Relationships will increasingly be built on the platform of one-to-one marketing, where the customer and the supplier in effect create a unique and mutually satisfactory exchange process. The internet now provides a powerful means of involving customers more closely in the marketing process through enabling dialogue rather than a one-way communication.

2.3.3 Theories and Models of Relationship Marketing

For a long period of time the marketing discipline was dominated by consumer marketing. Most marketing texts before the 90s were discussing more about corporate manufacturers and brands. Even though industrial (business-to-business) and services marketing were growing at a very fast rate, they were not given due recognition. Marketing of non-consumer goods (i.e., services and industrial marketing) were treated as separate disciplines. Empirical research showed that many inter-firm transactions are conducted within, enduring business relationships where mutual trust and adaptation are commonplace rather than the then prevailing view of inter-firm transactions conducted largely on contractual basis (Brennan and Turnbull, 2001 in Egan, 2004). The intangible nature of service industries had always posed a problem to traditional marketers whose models (Eg. BCG matrix, product life cycles) have not been a perfect 'fit'. Due to the nature of the characteristics of the services industry it proved challenging in rationalising traditional marketing concepts and models.

According to Christopher *et al.* (1991), it was due to these problems associated with the relationship issues facing industrial and services marketing that exposed the flaws of traditional marketing model more explicitly than with consumer goods, hence bringing the study of 'relationships' to a spotlight.

With regards to the restrictive marketing mix (Product, Price, Placement and Promotion), Gummesson (1987) stated that the application of the marketing mix to areas other than consumer goods could be destructive as it failed to recognize the unique features of these areas. As intangible service characteristics and customer service started becoming more important even in consumer goods marketing, the model started becoming outdated. Therefore various researchers have made their own adaptation to the marketing mix by

including various factors or elements that they see fill the gap. Grönroos (1996) also believed that the marketing mix could still be useful but other elements, not normally regarded as part of the marketing function, needed to be added. Gummesson (1994b) also had a similar notion that the marketing mix would be always needed, but it had become peripheral when it comes to relationships. It was these and other similar approaches that led Christopher *et al.* to adopt a model in 1991 which has expanded the 4Ps of the marketing mix to include 3 more elements namely: customer service, processes and people. Detailed explanation of the added elements is stated in the next few paragraphs.

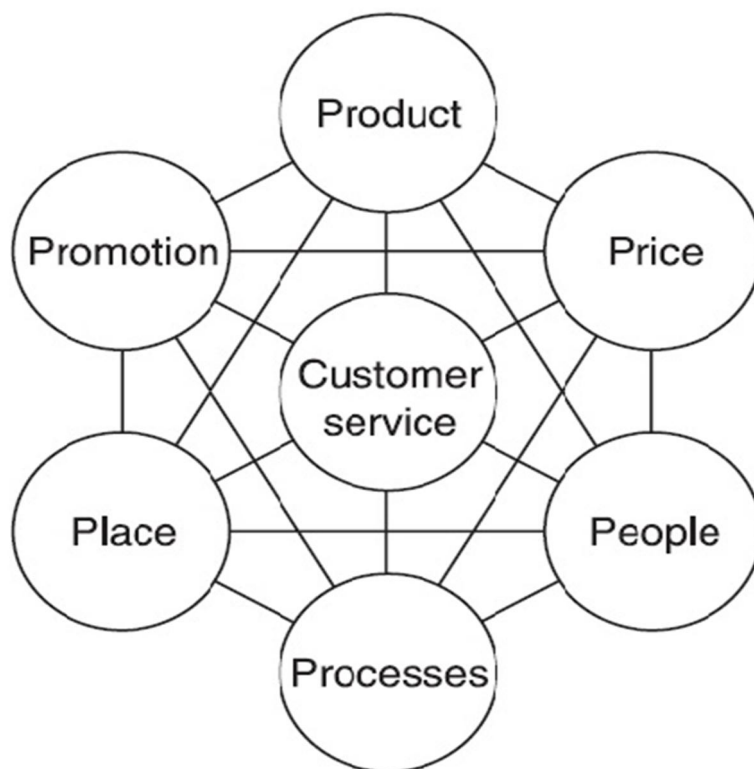


Figure 2: The Expanded Marketing Mix (Christopher *et al.* 2001)

Customer Service

This expanded marketing mix in a broader context of relationship marketing considers that the provision of customer service, which creates a clear differentiator and superior value proposition, to specific customer segments, becomes a central focus on which to consider the other marketing mix elements. Experience has proved to marketers that customer acquisition costs far exceed customer retention costs which is why many have resorted on to targeting 'share of wallet' of specific customers rather than share of market in their marketing efforts. Some even went as far as implementing their marketing efforts on a

one-to-one basis. Customer retention is the prime objective of customer service strategy (Christopher *et al.* 2002). It plays a pivotal role in gaining new customers but more importantly it helps in retaining customers too. A research by Bain and Co. stated that retaining customers is more profitable than acquiring new customers for the following reasons:

- *the cost of acquiring new customers can be substantial. A higher retention rate implies that fewer customers need be acquired more cheaply; &*
- *established customers tend to buy more;*
- *regular customers place frequent, consistent orders and, therefore, usually cost less to serve;*
- *satisfied customers often refer new customers to the supplier at virtually no cost;*
- *satisfied customers are often willing to pay premium prices for a supplier they know and trust;*
- *retaining customers makes market entry or share gain difficult for competitors.*

Customer service strengthens relationships (Christopher *et al.* 2002). Marketing in essence means exchange of 'relationships'; relationships linked by quality and customer service. In simple terms exchange relationships mean a customer paying for a product or service (benefit). But in terms of relationship marketing, exchange relationships extend beyond the exchange of money for benefit. It is viewed as the customer giving loyalty in exchange for the customer's expectation that value will come to their way from the relationship. Their expectations not only consist of benefits gained from the product or service but also intangible benefits emanating from good customer experience. Thus the concept of customer service is not just confined during purchase phase but through the transfer of offer from the seller throughout the lifecycle of usage.

People

The people element of the expanded marketing mix is closely related to the concept of internal marketing – marketing to employees. By internal marketing, an organization creates, develops and maintains an internal service culture in order to achieve its goals. This helps the employees of the company to have a deep-seated value and appreciation to their job and develop a positive attitude.

Hierarchical organizational structures prevent the implementation of this service culture orientation. The organization needs to be customer-centric and make its employees more connected to the market. Activities should aim at greatly integrating 'front-office' and 'back-office' activities.

Process

Everything that goes around in an organization is part of a process. It is through these processes that firms create value for their customers. Davenport defines processes as “a specific ordering of work activities across time and place, with a beginning, an end, and early identified inputs and outputs; a structure for action”.

There could be different types of processes in an organization like:

- The market understanding process
- The innovation management process
- The supply chain management process
- The customer relationship management (CRM) process

(Christopher *et al.* 2002)

From the above mentioned types of processes the most important and relevant to the point of discussion here (Relationship Marketing) is the CRM process. Christopher *et al.* define CRM as follows:

CRM is a strategic approach to improving shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of IT and relationship marketing strategies to deliver profitable, long-term relationships. Importantly, CRM provides enhanced opportunities to use data and information both to understand customers and implement relationship marketing strategies better. This requires a cross-functional integration of people, operations and marketing capabilities enabled through information technology and applications.

CRM helps a firm to build that rapport between the firm and its customers by using information technology. This allows the business to target and market to its customers more closely and have a one-to-one marketing strategies implemented.

The next section discusses how businesses can market to the social web.

2.4 Marketing and the Social Web

As can be seen in previous sections, the core role of marketing is still the same and unchanged. It is still about targeting new customers, defining markets, communicating with potential customers, building loyalty and credibility. But the tools and techniques which were being using are becoming much ineffective now and even more so in the future (Weber 2007). These techniques were mainly based on one-way communication expressing only the firm's side of the story. Continuously communicating about oneself is by itself tiring and uninteresting not to mention a company prophesising its product and services 24/7. Creating relationships is based on sharing each other's values and stories with transparency earning trust and building credibility. A firm also needs to adopt this approach when planning to create a relationship with its customers (Weber 2007). In this section, the steps needed by businesses to market on the social web will be discussed.

1. Observe: a marketer should first and foremost learn and observe what is being talked and discussed about its brand and its competitors on the social web. Sifting through social media and blogospheres reveal quite an interesting amount of information regarding the most influential places and people, and spotting the largest communities. This phase helps the marketer to know how much work in terms of participating in these discussions should be done in order to be a large part of the buzz.
2. Recruit: during this phase the marketer will identify and enlist a core group of users who would discuss about its brand, new releases in general recruit 'brand advocates'. The first phase of 'Observe' will help the marketer to choose the influential speakers and advocates for this purpose.
3. Evaluate platforms: choosing the best platform for achieving the marketing goals is important. It could be blogs, reputation aggregators, web community, social network or a mix of these platform types. It only makes sense to be in a platform that discusses about issues related to a marketer's product and industry rather than to take part in any other. The tastes of the audience is also important in that whether the audience is more interested in reading than listening or watching more things done. Some specialized forums may be for answering questions by users and others are for editing.
4. Engage: this is the most important part in designing the right kind of 'food' to be consumed by the brand's users. In other words engagement is all about content. Creating the relevant type of content that will bring about interaction from the web

community by commenting, sharing or recommending is an important step in the journey towards engaging with the customer.

5. Measure: it is only natural to measure the success of these efforts with the aim of improving the low performers and build upon the high performance indicators. At this point the marketer needs to carefully identify which content was popular, which discussion was more connecting and interpreting them in real number formats is quite important.
6. Promote: some platforms are better promoted by themselves (Facebook, Youtube) rather than the others. Therefore the marketer should promote its presence on these platforms on other sites so as to attract more users to the marketer's profile or platform. Offering some freebies and downloadable content appealing to the customer may attract more visitors.
7. Improve: constant updating and improvements should always be on the table in order to quench the thirst for new information and content for users. Improving user experience on the site, make contents more shareable, or easily generate user contents, make it more friendly and make the user feel special with various rewards.

This section marks the end of the literature review chapter which was aimed to give the reader a clear understanding of the link between social media and relationship marketing. The next chapters will be discussing about the methodologies used and analyses for evaluating the impact of social media on relationship marketing.

Chapter 3 - METHODOLOGY

3.1 Research Method

The very nature of this study compels its research design to be inclined more towards phenomenology – Qualitative research. The fact that the aim of the study is evaluating the impact of social media on companies implementing relationship marketing programs gives much lee-way into using secondary data sources for comparison and analysis with relation to the theories stated in the Chapter 2. Study of relationships (between customers and brands) or measuring the value a customer receives from a brand usually is a complex, subjective and non-quantifiable variable (Semon, 1998). Establishing relationships can vary among individuals and over time for one individual and their practical measurement requires considerable investment in creativity, experimentation and scope out of this UG study. Hence, a qualitative study focusing on three case studies of companies using social media will be made. This study tries to assess the value social media contributes towards helping the companies establish relationships. The study had an exploratory approach while making the analysis of these case studies.

Gummesson (2006) argues a qualitative approach to research is required, allowing researchers to deal with complexity, context and persona and their multitude of factors, relationships and fuzzy phenomena; conventional statistical methods fail in all these aspects. According to Cassell *et al.* (2006) qualitative research methods have had a long history within social sciences generally, including fields ranging from nature of managerial work to researches related to gender and identity at work. Cassell *et al.* (2006) also mentioned the wide variety of authors that have highlighted the considerable contribution qualitative research can make to the field, suggesting that research utilising qualitative techniques can provide rich insights in to the issues that interest both management practitioners and researchers.

Case studies were used in this study with the aim that it involves empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence (Robson, 2002). Case studies are particularly useful where one needs to understand one particular problem or situation in great depth, and where one can identify cases rich in information (Noor, 2008). The case study strategy is of particular interest to this study in order to gain a rich understanding of the context of the research and the processes being enacted (Morris and Wood 1991 in Saunders *et al.* 2009).

More than one case study (multiple case studies) were used for this study for the sole purpose of comparing whether the findings are present in all cases and as a consequence generalise the findings. For this reason Yin (2003) argues that multiple case studies may be preferable to a single case study and that, if a single case study is chosen, there will be a need to have a strong justification for this choice. Adding three cases to a single-case study is modest in terms of numbers, but presents four times the analytic power (Eisenhardt and Graebner 2007). Thus, the purpose of encompassing three case studies into one study is to provide a wholesome approach and an in-depth understanding about the subject. Both qualitative and quantitative data collection methods are used within the three case studies.

3.2 Data Collection Method

The work experience and involvement of the researcher in the social media marketing field has been instrumental in locating and identifying the best sources of data for this study. As the main objective of the study is measuring impact of social media on relationship marketing strategies (among other objectives), it will try to develop answers by recognizing patterns of relationships among constructs within and across case studies *and* their underlying logical arguments. Central to finding and proving these relationships between the case studies is replication logic (Eisenhardt, 1989). In essence this means that each case study serves as a distinct experiment that stands on its own as an analytic unit. According to Yin (1994) like a series of related laboratory experiments, multiple cases are discrete experiments that serve as replications, contrasts, and extensions to the emerging theory.

Theoretical sampling of case studies was used for this study. Eisenhardt *et al.* (2007) argue that theoretically sampling is the best method for selecting case studies when trying to develop these kinds of relationships across case studies. The authors further explain that theoretical sampling simply means that cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs. Therefore the case studies selected for this study are solely based on theoretical reasons (perceived by the researcher) such as revelation of an unusual phenomenon, replication of findings from other cases, contrary replication, elimination of alternative explanations, and elaboration of the emergent theory.

To gain a better understanding of how theoretical sampling was used in this study, the researcher retrieved cases of companies using social media to relate to their customers between 2005 and 2010 from major social media case study 'banks' available in the public domain containing hundreds of cases classified under different industries. The researcher selected the three cases with the aim of choosing cases which can give the researcher the maximum amount of data needed to discover probable categories and their extent. When doing this sampling technique the researcher looked for cases which contained the richest and most relevant data and the ones which are most likely to provide empirical indicators needed for category development. Strauss and Corbin (1990) as cited in Draucker *et al.* (2007) have connected this type of theoretical sampling strategy to open sampling. They suggested that open sampling can be done purposefully, by choosing sites, persons, or documents deliberately to gain the maximum amount of data needed to unearth potential categories and their dimensions; systematically, by moving from one person (or case) to another on a list to uncover subtle differences. The provisional categories used when sifting through these case banks were the types of social media platforms the companies were using for their relationship marketing programmes. This meant, the cases were categorized into those companies which were predominantly using Facebook.com as their primary platform to reaching out to their customer, the second category consist of companies which used Twitter.com as their primary tool for relating to their customers and the last category were the ones which were using a combination of Facebook, Twitter and other platforms for relating with their customers.

To add to the rich mixture of the social media phenomenon taking places across many lines of businesses; companies from a mix of industries were selected.

1. Case Study No. 1 Starbucks – Food and Beverage Industry
2. Case Study No. 2 M&M's – Confectionery Industry
3. Case Study No. 3 Best Buy – Consumer Electronics Industry

Before concluding the Methodology chapter, it would be helpful to also note the disadvantages that surround the research methodology used and the sampling method applied in this study. Despite the application of qualitative research methods in various prestigious journals and studies, there is a general conception that the quantification of data and statistical analysis conveys credibility (Cassell et al 2006) questioning the credibility of qualitative methods (non-numerical). Some in organizational context which emphasize on bottom line may construe numbers are especially convincing. A noteworthy

point as a response to this perceived disadvantage of qualitative methods is that this claim of credibility could also be influenced by particular contexts and what makes a credible research may change from time to time, being something of a cultural artefact. Another point of shortcoming with regards to research using cases is, it's typically ill-equipped to address the questions "how often," and "how many," and questions about the relative empirical importance of constructs. By contrast, the research strategy answers research questions that address "how" and "why" in unexplored research areas particularly well (Edmondson & McManus, 2007).

One of the drawbacks of using theoretical sampling techniques was that there was little guidance available for making the theoretical sampling decisions (Draucker *et al.*). The choice is based less on the uniqueness of a given case, and more on the contribution to theory development within the set of cases.

3.3 Data Analysis Method

The analysis of qualitative data begs for a different type analysis in comparison with quantitative data. As the data is not in a quantifiable form, there cannot be any statistical analysis that could be reached at. Therefore for this specific case-based study, Systematic Combining method of data analysis will be used. In this method, the researcher will be going back and forth between theories and empirical observations. Dubois and Gadde (2002) have found that the researcher, by constantly going 'back and forth' from one type of research activity to another and between empirical observations and theory, is able to expand his understanding of both theory and empirical phenomena. Systematic combing has been figuratively presented below.

The following chapter presents the data in a summarised form and discusses the findings in depth.

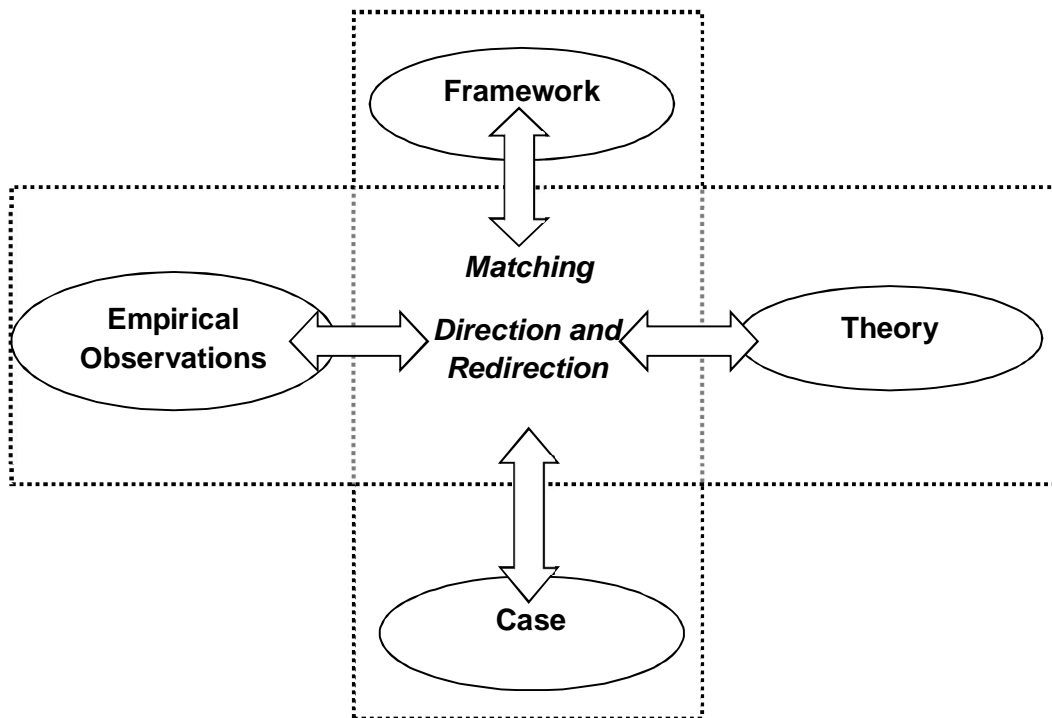


Figure 2. Systematic Combining adapted from Dubois and Gadde (2002)

Chapter 4- FINDINGS AND DISCUSSION

This chapter discusses the findings based on the three case studies and academic arguments to support the claims. Reference to the theories discussed in chapter 2 will be made in line with the systematic combining method of data analysis. The originally sourced case studies are attached to the appendix section of this study.

Case Study 1: Starbucks

Title: **Starbucks Gets Its Business Brewing Again With Social Media**

Conventionally communities are formed by group actors confined to a certain location. These actors are inter-related by space and time, mutually dependant on each other developing certain interaction patterns guiding the communities. The internet has made the replication of these communities on the web through virtual communities. It was a very critical infrastructure that provided momentum to overcome the space and time constraints posed by traditional community gatherings. Brand communities are examples of such communities. Through brand communities, not only do companies open a communication channel, but also allow creation of linkages with their devoted users. The Internet provides the infrastructure for enhancing the development of brand community activities, by expanding the reach of communities (reducing barriers for interaction), by increasing communication effectiveness, and by providing additional possibilities for interaction among community members. Bringing this concept to the point of discussion here; Relationship Marketing; web enhanced brand communities appear to be a suitable platform to foster brand loyalty and market share. Brand community activities, both off- and online, are seen as a lever for relationship development and involvement (McAlexander *et al.*, 2002). According to McAlexander *et al.*:

Brand communities are important lever for brand involvement through the initialisation of customer interaction, as well as furthering the development of customer–seller communication. A brand community has been said to initiate the formation of a fabric of relationships between (1) the customer and the brand, (2) the customer and the firm, (3) the customer and the product in use, and (4) the customer and fellow customers.

Another benefit to these web community activities is their potential in recruiting community members which can be seen as an initial step in a relationship building effort, a claim

supported by Hagel and Armstrong (1997). These web based brand communities enable their members to leverage customer involvement in product or service development efforts. Such venues allow the influence of product modifications based on the demands and tastes of the customers which directly influences customer loyalty.

When looking at the Starbucks case study, first and foremost, coffee drinking is unarguably a social experience. Significant amount of time and moments are shared with other people while consuming coffee. Drinking coffee is actually sometimes a reason for people to getting together to socialize around a cup of coffee. Given its social context and its strong loyalty scores offline, Starbucks decided to leverage this social nature of its business online. This is when in 2008; Starbucks launched its mystarbucksidea.com micro-site. This community is a natural continuation of Starbucks acting as a catalyst in strengthening the offline relationships of its devoted users. The main purpose of this micro-site was for users to submit their suggestions, ask questions and vent their frustrations (if any). It was a platform where users had the complete freedom to say whatever idea they had in mind. Customers by joining the community submit suggestions/comments and also vote on others'. There are also forums where members can directly talk to company representatives from different departments. The high numbers of registrants on the site (180,000 users) with about 80,000 ideas submitted shows how much this platform was active and engaged. The two-way nature of this platform was exhibited by the quick and personalized replies the company gave to questions raised. The implementation of 50 of the submitted ideas by Starbucks was evidential that the users' ideas count further boosting the confidence and morale of users towards engaging with what has traditionally been a distant brand.

But Starbucks did not just stop at creating the platform for engagement with its customers but also continued concerted efforts in maintaining interest within the community. It conducts this through features where users of the site can engage with the company on issues of store renovation for example. Meaning, users use this platform to help decide the type of art, books or music they would prefer to include when that stores open. Another feature is its polls, which is a dynamic way of keeping the users engaged and interested.

Relating this to the theory discussed in section 2.1.2 it is apparent that Starbucks has leveraged the freedom and disclosure factors as shown in the case. In this case users had freedom of expressing their feelings and their contribution was reciprocated by Starbucks

actually implementing them. By opening this platform Starbucks has enabled its customers develop a strong sense of identity (coffee drinkers) and an ability to express themselves to others by using the brand. This identity driving element (mystarbucksidea.com) reinforces the value creation process for the brand.

By customers venting their possible frustrations on this platform, Starbucks was able to listen, understand and address their problem quickly and efficiently. This complemented the customer service strategy of the coffee chain. According to Christopher et.al (2002) in section 2.3.3, customer service strengthens relationships. According to this theoretical framework these relationships are linked through quality and customer service. These platforms have enhanced the purpose of exchange relationships which extend beyond the exchange of money for benefit. The customer gives loyalty by registering on the micro-site or become a fan of the Facebook profile of the company in exchange expect value from these relationships. These values or benefits do not always come in kind but also through intangible benefits through good customer service and having a voice in the decision making process of the company. The high volume of interaction by users on these platforms proves the point that relationships with the customer continue evolving through the exchange of value throughout the lifecycle of usage.

Starbucks has effectively used the so-called 'holy grail' of social media – online conversations to its advantage. Facebook, Twitter and its home-grown micro-site have helped it in engaging with its customers to directly communicate with them as questions arise. It is through these channels that the company was able to search unhappy or disgruntled customers online, announce special offers and share the human side of the brand. Engagement with these communities was also further lubricated by the creation and sharing of valuable contents on these online platforms. These contents inform customers of the latest CSR activities the company is implementing, share interesting stories about the history of coffee and the brand (solidifying the identity factor) with the aim of disclosing as much information as possible, consequently developing an inherent liking to the brand. Supply of these interesting contents consistently to the social communities helps create meaningful conversations where customers will be learning something new and learn from each other strengthening the bond. This strategy matches directly to the self-disclosure factor stated in theory of social media.

Case Study 2: M&M's

Title: Build awareness and demand around the launch of the new M&M'S Pretzel and increase connections to the M&M'S U.S.A. Facebook Page.

Moving on to the next case study, the trust and commitment element has played a critical role in the relationship building effort by M&M's. The existence of trust and commitment among parties is seen by some to be central to the success of relationship marketing strategies (Morgan and Hunt 1994; Palmatier *et al.* 2006 as cited in Egan 2008). Trust is seen as the glue that holds relationships together across different encounters (Singh and Sirdeshmukh 2000 as cited in Egan 2008). Chaudhuri and Holbrook (2001) define brand trust as the willingness of the average consumer to rely on the ability of the brand to perform its stated function. They also assert that trust on the web reduces the uncertainty in an environment in which consumers feel vulnerable because they know that they can rely on the brand. However, trust on the web is highly impacted by what people say (Brogan and Smith 2010). People trust information shared by other people who have encountered a certain purchase experience for example. Consumers tend to remember best the last experience (the "recency effect"): thus one positive experience may be sufficient to alter perceptions of more than one preceding negative experience, and vice versa (Buchanan and Gillies 1990). This suggests that the durability of a relationship depends on the customer's satisfaction; the more satisfied the customer, the more durable is the relationship.

Relating this concept of experience to the context of the web shows that a more engaging and interactive experience on a web platform makes more contribution to an increased level of brand trust. Meyvis and Janiszewski (2002) reveal that irrelevant information weakens consumers' belief in the product's ability to deliver the benefit. Hence, whether perceived quality of information is provided and, if it is provided, the quality of customized information for customers, also influence the level of brand trust on the Web. By customized information or content, it means contents distributed on these platforms should be suitable or appropriate for the demographic, taste, culture and other behavioural issues that may influence brand trust. Hoffman and Novak (1996) assert that

As consumer-goods companies create online communities on the Web for their brand and trust, they are building strong relationships with their customers and

enabling consumers to enjoy all of their contents. In the virtual environment, consumers are able to experience psychological states because the medium creates a sense of presence that results in augmented learning, altered behaviours, and a perceived sense of control

This is the foundation of M&M's Social Media campaign where they launched a Facebook application where about 40,000 of their existing 1 Million+ fans (as of April 2010) on their Facebook business profile page were able to get early access to a new product to be launched. These fans were able to have sample bags mailed to them by signing up on the Facebook application which also enabled each subscriber of the application to invite additional 2 friends to try the product. M&M's has used the trust lever discussed above and authenticity generated from trustful connections on Facebook to amplify the impact of spreading the product launch and brand mention organically through reviews and sharing experiences.

Connections made on social networks like Facebook are mainly based on trust. This means users of these websites let each other into their circles of trust 'become friends' extending their real life human relationships online. These real life relationships may have originated from different social encounters like family ties, school, workplace or other social setting. New relationships are also formed via these networks. By virtue of these trustful connections, the two 'friends' invited possess a high level of trust on the inviter's product choice or recommendation. They believe that this user (inviter) must have had previous positive experiences with the product (M&M's) that they also would be interested in experiencing the same. Through this act of invitation, M&M's is not only building an organic following added to its fan base via the ripple effect that comes along with the 2 new invitees inviting their own two other friends each but also puts it at the helm of starting numerous new relationships. The passion for the M&M's brand creates a sense of belongingness for the fans serving as a source of commonality.

M&M's also used the extensive reach factor of Facebook which now has over 500 Million registered users (Facebook.com 2011) to spread contents virally among other Facebook users. The Facebook business profile has enabled M&M's to monitor the content consumption behaviour of its fans which influences future content creations. This information greatly helps in understanding the type of content most consumed (i.e., blogs, video or pictures), the frequency and timing of content usage, the content most shared in

addition to identifying the irrelevant content. By customizing the information it's sharing based on these attributes, M&M's will always be able to maintain a good level of interest and interaction among its fans. This relates to the theory that media richness of this specific channel has enabled the brand to virally spread the mention of the brand through words of mouth (WOM) virtually. It is through this page that M&M's fans were able to post their opinions, reviews and experiences about the products. An important attribute of the platform in addition to the creation of new relationships and strengthening the old ones, it has helped M&M's gain earned media (Section 2.2).

The consumer behaviour and demand information thus retrieved from this strategy will be instrumental in future decisions about the product. Christopher *et al.* in their extended marketing mix model discussed in section 2.3.3 highlight the importance of consumer information obtained through CRM technologies like that of M&M's Facebook application very crucial in solidifying relationships. Social media platforms like Facebook which trigger online conversations serve as tools in trying to identify and understand the antecedents to consumption and purchase of products and services. In the case of M&M's branded online community formed on Facebook, by gathering these passionate chocolate candy lovers M&M's will be able to spot the influencers from the larger community. These influencers have a better position in influencing the decisions and opinions of other community members (customers). In a way the prime goal of CRM is to establish appropriate relationships with these influencers. In layman terms, the happier the influencers, the positive WOM will be.

Case Study 3: Best Buy

Title: **Be a resource for customers beyond their experience in the stores.**

The issue of the importance of employees in the success of a company has been a point of debate for a while now. Although most companies have acknowledged its importance some companies have chosen to ignore this critical fact. There are even some writers (Christopher *et al.*) that suggest the integration of human resources management with marketing management departments while discussing part of the expanded marketing mix. Despite the lack of studies discussing about the importance of the human element of a company and its relationship building efforts, it is worth exploring the vital connections that exist between them.

Some companies which have acknowledge the importance of people (employees) in their processes have shown that an aligned view of the relationship between what the employees and managers feel about their company, shared values, approach to serving the customer and job satisfaction have resulted in success (Christopher *et al.* 2001). Logically thinking if an employee in any department is not enjoying his/her workplace, it would surely reflect on their performance affecting the company's overall productivity. Uninterested employees will in turn make customers disinterested in the company products/services because if the employees are not concerned or interested in their company values, there wouldn't a viable reason the customer value the relationship.

Including employees in overall marketing strategy is becoming part of some company formal mechanisms. Through these mechanisms the marketing messages are "sold" to the employees in order to infuse a service culture oriented towards the customer. By return employees will be motivated by contributing more due to the recognition their employer has given to them by making them part of strategizing the messages broadcasted by the company. The behaviour and attitudes of these employees towards their company will highly determine the length and strength of a successful relationship marketing programme. A customer oriented culture fosters positive behaviours and attitudes which in turn dictates the 'climate' of the company - policies and practices that differentiate it and reflect its cultural beliefs.

With the recent emergence of social media, companies have had a split view towards letting their employees be part of their social media marketing efforts with the aim of building relationships with customers. Some countries (like Germany) have actually moved

towards banning the use of social media in the workplace (Hall 2010). But there are strong arguments that restricting the use of social media by employees will in one way or another have a negative consequence. It is logical to think that an employee is part of the wider online community and quite possibly part of the brand community discussing his/her employer's main line of business. Dynamics of communities have showed that a message with a negative attitude about a company/product by its employee would supplant any or all positive efforts by any external player. It would paint a negative picture about the company.

Embracing the use of social media by companies instead has much better results. Democratizing social media use by employees empowers them as social agents for the company on the web. The company also leverages the expertise possessed by different employees in different departments to serve customers with real life problems by sharing their knowledge on-demand.

The lifetime value concept suggests that as people trade over time companies should have a longer term view of any customer when it comes to establishing a relationship with them (Ambler and Styles, 2000). When people do trade over times they are not only interested in purchasing only but would be interested for example to learn more about the history of a product/service, newer ways of using the products/service (not experienced by the customer before) or ideas that are totally not related to the product but are of interest and bring value to a particular audience on online communities. The excessive use of 'salesy' pitched social messages would be considered as marketing spam by many. The company which is actually relating to the real needs and interests of the customer honestly will prove as caring for the customer. Therefore a company utilizing its overall workforce to relate to customers at different levels will have a better chance of establishing inherent and enduring relationships with customers.

Best Buy is a good example in this regards. In the final case study, Best Buy is seen as the trailblazer in using its employees to reach out to its customer mainly through Twitter.com. The consumer electronics giant empowered its employees both technical and corporate staff to access the company's twitter handle (account) – @twelpforce. Through this platform people on Twitter.com ask questions to twelpforce and any Best Buy employee who has the required knowledge will provide an answer to the customer. As would be expected people will always have questions and doubts about technology and

Best Buy through its highly trained technical team (Geek Squad) would be providing personalized solutions to their problems. The personalized nature of replies adds to the humanization of the company whereby the Best Buy employees provide replies that are authentic, transparent and have a personal twist. The democratization of social media by Best Buy has also enabled for thousands of employees to voluntarily sign up for the task which has benefited in a real time customer service which would not have been viable on a separate payment schedule.

The following chapter discusses about the conclusions reached based on the above mentioned findings and discussions in the form of analytic generalizations. It continues to describe the limitations faced by the researcher while conducting this study and additionally recommending issue which need further research.

Chapter 5 - CONCLUSION, LIMITATION and RECOMMENDATION

5.1 Conclusion

In light of the literature review and the critical examination of case studies collected for this study, there were clear-cut clues indicating that the issues this study addressed were only the tip of the ice-berg. This study was able to shed light on the objectivity and complexity of the core subject matter of customer-seller relationships that has made it seem challenging for investigating the basic tenets that both social media and relationship marketing share. These tenets are the links that were ascribed earlier as part of the research objectives. This is to say, while social media helps people connect with each other virtually; relationship marketing deals with companies trying to connect (relate) with their customers. In both these cases there is a bonding element in common that makes each phenomenon to be realized. The only difference up until now is that relationship marketing efforts were solely based on offline efforts. This variation can be circumvented by complementing these offline efforts through online efforts. This is where social media comes into play and whose practical benefits are further proven by 3 case studies presented in this study. Through various means this evidence-based study has shown that companies can leverage passion, brand trust and familiarity into forming online brand communities initializing the establishment of relationships reinforcing the value creation process.

Retrospection of the Starbucks case study highlights an important component in the value creation process – web enhanced brand communities. Through this case it was showcased that brand communities open communication channels with devoted customers and establish a connection with them. Starbucks has used its brand community as a lever in developing its relationships with customers and increase rate of involvement. It was the breeding ground for the start of customer interaction where customers were using this platform in voicing their concerns, opinions and experiences. Through this platform they were able to exercise the influence of their scale in product and service modification to meet their demands and tastes. This web enhanced brand community was a venue for expressing opinions and frustrations further cementing the freedom and disclosure theoretical frameworks. Previous relationship marketing efforts were not efficient enough in gathering as many customers with this level of interaction. Social media made this possible. This platform has helped Starbucks disclose as much information as

possible about itself or perceptions by its customers. This degree of disclosure has made the brand seem vulnerable and open to criticisms earning the trust of its customers. This has defined the strength of the relationship.

In addition to aiding the customer service strategy which is one of the pillars that strengthen customer relationships; the two-way nature of social media platforms has enabled the transformation of communicating with customers which has been a monologue into a dialogue. The strong and meaningful conversations further augmented by the sharing of content (value) and specialized offerings to community members have helped improve the social capital of the company.

As mentioned earlier, passion and trust for a brand are instrumental in relationship marketing strategies. With the absence of the trust element; attempts to establish a relationship with a particular audience is destined to failure. From the cases discussed in the previous chapter, it is safe to conclude that trust on the web is highly influenced by what people say. The credibility of the messages conveyed by individuals comes from the 'one of us' feeling as seen by others as opposed to what a company says. The sharing of experiences (credible messages) is catalysed by social media platforms. This is true because the connections made on these social networks are mainly based on trustful connections. Therefore opinions expressed by a trusted connection will have an influence on other connections to a large extent.

It was observed from the 2nd case that the Facebook platform complements in growing the user base of a brand organically introducing the brand to new customers through word of mouth. Depending upon the reach and size of a platform it was evident that analytic reports from social media help companies to understand consumer behaviour, sentiments and perception of the brand in real time. This in turn influences product and service modifications to meet these requirements.

Another aspect of relationship marketing that should be given further adherence to is the inclusion of the human element in designing the strategy. A unified view of the company and its values by the employees reflect on the company culture exhibited to the 'outer world'. Adaptation of customer oriented culture fosters the positive behaviour and attitudes by the employees. A vital tool that can amplify the positive effect of the human element in a company's relationship marketing strategy is social media. Through social media a

company is able to quickly address to customer requests and demands (sales and non-sales related) which reflect its competencies derived from its various human resources. Enduring relationships are created when customers are served with transparency, care and adequate proficiency.

On a personal level this study has been an eye-opening experience for the researcher for uncovering the underlying associations between social media and relationship marketing. It was useful in providing concrete evidences that social media was indeed a vital tool in companies trying to relate to their customers. At this point, it is also fair to say that social media is not an end by itself but a means to an end. Online conversations about brand will be taking place whether the brands take part in them or not and social media is making these conversations audible, influential and decisive. Adopting marketing strategies that target these users and taking part in the conversations is no more an option but a necessity. If brands want to understand and analyze their customers better there is no better place to experiment this than on online communities.

Finally, following the analytic generalizations made this far, the multifaceted positive attributes of social media has proven it highly impacts relationship marketing programmes in various ways. This study has been able to uncover the common relationships that exist among all three cases and summarised them in the following list of key points:

- Easily opens a direct communication channel with devoted users
- Enhances and fosters customer loyalty
- Strengthen the sense of identity and brand passion
- Catalyse and enhance brand trust online
- Ability to freely express opinions and experiences of products/services by users
- Ability to reach massive audiences/market easily at a lower acquisition cost
- Complementary aid to provide a superior customer service strategy
- Able to glean customer data for future product developments (CRM)
- Easy access to influencer engagement
- Leverage human resource expertise efficiently

As can be ascertained from the above list, these key points (building blocks) are intangible benefits that companies can leverage over the course of exchange with customers.

5.2 Limitations

One of the main limitations that the researcher faced during this study was the unavailability of sufficient academic literature that addresses social media. Due to the infancy of the field coupled with the unavailability of academic literature, the researcher was forced to prove the objectives of the study primarily on evidence-based or case-based reasoning (secondary data sources).

The very nature of this qualitative research being case-based research brings about the issue of generalization. This form of strategy typically results in only analytical generalization and not any statistical generalization due to the absence of specific measurement scales to address the issue under discussion. Yin (1994) emphasises that the case study does not represent a sample *per se* and so the aim of the method is to develop analytical generalizations not frequencies or statistical generalizations to a wider population.

Another point of limitation in this study was that the contents of the case studies were taken as per what the companies have published them with no possibility of personal verification regarding the credibility of the claimed 'success stories'.

5.3 Recommendations

This undergraduate study had limited scope in discussing the wide array of topics that arose related to relationship marketing. The sensitive topic of relationships in business has for long been difficult to quantify. Further longitudinal researches studying the aspects when is a customer consider to have definitely established a relationship with a brand, does relationship with a brand really translate to increase in the bottom line of the company are some of the issues that would be interesting to explore.

As with any for-profit minded businesses, companies are interested to know the Return-On-Investment (ROI) of social media. True, it helps in creating relationships with customers but how much of those can be translated into real monetary terms. This is a very controversial issue in the social media landscape that needs further research. Finally, further research could find answers to whether the social media marketing strategies used for B2C environments discussed in this study can be also applied to B2B environments.

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APPENDIX I

CASE STUDY 1 : STARBUCKS

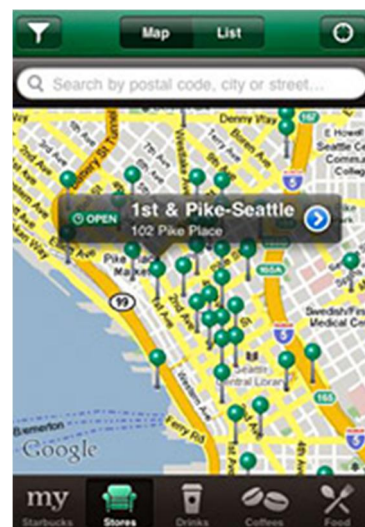
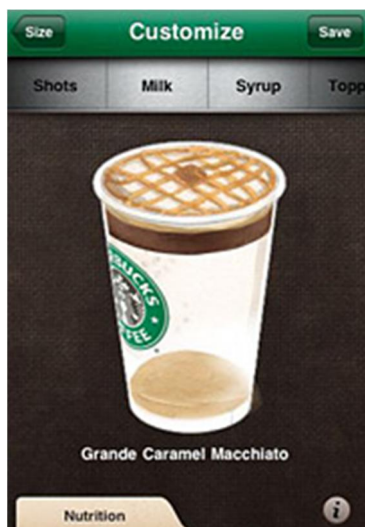
Starbucks Gets Its Business Brewing Again With Social Media

How the Company Turned Around Sales by Finding 'Intersection Between Digital and Physical'

By: Emily Bryson York

Published: February 22, 2010

CHICAGO (AdAge.com) -- Let's get this straight right away: Return on investment in social media is not measured in how many friends you have on Facebook or how many followers you have on Twitter. It's not calculated in trending topics or YouTube comments. It should, in fact, be held to the same criteria other marketing channels are: Did it move your business?



It's done just that at Starbucks, which is a digital marketer worth watching.

No one would have guessed at that turn of events during the chain's dark days of early 2008. Sales and traffic had begun to slip for the first time in its history as a public company. Founder Howard Schultz, returning to handle day-to-day management, even admitted that Starbucks had lost its soul. As part of Mr. Schultz's multifaceted turnaround plan, the chain launched MyStarbucksIdea.com in July 2008 as a forum for consumers to make suggestions, ask questions and, in some cases, vent their frustrations. The website now has 180,000 registered users. Some 80,000 ideas have been submitted, 50 of which have been implemented in-store.

Chris Bruzzo, Starbucks' VP-brand content and online, said amassing Starbucks' 5.7 million Facebook fans and 775,000 Twitter followers could be tougher for a dental-floss brand. "Maybe we have an unfair advantage because in so many ways Starbucks and the store experience is like the original social network," he said. Consumers "come in, hang out and talk to our store partners. They sort of got to know us as a brand in a very social way."

But he's quick to point out that Starbucks' advantage could easily have been squandered. "If we had approached it not from 'what you know and love about Starbucks' but as a marketing channel, we would have

taken this down a path that would have been very different," he said. "This was not [built as a] marketing channel, but as a consumer relationship-building environment."

More important than the number of fans, however, is that the coffee chain is beginning to see sales lifts following social-media promotions.

Results

Starbucks posted its first U.S. same-store sales gain in two years for the last quarter during a time when the company relied on digital and social-media promotions instead of what had become an annual TV blitz. The chain partnered with Pandora to sponsor holiday playlists, staged a Facebook sing-a-long and leveraged its partnership with Project RED to drive traffic to a dedicated microsite -- and its stores, offering a free CD with a \$15 purchase.

Mr. Bruzzo said that the company is benefitting from a trend "toward this intersection between digital and physical."

"We're seeing the beginning of that," he said. "The experiences you have online can translate to rich offline experiences."

The first time Mr. Bruzzo noticed this intersection was on Starbucks' "Free Pastry Day" last summer, when consumers could visit the company website or its Facebook page and download a voucher for a free pastry. Mr. Bruzzo, who visited multiple stores that day, said he was amazed at the number of people standing in line holding coupons they'd printed out. He said the impetus for free pastries was the volume of faithful online followers asking to be included on new products or other company news.

The secret to Starbucks' social-media success is, at least in part, the fact that it plays it cool. "It's not like we started our Facebook community, got to a million people and started pushing offers at them," he said. "We built up a community of people who enjoy engaging with our photo albums from our trip to Rwanda, who loved to have these shared moments around their favourite drinks." Then, fans started asking the company what was going on, and how they could be included.

'Straight scoop'

An added benefit of Starbucks' social-media progress has been the ability to quickly manage rumors that could have dogged the company for days. Last January, a story spread that Starbucks was donating its profits in Israel to fund the country's army -- even though Starbucks doesn't have any cafés in Israel. These days, Mr. Bruzzo said, when misinformation gets out, it's easier to nip it in the bud.

Internally, it's called the "embassy strategy." Starbucks strives to make MyStarbucksIdea and its Facebook and Twitter pages places that "when you go there you know you're going to get the straight scoop," he said.

After ceding its usual first-to-market status to competitors, Starbucks launched two iPhone apps in September, one for general cafe purposes, with store locators, details about specific blends and nutrition information, and the other to support its loyalty card. Moving forward, Mr. Bruzzo said the company will be looking for ways that consumers can connect with each other from inside the apps.

In the meantime, Starbucks is testing functionality that allows loyalty-card holders to pay with their phones.

Starbucks' agencies are BBDO, PHD and Blast Radius.

Starbucks tweeter in chief

Unlike many marketers, Starbucks doesn't run its Twitter feed out of its PR department. The chain's voice on Twitter is Brad Nelson, 28, a former barista who rose through its IT ranks.

When the company was looking for ideas to re-engage with its core customer in 2008, Mr. Nelson suggested that he begin a Twitter handle for the brand, and it now has 775,000 followers. The brand relies on the 28-year old to translate the Starbucks experience for the online community, search out confused or disgruntled consumers, chat about store offerings and even crack jokes.

Chris Bruzzo, VP-brand, content and online, said that Starbucks was beginning to institute its turnaround plan in early 2008 when Mr. Nelson announced he was ready for something new and wanted to get involved in the chain's online efforts.

"I sent him away and said 'Fine, sure,'" Mr. Bruzzo said. But about two weeks later, Mr. Nelson gave him a presentation about Twitter and the opportunity to communicate directly with consumers as questions arise. Mr. Nelson sweetened his pitch by adding, "It's a lot like being a barista on the internet." Mr. Bruzzo recalls greenlighting the project, and after a period of working with Mr. Nelson, let him loose on Twitter.

Mr. Bruzzo gives credit to Mr. Nelson and his "willingness to take smart risks," but shares some of the kudos for Starbucks. "I guess you have to have a brand like this and an environment that's open to innovation and someone like Brad with the passion and personality."

Now Starbucks is finding more ways to use Mr. Nelson. He took a week-long cross-country drive last fall with comedienne Erin Foley and an Edelman entourage to help launch Via. The group made stops for a web series along the way, passing out product samples.

Source: <<http://adage.com/article/special-report-digital-alist-2010/digital-a-list-2010-starbucks-brewing-social-media/142202/>>
[Accessed April 1, 2011]

APPENDIX II

CASE STUDY 2: M&M'S



Company Background

Introduced to American GIs serving in World War II in 1941, M&M'S® remain one of America's — and the world's— most popular chocolate candies, available today in nearly a dozen flavors and sizes. The brand is one of several household names in global food giant Mars, Incorporated's chocolate segment, including SNICKERS®, DOVE®, TWIX® and MILKY WAY®. Its newest product is M&M'S® Pretzel, a crunchy pretzel covered in milk chocolate and encased in M&M'S iconic candy shell.

Objective

In the Spring of 2010, Mars Chocolate North America began a campaign to introduce M&M'S Pretzel, the company's biggest new product launch in a decade. The integrated campaign spanned television, print advertisements, movie theater commercials, digital media, brand website, as well as social media. Before the official launch in June, nearly 1 million people had already connected to the M&M'S U.S.A. Facebook Page, the free public profile that enables companies to share their business and products with Facebook users on an ongoing basis.

Mars decided to use Facebook to seed awareness and demand around the new M&M'S Pretzel by inviting its large and loyal base of connections to take part in a novel sampling initiative. A secondary goal of the campaign on Facebook was to increase the number of people who connected to the M&M'S U.S.A. Facebook Page, where the brand regularly connects with its fans and updates with fun news items, useful product information and a variety of multi-media content. BBDO served as M&M'S creative agency for the campaign.

"We decided to partner with Facebook for the M&M'S Pretzel launch because we wanted to tap into the highly viral nature of Facebook," says Debra Sandler, Mars Chocolate North America's Chief Consumer Officer. "We wanted to reward our [almost a million connections] with early access to the news about the great new product and we wanted...to give them samples of the product and have them tell their friends and create a huge demand for the product even before it hit the shelves."

Approach

In April 2010, a month before the official launch of M&M'S Pretzel, Mars developed an application on Facebook called the M&M'S Pretzel Vending Machine that enabled 40,000 of the brand's Facebook connections to sign up to have a free sample mailed to them on a first-come-first-served basis. Mars decided

to “socialize” the experience by in turn empowering those people to each invite two friends to also claim a free sample bag.

“The reason we chose taking a more viral approach to sampling with Facebook in the M&M’S Pretzel launch was because of the authenticity of connections being shared as opposed to Mars having a one-way conversation with the consumer about the product ourselves,” says Debra. “I think it’s incredibly powerful for consumers to speak to each other and to offer each other the options and the great ideas that they have found on the site.” Mars also tapped into other online social behaviors by encouraging consumers to provide feedback on the product on the brand Facebook Page, which was overwhelmingly positive, as well as by providing packaging that users could then “unbox” and record on video to share with their friends.

Mars made Facebook a key hub for its other launch activities, enabling people who had connected to its M&M’S U.S.A. Page to watch a performance by the American Idol finalists inside a giant M&M’S in New York City through an exclusive live webcast. Among other activities, it also loaded its Page with engaging content, such as videos of a lonely pretzel chronicling life inside an M&M’S Character.

Results

- Through Facebook, M&M’S was able to distribute 120,000 samples in a highly efficient manner within 48 hours direct to consumers.
- Over the course of the campaign, the number of people connected to the M&M’S U.S.A. Facebook Page increased to 9 percent. As of early September, the number of people connected to the Page was approaching 1.2 million
- Long after the campaign had officially ended, M&M’S in the Fall of 2010 continued to benefit from the earned media that Facebook provides, as people connected to the M&M’S U.S.A. Page posted comments such as “You must try M&M’S Pretzels”, “M&M’S Pretzels are awesome” and “Can’t get enough of M&M’S Pretzels, Someone stop me”

“We were thrilled with the response of the program,” says Debra. “We were thrilled with the consumer feedback. And ultimately, this contributed to an incredibly strong demand for the program by the time the product hit the retail shelves.”

The Future

Mars will continue to make Facebook an integral part of its advertising and its communications with consumers, says Debra. “It’s a critically important element to Mars in our marketing mix,” says Debra. “It is because we have a very direct, authentic and real dialogue with a very important consumer base. And that allows us to know what is and isn’t working as quickly as we can. So we take this feedback very seriously and we’re in there talking to them each and every day.”

“The reason we chose taking a more viral approach to sampling with Facebook in the M&M’S Pretzel launch was because of the authenticity of connections being shared as opposed to Mars always pushing the product ourselves. I think it’s incredibly powerful for consumers to speak to each other and to offer each other the options and the great ideas that they have found on the site.”

Debra Sandler

Chief Consumer Officer, Mars Chocolate North America Advertising Case Study

Source: http://ads.ak.facebook.com/ads/FacebookAds/M&M%27S_CaseStudy.pdf [Accessed: April 1, 2011]

APPENDIX III

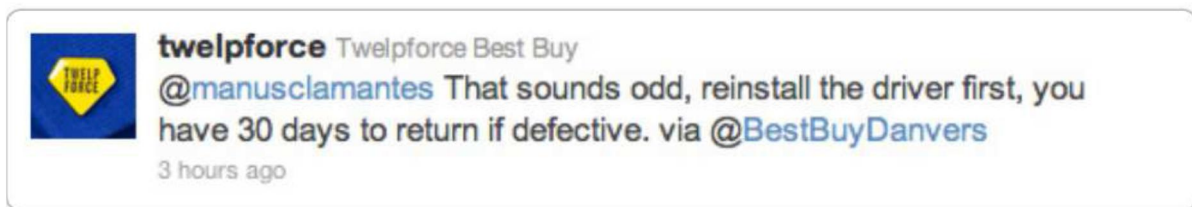
CASE STUDY 3: BEST BUY



Best Buy wanted to be a resource for customers beyond their experience in the stores. The company developed a unique way to connect with customers through their @twelpforce account to provide real-time customer service.

Twitter Strategy: Instant Connections

Best Buy empowered the "blue shirt" members of its Geek Squad tech support service and corporate employees to staff their twelpforce account on Twitter. People use their own Twitter account to ask questions directly to @twelpforce, and any Best Buy employee, working on company time, can provide answers using an @ reply to the customer. By tagging their tweets with #twelpforce, the answer is sent through the @twelpforce account, allowing anyone to search the feed for topics they are researching. As of 12/15/10, @twelpforce has provided over 38,000 answers to customer inquiries. They've had a tremendous response from employees as well, with over 2,900 signed up to answer questions.



Early Tweets

Best Buy's thought at the beginning was simple...Be Relevant. Give customers something of value so they find themselves invited into conversations, and welcomed into the purchase/support cycle. They wanted to leverage Twitter and let the real people behind @twelpforce set them apart from competitors by sharing knowledge on-demand.

Through conversational employee/customer interactions via Twitter, they hoped to humanize their entire organization. Twitter let the employees be authentic, transparent, and bring more of "themselves" to the table. They felt the @twelpforce initiative in particular was a game changer since it was the first time a company used Twitter to create real-time customer service.

Source: < <http://business.twitter.com/optimize/case-studies/best-buy> > [Accessed April 1, 2011]