Innovative Analytics:

Quantifying the Business Value of Relationships on the Social Web

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“Why Even Have Relationships on the Social Web?”
“What’s the Business Value or ROI?”
Top 5 Bad Answers

1. “Not sure, but we’re tweeting like a bird on fire!”

2. “If you friend me, I’ll tell you.”

3. “What’s the ROI of putting on your pants in the morning?”

4. “Twitter doesn’t make money – why do we need to?”

5. “ROI? Who’s Roy?”
Key Message #1

Don’t say dumb things
A decade powering the most successful and most vibrant customer communities in the world
Driving real ROI: **Innovation**

**iRobot**

$50M new market opportunity identified through community

**sage**

300% increase in beta program participation

**intel**

200 new product ideas generated in 30 days
66% increase in spending
39% of all search engine traffic goes to the community

Positive sentiment ▲ 300%
Negative sentiment ▼ 50%

41% increase in spending
Driving real ROI: Support

$20M saved in call deflection

$3M saved in call deflection

2M questions answered this year

Customer Sat scores ▲ 15%
Communities and Networks Drive Real ROI

**Accelerate Innovation**

300% increase in beta program participation.

**Reduce Costs**

**LINKSYS** by Cisco

$20MM savings from calls deflected annually.

**Increase Sales**

**FICO**

66% increase in customer purchases.

- **Innovate**
- **Your Customers**
- **Support**
- **Promote**
Innovate

Benefits

- Additional/better-targeted products and services
- Decreased cost of gathering customer feedback/insights
- Acceleration of product and services launches
- Faster issue identification and resolution

Community Capability

- Community can output collective intelligence of all members, providing higher quality & more reliable feedback
- Highly active community members self-identify as passionate customers, who otherwise may be unknown to company
- Feedback via idea exchanges, threads, private boards are less costly and more interactive than other vehicles
- Community eliminates isolation/duplication of feedback given via suggestion box, complaint line, support call
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<thead>
<tr>
<th>Benefits</th>
<th>Community Capability</th>
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<tbody>
<tr>
<td><strong>Enhanced SEO</strong></td>
<td>Community reflects collective customer interests, thus relevant keywords; search algorithms favorably weight user-generated content</td>
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<td><strong>Increased word of mouth promotion</strong></td>
<td>Positive community experience can motivate users to advocate for brand on the community or through other channels</td>
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<td><strong>Increased % conversion to buy</strong></td>
<td>Users trust other users re: product recommendations, so positive buzz on the community drives users along buying cycle</td>
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<td><strong>Decreased cost of acquiring prospect information</strong></td>
<td>Community is low-cost incentive for providing information; reports can be exported into direct marketing systems</td>
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<td><strong>Increased traffic to product pages, offline channels</strong></td>
<td>Community buzz about products/services can prompt interest in a browsing visitor</td>
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<td><strong>Increased average order value</strong></td>
<td>Announcements on communities and member discussions are natural cross-sell and up-sell vehicles</td>
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### Support

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<td>Direct and indirect support call deflection</td>
<td>Peer-to-peer Q&amp;A via forums threads and search serves as self-service alternative to call center channel</td>
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<td>Faster issue resolution and fewer escalated support calls</td>
<td>Community content expands and enhances relevance of knowledgebase for support reps</td>
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<td>Elimination of alternative support channels</td>
<td>E-mail and chat-based support is re-directed to community, with escalation path for unanswered posts</td>
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<td>Lower-cost support for multilingual customers, long-tail products, spike handling</td>
<td>Language specific communities, product-specific boards, SaaS platform all provide first-line-of-defense, 24x7</td>
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Define your business goals and objectives – and build your customer network
How do we measure the health of social communities?

Michael Wu, Principal Scientist

\[
F(u \neq I) = \delta_o \cdot \frac{\sum_r P_0(u, r)}{P_0} + (1 - \delta_o)(1 - \delta_i) \frac{\sum_{r=r} P_E(u, r)}{\sum_{u \neq I, r=r} P_E(u', r)}
\]
Health factor 1: Traffic

- Without traffic, a (young) community will fail

- Measure: Human page views

- Not trivial
  - Robot crawlers
  - AJAX & REST calls

- Passive engagement (do not require login)
  - Read, navigate, search, view profile, etc.
  - Consume existing content without adding their own
Health factor 2: Content

- Quantity & quality

- Quantity = post count

- Quality?
  - Can be approximated by the amount of viewership

- Content = (post count) × (viewership)

- Active participation (require login)
  - Adds consumable content that are persistent within the community
Health factor 3: Members

- Measure: Growth rate
- Accumulation – attrition
  - Accumulation = incremental registration count
  - Attrition = unique logins in the last 30 days
  - Registration = passive → active conversion rate
Health factor 4: Liveliness

- Important factor that influences a user’s propensity to participate

- Measure: $f(\text{Post/board})$

- Concentration of activity

- Perceptual
  - Post is the most visible activity
  - Rating, tagging, etc. are much less noticeable

- Probability of active participation
Health factor 5: Interaction

- 2 factors:
  - Amount of conversation with a particular user
  - Number of different users

- Measure:
  \[ f(\text{post/thread}) \times (\text{user/thread}) \]

- Scope of engagement for a visitor
Health factor 6: Responsiveness

- Time is the critical resource that will influence the user’s experience

- Measure: average elapsed time between responses

- Quality of engagement for a visitor
Community Health Index

- A single number that quantifies community health
- Like the FICO score: a standard for measuring individual’s credit worthiness.
- Intended to be a standard framework
  - Uses very basic metrics that every community should have
- Consolidates 6 key factors – Diagnostic and Predictive
Use Analytics to measure the health of your customer community
Measurement Maps the Network

- Customer advocates or superusers drive success: “90-9-1” Rule
- Identify, cultivate, and grow the base of ‘superusers’
- Average value of a customer advocate over $50,000/year
Identify and cultivate superusers in your community
Customer Network Drives Business Value

Traditional Marketing
- Talk louder
- Increase the frequency
- More persuasive
Customer Network Drives Business Value

Traditional WOM
• Message Decay
• Advocates too scattered
Customer Network Drives Business Value

Customer Network
• Energizes message
• Prolongs message
• Amplifies broadcast
Actionable analytics create value

User Translucence: A strong base of super users

The Social Translucence graph visualizes the activity and behaviors of users within the community. For communities of similar age and focus as ACME there is a nice concentration of users near the center, which indicates strong community connection. But one very large user (the same as in the social graph) is drifting away from the center - attempts should be made to re-engage the user to avoid losing them.

- Analytics identify value drivers
- Surface trends over time
- Allow proactive action
Communities and Networks Drive Real ROI

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  - 300% increase in beta program participation.

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- **Accelerate Innovation**

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Use analytics to proactively drive to your business objectives
Summary

- Define **business** goals and objectives and build YOUR customer network
- Measure **community health** for success
- Identify and cultivate **superusers** in the community and network
- Use analytics to **proactively** translate community health to business value
- Don’t ever say, “What’s the ROI of putting on your pants in the morning?”
Thank You!

Contact

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- Twitter: @sdholakia

Resources

- CHI Whitepaper
- WOM Research Study
- Forrester (Natalie Petouhoff)
  ROI Study