

Chapter 17

Social Media Performance Measurement

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ABSTRACT

Today, companies are turning to social media as a source of marketing information. Comments posted on social network sites, tweets, and blogs provide a wealth of data for the improvement of marketing decision making. Thus, marketers are greatly interested in how marketing activities can affect certain social media metrics and to what extent each drives business performance. The purpose of the chapter is to elaborate on the performance outcomes of social media activities and the possibility to use data from these networks for marketing information systems. Thus, the chapter discusses the theoretical foundations of social media and develops dimensions for social media performance measurement. In addition, the integration of social media performance measurement into a marketing information system is discussed and implementation issues are critically evaluated. The chapter closes with an outline of further research directions and a conclusion.

INTRODUCTION

Social media have irreversibly changed the way people communicate. A recent McKinsey survey of 1469 C-level executives reveals that while a majority list digital marketing and social media as a top ten priority on their strategic agendas and expect social media to deliver value for their firms, only a few have begun any systematic engagement with consumers via these media (Brown & Sikes, 2012). The primary reason for this reservation among managers to fully accept social media as a platform for marketing investments has been a lack of understanding of how firm actions in social media influence consumer engagement, and in the end, impact sales (Divol, Edelman, & Sarrazin, 2012). Thus, understanding of word-of-mouth in social media and measuring the performance of marketing actions in social media are key business priorities for today's customer relationship management (CRM).

Consequently, a new concept of CRM, called Social CRM, has emerged that attempts to incorporate the technological and social changes resulting from the introduction of social media. This new view of

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CRM incorporates a collaborative and network-focused approach to managing customer relationships. Social CRM can be defined as “a philosophy and a business strategy, supported by a technology platform, business rules, processes and social characteristics, designed to engage the customer in a collaborative conversation in order to provide mutually beneficial value in a trusted and transparent business environment. It’s the company’s response to the customer’s ownership of the conversation” (Greenberg, 2010, p. 34). Social CRM is not a replacement for CRM, but is rather viewed as an extension that incorporates the social functions, processes, and capabilities that address the interaction between the customer and the company as well as the interaction between customers and/or users. However, with the diffusion of social media Social CRM is closely referred to customer management with the help of social networking sites. Social networking sites are applications that enable users to connect by creating personal information profiles, inviting friends and colleagues to have access to those profiles, and sending e-mails and instant messages between each other (Kaplan & Haenlein, 2009, p. 63). Hence, social networking sites are increasingly viewed as important manifestations of interactivity among members. Interestingly, customers are demanding the same level of interactivity with their business counterparts as compared to their peers (Rainie, Purcell, & Smith, 2011). This shift in expectations is challenging companies to implement marketing strategies and actions for social media and to facilitate customer-firm interactions in social media.

The diffusion of social networking sites also stresses the importance of word-of-mouth in marketing as interaction and collaboration are key features of social networks (e.g., Facebook, and LinkedIn), and online communities (e.g., Wikipedia, YouTube, and Flickr). Social networking sites provide constant connectivity among consumers (Jansen, Zhang, & Sobel, 2009) and marketers are focusing on leveraging these social interactions among customers to achieve benefits for their customer relationships. In today’s connected world, online content is an integral part of a customer, and sharing online content can have a big impact on sales and the development of customer relationships (Chevalier & Mayzlin, 2006; Godes & Mayzlin, 2009). For companies it is of fundamental importance to make customers share their opinions among others. Thus, seeding strategies for initiating word-of-mouth are gaining importance. Seeding to key influencers with a strong network may be the winning approach because these people are more likely to pass the word to others (Hinz, Skiera, Barrot, & Becker, 2011, p. 55). Furthermore, firms should take the social networks of their customers into account when trying to predict and manage customer churn (Nitzan & Libai, 2011, p. 35).

Thus, for Social CRM it is of fundamental importance to measure performance outcomes of marketing activities in social media. Hence, the main objective of the chapter is to first, lay the foundations of social networks, social media and word-of-mouth. Second, to develop a framework for social media performance measurement, and third, to discuss implementation issues for the integration of social media performance measurement into a marketing information system.

THEORETICAL BACKGROUND: SOCIAL MEDIA AND SOCIAL NETWORKS

Put simply, social media is a medium for storing or retrieving information. From a sociology perspective, social media correspond to social networks. Social networks are social structures made up of a set of actors (i.e. individuals, groups or organizations) based on a set of dyadic ties (Wassermann & Faust, 1994). Combined, “social media are communication systems that allow their social actors to commu-

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