The Henley Centre for Customer Management

HENLEY
UNIVERSITY OF READING

An investigation of existing and emerging segmentation practices in Online Social Media Networks

Paul Fennemore, Dr. Ana Isabel Canhoto and Professor Moira Clark

December, 2011

This report is produced by The Henley Centre for Customer Management on behalf of its' members.

The date on the cover page of this report is the official release date. For the first six months after release, the report remains confidential. During this first period there is no restriction on copying within the research project team and member organisations, provided that the statement of copyright and identification of source is retained on all subsequent copies and no copies are released to non-participating organisations.

After the six months period of confidentiality, normal copyright practice will be expected of all users of the research results. All published results will carry a copyright notice and an identification of the source, with a request to retain that information on all subsequent copies.

Table of Contents

1. Executive Summary 1
2. Introduction and Research Objectives 3
3. Segmentation and Social Media 5
4. Research Approach 8
4.1. Interview Process 10
5. Findings and Discussion 11
5.1. The Use of Traditional Segmentation Practices 11
5.2. The Adoption of Social Media 12
5.2.1. Social Network Platforms Employed 12
5.2.2. Levels of Social Media Adoption 13
5.3. SocialCRM Practices 16
5.3.1. Social Technographics and Netnography 19
5.4. Social Media Market Segmentation Strategy 20
5.4.1. Do Traditional Market Segments Cross Over to Social Networks? 20
5.4.2. Are new market segments and practices emerging? 22
5.4.3. Social Media Engagement Continuum 25
6. Final Conclusions and Recommendations 27
6.1. Social Commerce Adoption 27
6.2. CRM Data Collection and SocialCRM 28
6.3. Segmentation Strategies in Social Networks 28
6.4. Beyond Segmentation 30
References 31

Table of Figures

Figure 1: Interview Areas of Investigation..... 10
Figure 2. The use of traditional segmentation practices 11
Figure 3: CRM - One Customer Profile..... 17
Figure 4: Social Network Engagement Continuum 26
Figure 5. Segmentation Push vs. Segmentation Pull Strategies 29

Table of Tables

Table 1: Issues identified in the literature 6
Table 2: Key informant interviews undertaken..... 9
Table 3. Social Media Maturity Framework 14

1. Executive Summary

Market segmentation is a well-established practice and is considered to be by both scholars and practitioners the cornerstone in the construction of a marketing strategy. This study found a consistent view that market segmentation is important.

However, since this practice became mainstream in the late 1950's, the methods and channels by which consumers' are exposed to brands, how they interact with vendors and the way that their purchasing decisions are influenced and made have changed considerably. Online social media networks have added a further and significant dimension to the ways consumers engage with brands. Furthermore, the capacity of Web 2.0 technology to digitally trace consumer discourse and actions is enabling brands to build individual on-line consumer profiles and acquire analytics on their unique patterns of behaviour giving rise to new segmentation possibilities.

Against the aforementioned background, the question has to be asked if traditional market segment practices are relevant in the social network environment. Therefore, the objectives of this study are three fold. Firstly, to determine if traditional market segmentation practices are relevant in online social networks. Secondly, to ascertain if there are new segments and practices emerging in social networks and thirdly to make recommendations, derived from the study's findings, as to how to apply segmentation to online social networks as a marketing and communications channel.

This is a systematic applied research business study. It employs an exploratory approach, using qualitative methodology. In addition to the secondary research of academic literature, market analysis and authoritative practitioner publications, we used primary research, consisting of semi-structured in-depth interviews with 28 key informants' from major B2C and B2B international brands, Government departments and social network analytics tools vendors.

Findings

The study found that organisations are able to relate their existing basic demographic and product usage segments to social networks. This can be done because the consumers that form their segments can be found participating in open online communities, forums and interest groups. Organisations are using segment pull techniques to draw in and engage with specific segments in their own closed hosted communities as well as open social networks such as Facebook.

Online social network users are more predisposed to express and share their actions, opinions and interests. The ability to monitor and analyse this discourse, enabled by software tools, is extending the scope of the extant practice of psychographic segmentation, specifically attitudes and behaviours.

New segments that are emerging in online networks include user levels of participation. Less than 10% of users, sometimes classified as Creators or Bloggers, are responsible for approximately 75% of all user generated content. Creators are essentially a new category of influencers which, when grouped by interest area and prioritised by their social graph and capital, are being classified as segments.

 © Henley Centre for Customer Management - 2011

Other social network segments include LinkedIn groups, Facebook Fans and Google+ Circles. However, whilst these communities of interest and self-organising groups are, for all intents and purposes, market segments, the term market segment is not consistently attributed to them. This is due in part to social media operations not being fully integrated into the historical marketing and communications functions within organisations and the inherent marketing and general management expertise not being applied to social media marketing because of its embryonic status.

Collecting and synthesising data harvested on social networks is a process being adopted to varying degrees. The data is mainly used for sentiment analysis enabling organisations to monitor brand reputation, discover and nurture a limited number of advocates and potentially appease detractors who have the greatest social capital.

The ability to merge and correlate social data with existing CRM and transactional data to gain one single customer profile and to validate, build on and formulate market segments is proving difficult. Obstacles include organisational silos resulting in silos of data and the ability to correlate social media user identities with CRM database identities. Notably, these obstacles can be and are being overcome by those firms who are adopting social media or commerce strategically.

The approach firms take to adopting social media is a key determinant in if and how effectively they apply a market segmentation strategy to this medium. Most organisations are operating social commerce experimentally or tactically. The few firms that are working towards adopting social commerce strategically are doing so by implementing it systemically, systematically and by alignment to overall operational and business objectives. However, there is a clear trend towards taking a more strategic approach but there challenges. Industry and organisational culture, lack of social commerce expertise, regulatory compliance and perceived risk are the main resistors to strategic adoption. Those firms who are tackling these hurdles, irrespective of industry, are using social commerce for improved multifunctional performance and overall business agility.

Originality and Value

Literature on social media segmentation is sparse and the researchers have not found an extensive primary research exercise as covered by this study. As consumers migrate from traditional marketing and communications channels to social networks the practices of market segmentation need to be applied to this medium. Market segmentation is a critical marketing strategy and online social networks call for methods to apply existing segmentation strategies and to identify new channel specific segments. This study sets out to help managers understand segmentation is the context of online social networks and to apply effective strategies.

This study intended to gain a broad perspective on the topic by investigating a cross section of B2B and B2C industry sectors, Government departments and social media software and services providers. However, the most insightful findings came from B2C and Government organisations who are mainly further advanced with adopting social media. Therefore, further research is proposed that investigates more B2B companies that might reveal further insights.

In addition, the empirical work focused on companies in the UK and North America. Therefore, it may not reflect the situation in other countries or societies.

 © Henley Centre for Customer Management - 2011

2. Introduction and Research Objectives

Commercial organisations operate in an increasingly demanding environment. On the one hand, firms face escalating demands for high levels of service, of customisation and of immediacy from increasingly sophisticated customers (Egan 2008). These trends are visible in the business to business (B2B) as well as in the business to consumer (B2C) markets. On the other hand, the continuing economic recession means that most firms are under increased pressure to sustain sales and profit levels (Piercy and Lane 2009), while operating under drastically reduced budgets and resources.

It is also an environment where technological developments have, arguably, created many opportunities. For instance, very specialised, niche markets may become accessible and very profitable through online marketing (Anderson 2007). Marketers may obtain rich customer insight by incorporating social media in their market research (Casteleyn, Mottart et al. 2009). Customers may effortlessly share consumption experiences and digital content among their social networks (Kietzmann, Hermkens et al. 2011). For these reasons, the age of the social customer promises enhanced customer engagement and opportunities for relationship building (Hardey 2011).

To succeed in this environment, it is critical to be able to find groups of customers with common motivation and with needs that can be addressed using a targeted approach (Stienstra 2010). The practice of grouping customers – segmentation – is well established in marketing theory and in practice. However, some authors (e.g., Tupot and Stock 2010) herald a new order of segmentation, where traditional segmentation techniques may be complemented by new ones, such as crowdsourcing or culture mapping, to uncover what customers want and need.

In this report, we examine segmentation in the age of the online social customer. We investigate why, how and to what effect marketing organisations and professionals apply segmentation strategies for engaging with consumers in the social media environment. Specifically, we set out to achieve three main objectives:

1. To determine if traditional market segmentation practices are relevant in online social networks
2. To ascertain if there are new segments and practices emerging in social networks
3. To provide recommendations, derived from the study's findings, as to how to apply segmentation to online social networks as a marketing and communications channel.

In this paper, we adopt the classical definition of market segmentation. Namely, market segmentation consists of viewing a heterogeneous market as a number of smaller homogeneous markets, with differing preferences, attributable to the desires of consumers for more precise satisfaction of their varying wants (Smith 1956).

Furthermore, social media networks are defined as services that are built around the needs and interests of like-minded individuals and are built by those individuals (Wertime et al. 2008). Weber (2009 p.8) uses the term "social web" and defines it as a place where people with a common interest can gather to share thoughts, comments and opinions. The sites generally provide a collection of various ways for users to interact through messaging, email, video, voice, chat rooms, file-sharing, blogging and discussion groups. Social media networks are enabled by Web 2.0 technologies. The term Web 2.0 is often synonymous with

 © Henley Centre for Customer Management - 2011

social networks and can be described simply as a version of the Web that is open to ordinary (non-technical) users who can add their content.

The next chapter of this report provides a brief overview of segmentation noting its role in marketing practice and identifying the challenges faced by marketing managers. The chapter also notes the opportunities and the pitfalls presented to segmentation by social media. The subsequent section introduces the research strategy adopted to investigate the research questions. The findings from the 28 interviews conducted between July and October 2011 are presented and analysed. Lastly, we present the conclusions of our study for segmentation in the social age.

 © Henley Centre for Customer Management - 2011

3. Segmentation and Social Media

Increasingly, organisations operate in an environment where customers are heterogeneous in their preferences and behaviour, as well as the value that they bring to the business (Jamal 2003). Failing to correctly assess the profile of a customer may lead to financial losses. To reflect that reality, marketers have long been following the practice of dividing heterogeneous markets into more or less homogeneous groups, which they serve with differentiated marketing offers. This practice is called segmentation and its applications are varied, from product innovation to advertising, distribution strategy and customer management, among others (Yankelovich and Meer 2006).

Segmentation has the potential to increase targeting effectiveness and to improve the organisation's response to changing consumer needs and behaviour (Quinn and Dibb 2010). Arguably, there has never been a more pressing need for segmentation. Despite the established benefits, segmentation is not without challenges.

The greatest challenge is to decide the basis upon which to segment customers, as different variables result in different classifications (Cheron and Kleinschmidt 1985). Over the years, there has been a broadening of segmentation variables and marketing managers have been able to pursue ever more refined schemas (Dibb 2001). Specifically, there has been a move from a narrow reliance on purely demographic traits such as age, gender, education levels and income, to the inclusion of non-demographic variables such as values, attitudes and lifestyles (Yankelovich and Meer 2006). The specific choice is often determined by what is possible rather than what is desirable (Bonoma and Shapiro 1983).

Another challenge is that the key segmentation variables may be difficult to observe, (Hines and Quinn 2005) as in the case of intrinsic variables such as intention or motivation. It could also result from deception activity or misrepresentation by the customers (Canhoto 2008).

To decide which customers to target, marketing managers need to assess each segment's attractiveness. That is, they need to balance the threats and opportunities presented by each segment with the business's strengths and weaknesses. Segments need to be big enough to make marketing action feasible, yet small enough to ensure intra-segment homogeneity (Foedermayr and Diamantopoulos 2008).

A further challenge concerns the assessment of customer value. Traditionally, models are developed from records of past behaviour, assuming a stable environment (Deschamps 2000). Yet, the short-term confluence of environment attributes may create a temporary scenario (Liew and Sundaram 2009) different from the one for which the model was developed. Segmentation needs to be flexible enough to reflect the dynamism of contemporary markets (Jamal 2003).

Once managers decide which customers they want to target, they need to develop relevant differentiated value propositions for the chosen segments. At one end of the spectrum, managers may opt for a mass-market approach, whereby the whole market is served with a single offering (Kotler and Keller 2006). At the other end, managers may focus on the need of individual segments pursuing a niche segment strategy, or even individual customers through a mass customisation approach (Dibb 2001). Developing differentiated offerings increases sales revenues, but also increases costs – e.g., by foregoing economies of scale (Homburg, Totzek et al. 2008). There is also limited guidance regarding how to approach the identified targets (Heo and Cho 2009).

 © Henley Centre for Customer Management - 2011

Moreover, it has been noted that implementing a differentiated approach can lead to negative reactions from customers whereby consumers are categorised by status as with club and loyalty membership schemes. Customers perceive that they have been offered a less valuable proposition, they become unhappy, reduce their spending levels or abandon the company altogether, and engage in negative word of mouth (Homburg, Totzek et al. 2008).

To summarise the discussion so far, it is clear that segmentation is not just useful to focus marketing efforts, but it is even critical for the long-term survival of the organisation. Segmentation presents a series of challenges for the marketing manager, as discussed above and summarised in Table 1.

Stage	Description	Challenge
Segmentation	Dividing the market into groups of customers with similar characteristics, preferences or behaviours	Choice of right segmentation basis, given practical constraints
		Ability to observe the chosen segmentation variables
Targeting	Deciding which segment(s) to focus the marketing efforts on	Trade-off when determining segment size
		Dynamic customer behaviour and value
Positioning	Developing a unique identity for the brand in the minds of the targeted segment(s)	Cost and technical difficulty of developing differentiated propositions
		Negative reactions from customers towards differentiated approaches

Table 1: Issues identified in the literature

While managers have been dealing with these challenges, there has been an explosion in the volume of personal and consumption data, available online. Individuals became 'lifecasters' (Patterson Forthcoming), publishing deeply personal information such as likes and dislikes, product preferences, hopes and dreams (Dumenco 2010). Opinions are divided as to whether this change in behaviour is a challenge or an opportunity for marketers.

On the one hand, monitoring social media allows marketers to 'feel the heartbeat of today's society' (Casteleyn, Mottart et al. 2009, p. 439) and obtain deep customer insight (Greenberg 2010). Moreover, it gives brands the opportunities to target consumers personally and socially (Effik 2011). Consequently, some organisations began exploring ways of tapping into this insight. For instance, some Facebook users may now receive targeted advertising just seconds after posting comments (Slutsky 2011). The German online newspaper, Zeit Online, reports how combining mobile phone data with customer information publicly available reveals when the phone user walked down a street, visited particular cities, worked and slept, made a call vs. sending a text message, frequented bars and so on (Biermann 2011). Even law enforcement is using Social Media tools such as Twitter, YouTube and Facebook to identify, locate and prosecute criminals (Chesler 2011).

 © Henley Centre for Customer Management - 2011

On the other hand, new skills are needed from marketing managers to succeed in this new environment. For instance, they need to be able to manipulate and understand data (Effik 2011). Marketing managers also need to change the way they communicate with customers in this new social environment (Schultz 2010), if they want to avoid losing the customer's attention or, worse, face a public backlash as that experience by United Airlines, Nestle, Pizza Express, Habitat and other companies over their handling of social media interactions. Moreover, managers need to accommodate the customer's desire to co-create their own consumption experience (Prahalad and Ramaswamy 2004). Finally, there are increasing concerns over breach of users' privacy (Semitsu 2011).

The polarity of experiences and opinions indicate that, while the new socio-technical environment presents valuable opportunities for the marketer, it also needs to be approached carefully, to avoid its many pitfalls. This study sets out to explore some of these developments resulting from the rise of social media.

 © Henley Centre for Customer Management - 2011

4. Research Approach

Due to the emergent nature of the topic of this research, we followed an exploratory approach. We used key informant interviews, a data collection method recommended in the methodology literature as a means to access the knowledge and experiences of a wide range of individuals and groups (Dibbern, Winkler et al. 2008).

The interviews followed a semi-structured approach with broad, open-ended questions. The non-probabilistic technique of purposive sampling (Gill and Johnson 2002) was used to identify organisations actively using social media in their marketing efforts. Within these, organisations with different approaches to segmentation and levels of use of social media were selected.

Interviewees were identified through a combination of processes. Specifically, we searched LinkedIn for suitable interviewees, approached specialists at industry conferences and events on the topic of segmentation and social media, and leveraged the network of contacts of the research team and of the Henley Centre for Customer Management.

A total of 28 interviews were undertaken, between July and October 2011, as detailed in Table 2. The significant number of interviews undertaken allowed the researchers to gather data from and about a wide range of organisations across a wide range of industry sectors.

Organisation	Industry	Title	Interview type
3M UK plc	Consumer Products	Brand Manager	Face to face 2 informants
Barclaycard	Credit card services	Global Head of Digital Marketing	Face to face
British Gas	Energy Services	Head of Social Media	Face to face
Britmums	Online Social Community	Founder	Face to face
BUPA	Health care and health insurance services	Digital Communications Manager. Group Head of New Channels and Insight	Face to face 2 informants
Capgemini	IT Services and Consulting	Head of Social Media/Strategist	Face to face
Confidential	Broadcasting and Marketing Technology Services	CEO	Face to face
EngageSciences	Monitoring and analytical software	CEO	Face to face
ExactTarget	Monitoring and analytical software	VP Research and Education	Phone
Ford Motor Co Ltd	Motor vehicles	Head of UK Marketing	Face to face

 © Henley Centre for Customer Management - 2011

Hiscox	Insurance services	Head of Direct Online	Face to face
IBM	Monitoring and analytical software	Product Marketing Manager/Strategist	Face to face
ING Direct	Insurance services	Head of Digital Marketing	Face to face
Kodak	Photographic and printing products and services	Senior Media Manager EMEA	Face to face
Last.fm	Online Music Community	VP	Face to face
Lloyds TSB International	Investment Banking	Head of Online Product Development.	Face to face, 2 informants
MoD	Central Government	Head of Digital Engagement	Face to face
Morgan Lovell	Office design, refurbishment, relocation	Head of Marketing	Phone
Nokia	Mobile phone manufacturer	Global Director of Digital and Social. Digital Marketing Manager	Face to face, 2 informants
O2	Mobile network operator	Senior Brand and Social Media Insights Manager	Face to face
Pfizer	Pharmaceuticals	EMEA Director of Media Relations	Face to face
Phones4U	Mobile network operator	Head of Social Media	Face to face
Renova	Hygiene paper products/tissues	Head of Brand and Business Development	Phone
The Foreign and Commonwealth Office	Central Government	Head of Digital	Face to face
Underwired	CRM Marketing Agency	CEO	Face to Face
Vertex	Business Process Outsourcing	Consulting Director	Phone
Virgin Atlantic – vTravelled	Airline	Head of Marketing vTravelled	Face to Face
Web Analytics Demystified	Web Analytics Consultancy	Partner	Phone

Table 2: Key informant interviews undertaken

 © Henley Centre for Customer Management - 2011

4.1. Interview Process

In order to seek out the data required to answer the research questions an interview guide was created that focused on four interrelated main themes with a logical flow, as summed up in Figure 1.

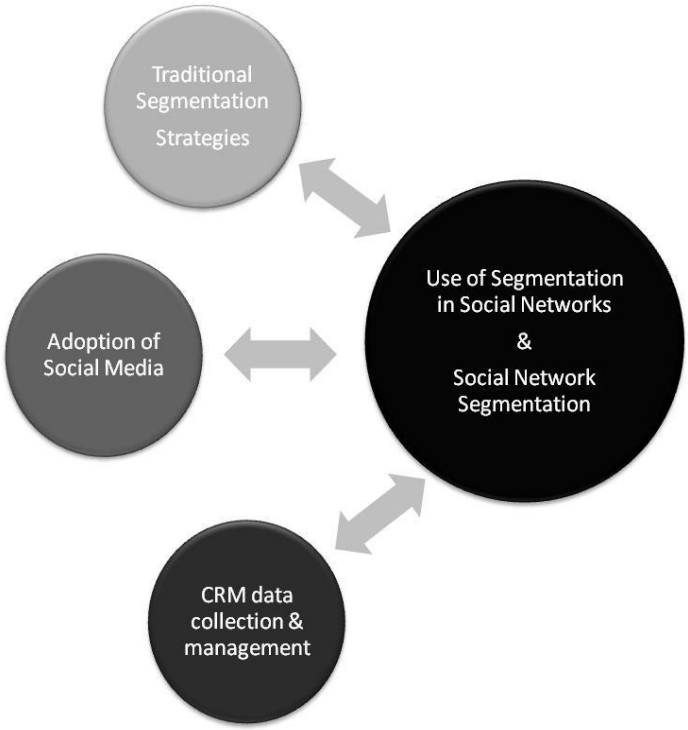


Figure 1: Interview Areas of Investigation

In order to contextualise the main subject of investigation – i.e., social media segmentation - the interviewers firstly enquired if and how the informant was using traditional market segmentation as a strategic marketing practice. Secondly, we investigated the extent they are using social media as part of their marketing toolbox. Thirdly, we examined how the organisations are collecting social data and using Customer Relationship Management (CRM) systems and processes to assist with market segmentation. And lastly we probed into how the organisations are using existing market segmentation practices in the context of social media and if new market segments and practices are emerging. The following chapter of the report covers the findings from each of these four main areas of investigation.

Interviews lasted an average of 1 hour and were conduct face to face or via the phone, depending on interviewees' preferences. 25 of the interviews were recorded. For the remainder, contemporaneous notes were taken.

The researchers followed an iterative or recursive approach (Strauss & Corbin, 1997) reflecting on each interview as it was undertaken. Furthermore, interview recordings were transcribed and extracts were coded and analysed.

 © Henley Centre for Customer Management - 2011

5. Findings and Discussion

5.1. The Use of Traditional Segmentation Practices

A consistent view from all interviewees is that market segmentation is considered to be "the cornerstone of marketing" by their organisations. "Segmentation is being used to help understand their markets, produce the right products and services and relate to their customers with the right messages and propositions".

The research found that invariably the greater volumes of customers, plus the larger number of product variations the more sophisticated segmentation practices are being resourced and applied as summed up in Figure 2. Therefore, firms such as mobile phone network operators, utility services and airlines had greater granularity of segments and more resources such as skilled customer insight and segmentation teams.

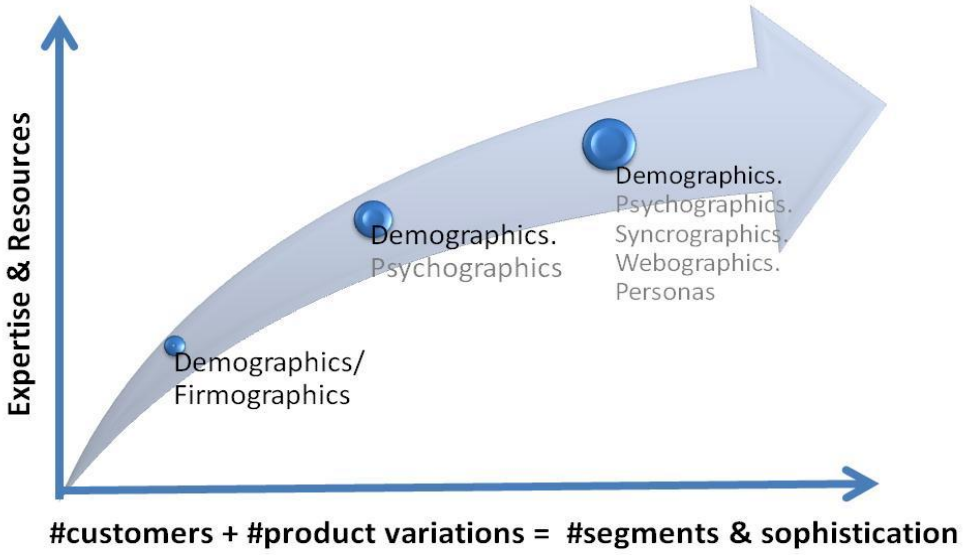


Figure 2. The use of traditional segmentation practices

B2B organisations see value in segmenting their markets with basic demographics, sometimes referred to as firmographics. For example, by geography, size of business (employees and revenue) and vertical market. B2C firms mainly use segments such ABC1 demographics, product usage and personas or "pen pictures". Only three firms interviewed said that they are using, in any depth, more sophisticated practices such as psychographics and "patterns of consumption" (Car manufacturer).

Three firms are using Mosaic[1] categorisation to help define their segments. These segments are based upon postcode demographics. Many B2C informants said that whilst they could use more of these segments and more sophisticated techniques there are "diminishing returns as you try to market to an increasing number of segments due to practicalities of

[1] Mosaic is a clustering system sourced from the UK 2001 census. It starts with 400 demographic data variables distilled into 60 segments and then summarised into 12 main groups (Welsh 2008).

 © Henley Centre for Customer Management - 2011

doing so" (Insurance Company). This might explain why only 3 firms targeted more than 25 different segments and the majority had no more than 6.

Only five firms formally undertook a "review and revision" of their market segments performing this process every three years.

Despite segmentation being viewed as "vital" by all informants, the research uncovered a considerable variation in the understanding of the practice, the terminology used and expertise involved. Approximately 15 of the organisations are not clear on what market segment categories exist beyond demographics and those personnel involved only in social media marketing operations demonstrated an elementary grasp of segmentation. Academic research has also found that marketing managers find the practice of segmentation difficult and confusing (Palmer & Miller, 2004), with the majority relying on intuition or gut feeling in their segmentation decisions (Foedermayr and Diamantopoulos 2008)

Nevertheless, the overriding consensus is that market segmentation will become increasingly important as "economic conditions and the challenge of maintaining or increasing market share becomes more challenging and impacts historical consumption patterns". Conversely, there is also a shared view that "putting customers into pigeon holes is becoming less effective" as "the lives and behaviour of consumers have changed considerably since the practice of segmentation was introduced" in the late 1950's by Smith (Smith, 1956). Consequently, some firms are investigating the viability of new segments by a "trial and error approach" rather than using presumed characteristics and static segments that has been the traditional practice. These important factors are covered in detail later in the paper.

5.2. The Adoption of Social Media

A main determinant in the practice of market segmentation in online social networks is the extent organisations have adopted social media. Therefore, this chapter investigates how far advanced the firms interviewed are with the adoption of social media as a marketing communications medium. Firstly, the social networks sites most commonly used are summed up.

5.2.1. Social Network Platforms Employed

The social network platforms employed are primarily the leading services. Facebook, Twitter, Youtube are used by all firms interviewed. Other platforms used to a less extent are Vimeo (video), Flickr (photo), Foursquare (location), Digg (book marking), Reddit (news feeds) and StumbleUpon (content discovery and sharing).

Organisations with large international markets are as yet not using social networks that are predominantly used in countries such as China where QQ fills the role of Facebook and Sina Wiebo is used in place of a Twitter service. Orkut is the leading platform in Brazil and India. The principle reason for not using these non-English speaking platforms was one of not yet having local skills and resources. However, firms such a Nokia and Virgin Atlantic are planning to tackle this requirement using a "hub and spokes" model whereby there is centralised strategic coordination delegating localised control.

In addition to using the aforementioned open platforms the research found an increasing trend towards organisations creating their own online communities and interactive blog sites.

 © Henley Centre for Customer Management - 2011

For example, Kodak Gallery with 70 million members enables consumers to share photos. Pfizer's co-host a community named 'Can You Feel My Pain' for cause awareness purposes. Virgin Atlantic runs vTravelled where travellers can share travelling tips and news. BUPA is experimenting with the concept, as is Exact Target. Phones4U host Ubar, a social portal or "opinion neighbourhood" that enables the firm to gain first hand and current insights into consumers' needs. Such insight helps Phones4U innovate and "show customers that we care". Nokia operate 'Share Online' primarily for providing online support and are implementing a platform named Socializer to enable real-time collaboration between employees, consumers and their ecosystem of suppliers.

Two other firms had experimented with hosting their own platforms but unsuccessfully. The main reasons given for the lack of success was due to the direction given by marketing and PR agencies engaged to setup and operate the communities. A leading financial services informant stated that "agencies are lacking in expertise involving Web 2.0 technologies, knowledge of the variety of communications devices in particular mobile platforms generally, and in particular those specialist techniques required to build and nurture online communities". As a consequence mistakes or little progress with the use of social media was achieved. This view was echoed by at least half the informants.

The study found a further trend towards brands using closed online networks such as Britmums[2] . This demographic is a target market segment for many brands. They are able to enhance brand awareness, improve perception, gain attention and engagement with a large and highly concentrated market segment by "earning their right to be there" through supporting and contributing to the community.

5.2.2. Levels of Social Media Adoption

The interviewees revealed different levels of maturity in the use social media for segmentation purposes. Table 3 summarises the three levels of adoption witnessed and the business competencies addressed.

[2] Britmums has over 3,000 active members

 © Henley Centre for Customer Management - 2011

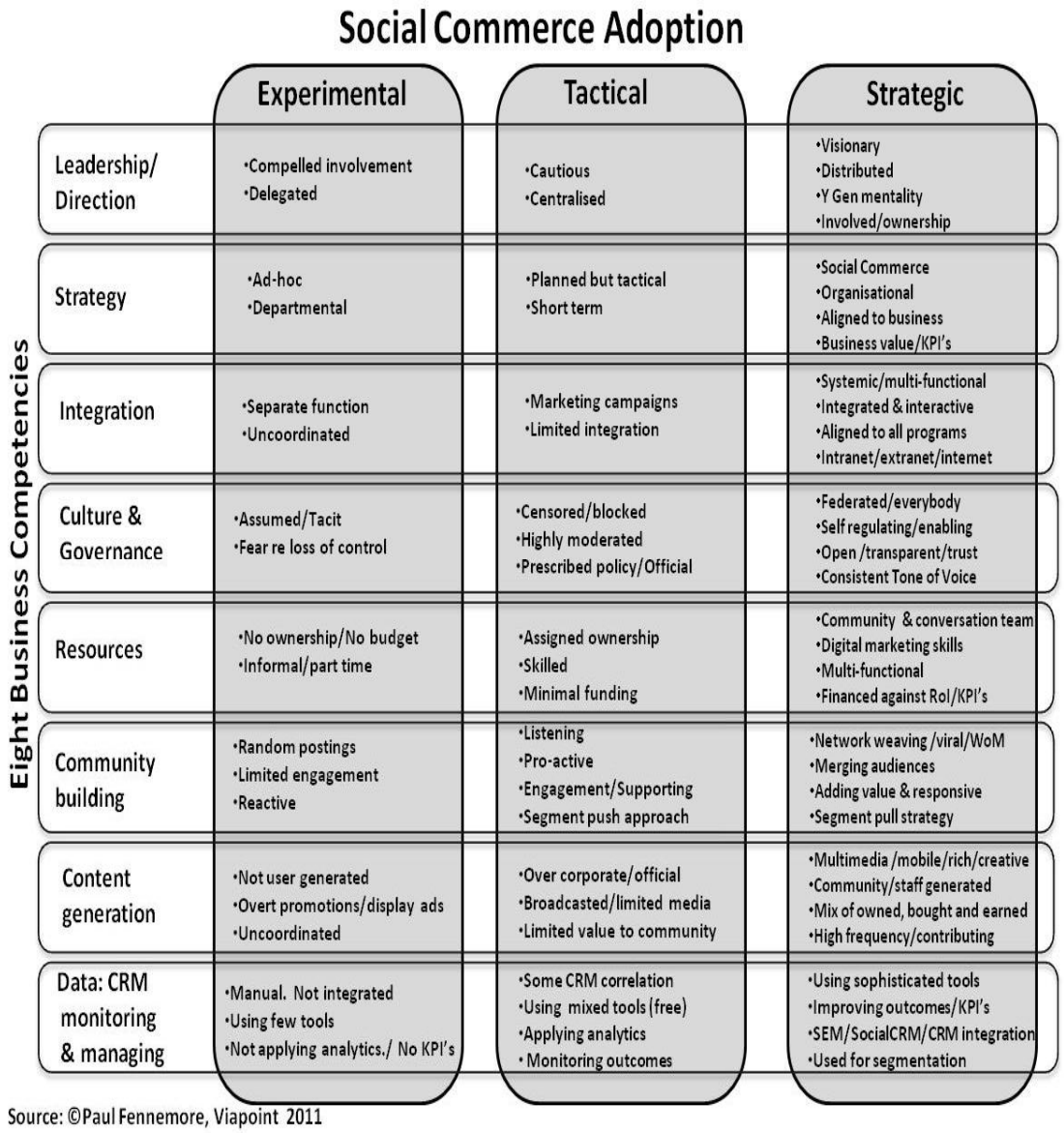


Table 3. Social Media Maturity Framework

The left vertical column of the framework lists eight business competences that the informants are addressing to varying degrees. Each competency is defined by the horizontal axis with three levels of adoption: experimental, tactical or strategic.

No one organisation had accomplished adoption at the strategic level across all eight competencies. All but four organisations said that they are either experimenting with social media or operating at a tactical level. However, nine firms are planning to "make social media more strategic" from 2012. This development was verified by the monitoring and analysis software and services vendors. Their input is of particular value as they are able to offer a cross market and broader view as result of dealing with multiple clients.

Five organisations classify their marketing media into 'Paid, Owned and Earned Media' (POEM). They classify social media as 'earned media'. These informants said they had learnt that social media marketing is less about running advertising campaigns and creativity and more to do with the application of social sciences, organisational psychology and

business strategy (Shirky, 2010; Kaplan, 2009). Therefore, brands have to “earn their right to participate in online social spaces” by building relationship models. However, the authors observe that Facebook, Google+ and Twitter have recently started to provide a blend of paid and earned media, such as sponsored stories. Therefore, it now maybe the wrong strategy to classify social networks as only earned media.

The research revealed that the following are three of the most important factors that either drive or resist the adoption of social media.

1. Those organisations that are closer to the strategic levels of maturity across all eight competencies have board level directors who have learnt about and become executive sponsors for social media. For example, Kodak’s Chief Marketing Officer initiated Kodak’s social strategy and is a “social media evangelist” having written many articles and guides on the subject. Kodak has demonstrably attended to all eight competencies and mostly at the strategic level as has Virgin Atlantic whose founder, Richard Branson, is active on social networks with over with 1.5 million Followers on Twitter and 164,000 Fans on Facebook.
2. The research data also revealed that those organisations who had delegated their social media operations to middle marketing managers and or marketing agencies used social media only for tactical “marketing campaigns” and subsequently yielded minimal productive outcomes. Informants that expressed the most satisfaction with their organisations’ social media initiatives - such as Ford, British Gas, Phones4U, Virgin Atlantic, Kodak, Pfizer and Nokia - had found that social media is producing better outcomes in a marketing context when it is used to manage long term brand awareness, market perception, increased market reach, customer advocacy and life time value. They plan in terms of “ongoing audience engagement and not short term marketing campaigns” (Ford). Making such a comprehensive commitment to social commerce required leadership at executive level.
3. The Ministry of Defence (MoD) and the Foreign and Commonwealth Office (FCO) are working towards making social media a strategic communications medium with the aim of informing and supporting a vast number communities. Senior figures in the MoD and the FCO are proactively showing leadership with social media adoption. For example, William Hague, the FOC Foreign Secretary, has 64,000 followers on Twitter and the MoD ensures that senior officers regularly post to social networks and has 429,000 thousand Fans on Facebook and 20,000 followers on Twitter. This is an interesting observation when comparing the use of social networks by board level managers in the commercial sector who are demonstrating, with a few exceptions, considerably less levels of participation according to this study.

Those firms who gain the most benefits from using social media had recently made the decision to implement a cross organisational strategic plan aligned to overall business objectives. They started to term the use of social media as “social commerce” and having found that it can be applied to many business operations. For example, “customer services use social media for handling queries and complaints cost effectively and in a very responsive real-time interactive way” (British Gas).

Nokia are using social media for a major business transformation program involving their whole corporation. Rather than suppressing the use of social media as are some firms interviewed, “Nokia are making social media all inclusive” galvanising their staff to be the

 © Henley Centre for Customer Management - 2011

firm's voice making them a powerful positive force (Kaplan, 2009). Nokia is using social commerce to improve competitive advantage, optimise customer responsiveness, speed up process flows, increase innovation and reduce time to market through better internal collaboration, consumer engagement and external crowdsourcing and crowdcasting. These benefits are substantiated by the literature (Tapscott & Williams, 2006; Li & Bernhoff, 2008; Evans, 2010; Brett, 2010; Shirky, 2010).

Those industries with greater government regulation are inclined to be more restrained with social commerce than those who are not. The research found that the banking sector is concerned about data security and the potential for inadvertent inappropriate comments being posted by their employees. One informant stated that,

> *"regulation means that banks are compelled to operate an auditable complaints process making the use of social networks such as Twitter for customer service management, as many other industries do, problematic by having to introduce complex work flows".*

However, the interview data revealed a theme that suggested that slower adoption of social commerce in the financial services sector was in part due to a:

> *"conservative culture and lack of understanding in the board room and an fear of customers being given the opportunity to more openly express their views about the bank and that banks have a culture of only communicating one way to their customers. Not being able to control a two-way channel is also a fear".*

In contrast, the researchers found that other industries interviewed, despite being heavily regulated, such as the Pharmaceutical and Utility sectors, are nevertheless more advanced with adoption than the financial sector. This comparison suggests that industry and organisational culture may influence adoption. For example Pfizer's and British Gas successfully employs social media for cause related marketing programs and sponsorship and British Gas, uses Twitter for real-time and interactive customer service. Moreover, there is evidence of other financial services organisations overcoming the perceived obstacles by having set up online communities, as is the case with Open Forum run by American Express and the social media News Room operated by First Direct, a division of HSBC (Brett, 2010).

A further critical success factor in the adoption of social commerce is the ability to use social media for data collection, customer relationship management (CRM) and potentially the validation and development of market segments. This practice was the researchers' next line of investigation in the interviews and is covered in the following chapter.

5.3. SocialCRM Practices

All firms interviewed had been using CRM systems to varying degrees as a standard business practice primarily for collecting and analysing transactional data and managing customer relations. The industry sectors that have the higher volumes of transactions claim that because of the ability to digitally track and record patterns of consumption they are now "drowning in transactional data"(Bank).

According to data analysis company QuBit (Cooke, 2011) the volumes of data gathered over the next five years will increase by 800%. This increase in data, claimed Web Analytics Demystified, is due to the ability to harvest unstructured data from increasing sources and "social media is becoming a large additional stream of information". The challenge is to be able to integrate and correlate the social data with the other off-line and on-line data sets to

 © Henley Centre for Customer Management - 2011

form a 360 degree or “true profile” of the customer as depicted in Figure 3. The pursuit of a true profile is considered to be the “data panacea”.

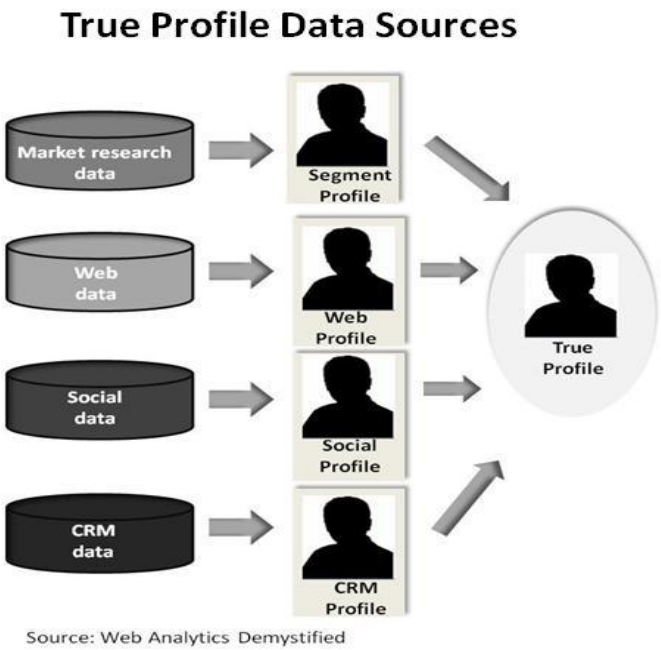


Figure 3: CRM - One Customer Profile

Despite most firms not making any progress with merging data sets there are emerging solutions to the problems. One mobile phone company stated that they were overcoming the challenge of data consolidation by having a “centralised data acquisition team” and another had implemented a centralised “consumer engagement management system”. Notably, Nokia aims to “revolutionise CRM by connecting it to social networks”, a practice that has been described in the literature (e.g., Woodcock et al 2011) as ‘Social CRM’, or SCRM.

All informants are using software tools to monitor social discourse and the majority are storing social data. Whilst three informants had systems that profiles customers they have interacted with on Twitter, this data again was not integrated with their CRM databases.

According to all interviewees, the task of merging multiple data sets is difficult partly due to the way organisations are often structured into operational silos resulting in silos of data. The research revealed that ten informants had perpetuated this issue by separating their social media operations from the rest of their business functions. This was partly brought about by organisations “not knowing where social media should be placed in their business structures”. In some instances social media operations is either a separate function, in PR, customer insight, marketing, customer services or outsourced to a PR or marketing agency. This might explain why, according to the Harvard Business Review (2010), in the USA only 7% of a sample of 2,100 companies considered they are struggling to integrate social media into their other marketing activities.

The data gleaned from social media networks is from a broad range of activities including recency, frequency and monetary value (RFM) (Egan, 2008), ‘Likes’ on Facebook and click throughs from social media sites to proprietary websites. The majority of B2C organisations are monitoring sentiment classified into positive, neutral and negative discourse as well as following topics and hash tags. The authors argue that the process of measuring the balance of influencers and detractors across social networks could augment the established Net

 © Henley Centre for Customer Management - 2011

Promoter Score (NPS) technique, developed in 2003 by loyalty marketing researcher Fred Reichheld (Reichheld & Markey, 2011)[3].

Having harvested data from online networks, all informants indicated challenges in correlating social media data with their CRM transactional and bought research data. This is in part due to social network users often having different and multiple identities from those registered in CRM data bases. To help with correlation, two firms had started to ask their customers, when making a transaction, for their social network user names. This study found that where firms are interacting with customers over social networks and where there "is an exchange of value" such as providing a follow up service, customers are freely providing their accurate off-line profile data enabling the vendor to correlate the customers' social media profile with their CRM profile. Moreover, those firms who are striving for the strategic adoption level of social commerce had started to use consumer identity authentication automation tools to help with this validation process.

The data gathered from social networks is considered to be "much richer" and affording "greater insight" than traditional purchased market segment and accumulated transactional data. Organisations can see what social capital (Coleman, 1988) or degrees of influence a user has also their opinions, likes, dislikes, actions, wants and interests creating the opportunity to "more clearly understand the customer's affinity with a brand" helping to develop relationship orientated marketing strategies (Egan, 2008). A concern with this practice is the increasing reliance on Facebook and less on company websites for data acquisition. Five informants believed that Facebook "is notoriously restrictive in terms of what data can be accessed" and that "control of data is being given over to Facebook". This concern is a further reason why some organisations are hosting their own online communities.

Whilst SocialCRM creates the potential to gain greater and more relevant insight, deciphering massive volumes of data is proving to be an obstacle. One interviewee, who provides marketing technology consulting services, stated that "social media was adding to the overall flow of information" and questioned the value of the data claiming that,

> *"it's easy to track messages about a brand but it is a challenge to analyse and sum up the data to form patterns explaining where and why your company is being talked about and what the resulting communications strategy should be".*

Therefore, to be able to use the data collected effectively, Kodak for example, start with setting out well defined Key Performance Indicator (KPI's) and filter out only the data they need to measure performance against the KPI's. Informants, who measure the outcomes of their social media programs, are mainly focused on; numbers of Facebook Fans, Twitter Followers, exposure to impressions, click-throughs to the vendor's primary website, sentiment analysis and less rarely sales leads and the numbers of sales. Only four informants attribute revenue directly to social media initiatives. This research revealed that some informants are either not clear on what attribution models they can apply to social

[3] NPS is a customer loyalty metric that rates the propensity of a consumer to recommend a product to friends. NPS classifies consumers into three canonical groups. 'Promoters', who are loyal enthusiasts, repeat customers and share their experiences of products with others. 'Passives', defined as satisfied but unenthusiastic customers who are vulnerable to competitors and 'Detractors', classified as unhappy customers who can damage a brand through negative word-of-mouth. The sentiment data gleaned in real-time over social networks could be used to validate and augment NPS analysis that historically has been limited by being researched only periodically and is less valuable being historic data.

 © Henley Centre for Customer Management - 2011

media marketing or believe that it is “too difficult” because they are attempting to apply traditional advertising attribution techniques to a new medium that is “not effective as an adverting campaign channel”.

Measuring the degree of ‘reach’ and ‘velocity’ achieved through engaging with opinion leaders with the greatest influence is an increasingly used KPI made practical by Web 2.0 social media software monitoring and analysis tools (Sterne, 2010). Although only 4 companies interviewed were actively using this technique to measure performance despite the scope to achieve greater audience reach being a main advantage of social networks.

Reach is often described as the percentage of people in a group you want to effect with your message. Or, in the case of social networks, the number of users a subscriber is linked to directly and indirectly across one or multiple social network constellations, often termed as a user’s social graph or recommendation chain (Watts & Dodds, 2007). Velocity is the frequency and speed that a message is passed on (Sterne, 2010).

Historically, the metric of Reach is associated with calculating Gross Rating Point (GRP). GRP precedes social media and is an established method of measuring marketing campaigns. GRP is the percentage of audience reached multiplied by the frequency they view a campaign and is applied to broadcasting methods of advertising (Berkovitze). GRP is an example of an extant marketing practice that is being used in social media marketing but not necessarily recognised or termed as such.

5.3.1. Social Technographics and Netnography

This study found an increasing intention to implement SocialCRM strategies to gain “blended customer insight” enabled by recent developments in quantative and qualitative monitoring technologies that make this process practical through automation (Sterne, 2010). Research has been carried out on social network user participation levels and roles by academics (Preece, 2000) and practitioners. They have employed recently developed techniques for scanning, observing and evaluating online user behaviour. For example, Social Technographics Profiling, developed by Li and Bernhoff (2008) is a technique that uses software tools to survey the social interactions of community members and to produce user activity statistics and analysis. A technique based upon the traditional segmentation theories of psychographics and demographics but applied to cyber environments.

Netnography is another method used for analysing online community behaviour devised by Kozinets (2002). Netnography is based upon the research strategy of ethnography developed to gather intelligence on human and social cultures. It provides information on the symbolism, meanings, and consumption patterns of online consumer groups as well as understanding consumer attitudes, perceptions, imagery and feelings and can be used to assist with segmenting audiences.

Whilst Social Technographics and Netnography are increasingly referred to an academic and practitioner literature, only the software analytics vendors referred to these practices with none of the other informants using these specific terms. This suggests that these techniques developed to support market segmentation strategies are embryonic.

In the respect of market segmentation practices, as yet, only two firms interviewed are using social data to validate their traditional market segments. The study found that this can be partly explained by the aforementioned issue of data silos and that 6 marketing managers

 © Henley Centre for Customer Management - 2011

responsible for social media had either a minimal understanding of or involvement in their organisations' segmentation strategies. More significantly, the research found that all the interviewees believed that traditional static demographic segments are less relevant in social network marketing and communications. The following chapter examines this important consideration in detail.

5.4. Social Media Market Segmentation Strategy

Building on the three areas of investigation covered in the previous sections of this paper; the application of traditional segmentation practices, the adoption of social media and SocialCRM, this chapter goes onto explore how social media networks are being used for traditional and emerging market segmentation practices.

5.4.1. Do Traditional Market Segments Cross Over to Social Networks?

The study found a diverse range in the views and practices of applying traditional market segmentation strategies to social networks. Not including the software vendors, five of the organisations interviewed had started to apply their traditional off-line and on-line market segments in the context of social networks. Another five interviewees had considered applying their traditional segmentation to their social network activities but had not implemented a strategy. The remaining thirteen had not considered the possibility of using social media networks as a channel to market for their segments.

Four of the six CRM, software and services vendors interviewed talked in terms of emerging "interest groups", "self-segmenting groups" and "user levels of participation" and "influence" rather than traditional market segments. Paradoxically, one software monitoring vendor stated that "traditional market segments are profoundly relevant to social media marketing", this is in the context of demographic and psychographic segments and is covered later in this section.

The five informants that are intentionally correlating traditional segments with social network channels had discovered that social networks have formed a new channel for applying their existing market segment schemas. For example, Ford targets their Transit vans at a wide spectrum of segments and personas. These homogenous groups are of various types such as popular music bands and board surfers. With traditional broadcasting marketing channels it is difficult to find and reach these smaller segments. Significantly, using open social network platforms Ford have been able to find and "earn engagement" directly with these segments that have organically formed into online social interests groups.

Phones4U are using Facebook for targeting geographic demographics and product usage segments. Facebook provides advertisers with basic user profile data, initially entered by subscribers when they join the service. For example, age, location, sex, and interests. Facebook also allows vendors to track users who have clicked the 'Like' button perhaps expressing a product preference. This insight gives Phones4U the ability to identify and target their younger demographic in specific geographies and gain attention through providing content that relates to their product preference and expressed interests such as pop music and online social games.

An important traditional segment for Nokia is product usage. Nokia employs social media to identify and "focus on groups of users by common interest" such as those with an interest in photography. Nokia attract this segment by drawing them to the Nokia Facebook Photos

 © Henley Centre for Customer Management - 2011

social site that has 4.6 million Fans and 197,000 active participants. Nokia then targets and positions these product usage segments or audiences with handsets that have a higher specification of photographic functionality.

The MoD is creating online communities where supporters of the MoD Services can congregate. Supporters of the MoD are considered to be a segment that the MoD works to encourage and one method is by “creating online places for segments to participate”. In doing so, they are able to identify and nurture prospective recruits with the right profiles and engage with them at the relevant phases of the lives such as at school or university. This is sometimes categorised as synchrographic segmentation, a technique of synchronising marketing programs according to what stage prospects are in their life, such as university graduation (O'Greene & Burleson, 2003).

The division of 3M interviewed segment their market primarily into ABC1 female demographics. 3M conducted a social listening study investigating “how this demographic behaves, their patterns of consumption and what information they sought on Facebook with a view to finding sub-segments” on social networks. The data from the study enabled 3M to identify three sub-segments. 3M have started to “seed content and blogs aimed at the sub-segments with the view to gaining increased brand awareness”.

The aforementioned five organisations have intentionally sought out in online platforms their traditional market segments covering demographics, psychographics and product preference or usage. Paradoxically, 11 of the informants do not use “the term market segments in the context of social media” and yet they are intentionally targeting their segments using this channel. This may be a matter of semantics. However, this study suggests that the use of the term segments in the respect of social media marketing is partly due to social media practitioners’ unfamiliarity with market segmentation theories and the lack of integration of social media marketing with their more established marketing operations that apply segmentation strategies. This research also suggests that market segmentation practitioners hold a misguided view that social networks are unstructured environments where the practice of applying codified structures such as market segments is not going to work (Gillan, 2007).

A further example of extant marketing practices that are crossing over to social media is the one of nurturing opinion leaders and influencers who, when grouped by interests, are arguably categories of market segments - a practice that has been well documented in the literature since the middle of the last century (Katz & Lazarfield, 1955). However, social networks significantly increase the scope to affect this concept. The unprecedented potency of online networks is derived from the ability to broadcast more personalised messages in real-time and with minimal geographical boundaries, to gain interactive engagement with limitless numbers of receivers whilst using a range of rich and compelling multi-media formats (Gillan, 2007; Brown, 2009; Evans, 2010).

In conclusion, it can be argued that social networks are providing marketers with a new channel to find and connect with their existing segments. They are doing this by employing a variety of strategies. By discovering where their target segments are already organically congregating into self-organised communities according to their interests. By setting up a presence on mainstream networks such as Facebook and hosting branded online communities to attract and gain direct engagement with their target segments (Kozinets, 2009). Or by uncovering sub-segments within social networks in additional to segmenting by

 © Henley Centre for Customer Management - 2011

influence and reach. The organisations that are starting to employ these strategies are 20% of those interviewed and are notably those who are demonstrating some attributes that define a strategic level of adoption as covered in Table 2. This suggests that there is sufficient experience and evidence in discipline of social media marketing and communications to be able to define strategic maturity to use this as the framework as set out in Table 3 to move beyond the current experimental phases employed by the majority of the informants.

5.4.2. Are new market segments and practices emerging?

A contemporary perspective raised by the majority of informants is that "consumers' lives are very different from the time that market segmentation strategies were first applied" in the late 1950's. Customers are considerably more mobile, their attitudes more volatile and with the advent of the variety of communications channels, not least social media, they are much more informed with access to unlimited information anywhere, anyplace and in real-time. Buyers have access to far greater choice and are able to make decisions not based on what a brand claims about their products but on other customers first hand experiences with a product or service (Chaffey et al. 2009). With immediate access to information on brands from multiple sources and in variety of compelling and revealing media formats, consumers' preferences are being socially influenced from one moment to the next (Freytag & Clarke, 2001). Consequently, the shared view of all the interviewees is, "pigeon holing people into static and presumed segments" and targeting them accordingly with impersonalised broadcasted messages is not as effective as "interactively engaging with audiences", according to their actions, interests and opinions (AIO) profiles.

The authors posit that the technique of AIO profiling in social networks is not new but an extension of the extant practice of psychographic segmentation. Psychographics can be traced back to the late 1960's to Emanuel Demby (Demby, 1994) who defines it as:

> *"The use of psychological, sociological, and anthropological factors, such as benefits desired (from the behaviour being studied), self-concept, and lifestyle (or serving style) to determine how the market is segmented by the propensity of groups within the market--and their reasons--to make a particular decision about a product, person, ideology, or otherwise hold an attitude or use a medium".*

Psychographics has already been extended to e-commerce and is used to represent different attitudes to online purchasing (Chaffey, Ellis-Chadwick, Mayer, & Johnstone, 2009). In the context of social media psychographics is being extended to actions, interest and opinions or state-of-mind (Weinstien, 1994).

An extension of AIO profiling in social networks is the practice of monitoring user 'sentiment'. This is a widely adopted process, with 20 informants using sentiment monitoring and analysis tools. Sentiment and AIO analysis is based on the speakers self-identification and expression, and a nascent strategy is collecting this data across the blogosphere and collating it into segments according to trending indicators and data correlations. For example, it is possible on Twitter to track and group users who are commenting by any topic that is prefixed with a hash tag such as #FordTransit, #Royalnavy, #smartphone or #IToutsourcing. Furthermore, it is possible to segment using this method to manage customer services, for example the underserved or disenfranchised (Breed, 2011). One informant stated that social networks reveal "more personalised data and users social

 © Henley Centre for Customer Management - 2011

graphs which could mean for us that there are 50 segments and not the 5 we currently use". However, as covered in the section covering SocialCRM, mastering this process is proving to be illusive with no informants having successfully formulated segments in this manner.

As previously discussed social network users are more pre-disposed to reveal their personal preferences, sentiment and behaviours which can be monitored and analysed. It is also possible to monitor their actions and movements through location based services such as Foursquare. Therefore, the fundamental distinction of social networks in the respect of applying psychographic segmentation, or any segment for that matter, is that the profiles and preferences of social network users are not presumed, but they are individually expressed by the network users themselves. Moreover, they are current. Whereas profiling traditional segments will have been historically researched and set until a further round of research is conducted, maybe some years later, as is the practice with the majority of the informants. This means that relating to consumers by pre-determined and outdated psychographic segments is less valuable in social network environments particularly due to their real-time and interactive functions.

Nevertheless, all informants believed that it is still necessary to be able to disseminate marketing messages to groups of consumers. The main reasons being the practicalities and costs of communicating with fragmented groups or with individuals. As one interviewee put it "a segment of one is not a segment". Therefore, the organisations interviewed had started to group social networks users. These groups are characterised by levels of participation, shared interests, social influence or capital, and declared preferences or 'Likes'. Participation levels have been the subject of a small body of practitioner and academic literature.

There are a variety of social network user participation taxonomies. One taxonomy, that is familiar to 15 informants, identifies 6 levels of participation. Creator, Critics, Collectors, Joiners, Spectators and Inactives (Li & Bernhoff, 2008). Creators are participants who are highly active contributors, typically bloggers, who represent 10% of the European social network population. Critics comment on and add to the content produced by the Creators and are approximately 20% of the population. Collectors, Joiners, Spectators and Inactives don't contribute but either retain, view content or don't participate and make up the balance.

A phenomenon, referred to by many of the interviewees to as the 1-9-90 rule suggests that 1% of participants produce approximately 90% of user generated content (UGC) within a democratised community (McConnel & Huba, 2006), and that 9% participate occasionally generate or add to content whilst 90% are viewers who generate no content. This hypothesis has been the subject of research that found that there is a significant inequality of posting activity but not to the extent of the 1-9-90 rule. Using sophisticated social network analysis tools it was found that 56% of the content is created by 10% of the total user population, indicating that Creators and Critics are in fact dominating UGC (Wu, 2010).

50% of the interviewees are actively identifying, profiling and targeting and nurturing Creators as potential key influencers. For example, Britmums host an on online community of mothers and has intentionally fostered a "community of 3000 bloggers or Creators, each getting on average 4000 page views per month creating an aggregated audience of 12 million". Mums are an ideal demographic for many brands and Mum bloggers are a market segment within the community that brands are targeting. Therefore, the authors posit that levels of user participation and community member composition arguably constitute new market segmentation variables.

 © Henley Centre for Customer Management - 2011

Within Britmums there are 150 sub-groups, some have been created by the Britmums hosting team and others have bonded through the volume of discourse on common topics of interest (Dholakia, Bagozzi, & Pearo, 2004). These sub-groups share interests such as wine, health, depression and sport. Such groups are again a ready-made catchment area for brands that have an affiliation with the area of interest. B2B firms are applying this practice of building groups of their market segments. For example Capgemini host a group of Supply Chain Managers in LinkedIn Groups as does Vertex for Oracle Software Professionals. However, in the B2B sector this practice is still being applied at the experimental level of adoption.

This study found that a category of social media influencers being targeted by B2B, B2C and Government are not necessary customers or prospective employees, as is the case with the MoD. Influencers and detractors are often journalists, celebrity bloggers, leading professionals, subject matter experts and others who have gained the attention and or earned the trust of community members. Organisations "seed influencers with content" and work on motivating and incentivising them to promote, refer (Dholakia, Bagozzi, & Pearo, 2004) or advocate their products and services or to appease detractors.

Whilst "the practice of influencing the influencers is well established off-line the social web considerably amplifies its impact and to broader audiences" declared one informant. Four of the informants referred to this practice as 'Social Influence Marketing' (SIM). The objective of SIM is to drive and measure the correlation between three variables; social influencers, brand affinity and purchasing decisions (Singh, 2008). One informant had pursued the concept of SIM by running

> *"a project to look for influencers and to help the influencers gain more visibility and higher indexing. But it was not successful as there were too many influencers with too little influence".*

This example makes it clear that a SIM strategy may only be effective if the influencers have sufficient reach or PersonalCPM[4] .

Open social network sites such as Facebook and Google+ are intentionally enabling brands to further exploit the potential of SIM. In 2010 Facebook introduced the Like button for consumers to share their preferences for a branded content with their social network of 'Friends'. Users who have explicitly 'Liked' a brand are identified as a 'Fan' and can be targeted with relating content who in turn disseminate it to their Friends, amplifying reach. Facebook Fans are classified into three segments. Firstly 'Fans', classified as those who been exposed to a brand impression and then clicked the Like button expressing an affinity with a brand. Secondly 'Friends of Fans' defined as those who are exposed to brand impressions via a Fan. And lastly 'Non-Fans', this segment encompasses users that are neither Fans nor Friends of Fans (Lipsamn, Mudd, Rich, & Bruich, 2011).

The introduction of Facebook Likes affords brands the potential to collect and analyse current demographic, psychographic behavioural and product usage data and dynamically market segment. However, only two of the companies interviewed are using Fans in this

[4] CPM is the established practice of measuring the cost of a thousand advertising impressions (Chaffey et al., 2009). PersonalCPM is the influence that a social network user has over their online connections by their number of interactions and participation levels (Eldon, 2008).

 © Henley Centre for Customer Management - 2011

respect and by demographics only, specifically age and location. These companies are those who are working towards the more strategic levels of social media adoption.

The Google+ social network incorporates the ability for users to create or join multiple 'Circles' of friends or interest groups. In November 2011 Google+ launched Pages for business enabling brands to also set up circles. These circles, potentially communities of consumption (Kozinets R. , 2009), can be customised to relate to different market segments with optimised content relevancy with consumers electing to opt in. The advent Google+ Circles has introduced another new channel and method of audience segmenting affording the scope to publish content targeted at demographic subsets for example. At the time of conducting the research interviews no informants said they were using Google+ as a social media channel. The researchers suggest that this is because Google+ was only launched in June 2011.

In summary, social networks are giving rise to new audience classifications or groups of consumers by self-reported actions, interests and opinions(AIO), levels of participation, degrees of influences, online communities, Facebook Fans and Google+ Circles of interest and LinkedIn professional groups. This study revealed no consistent view as to whether these are treated as market segments or not. A minority of interviewees did consider and treat these new classifications as segments, others declared that having considered this point in light of the interview might now consider them as segments as one major internet bank stated, "it is possible that new segments might emerge, but we do not know". Others firms stated that they do not use the term 'segment' when referring to social media marketing, it is more about a "conversation strategy".

The authors assert that this diverse range in perspectives is because online social networks are a recent marketing and communication channel and as such organisations have not yet considered in any depth the potential of using segmentation as a strategy in this context. However, there are indications of the practice evolving with a few practitioners broadly classifying it as 'socialgraphics' (Owyang, 2010).

5.4.3. Social Media Engagement Continuum

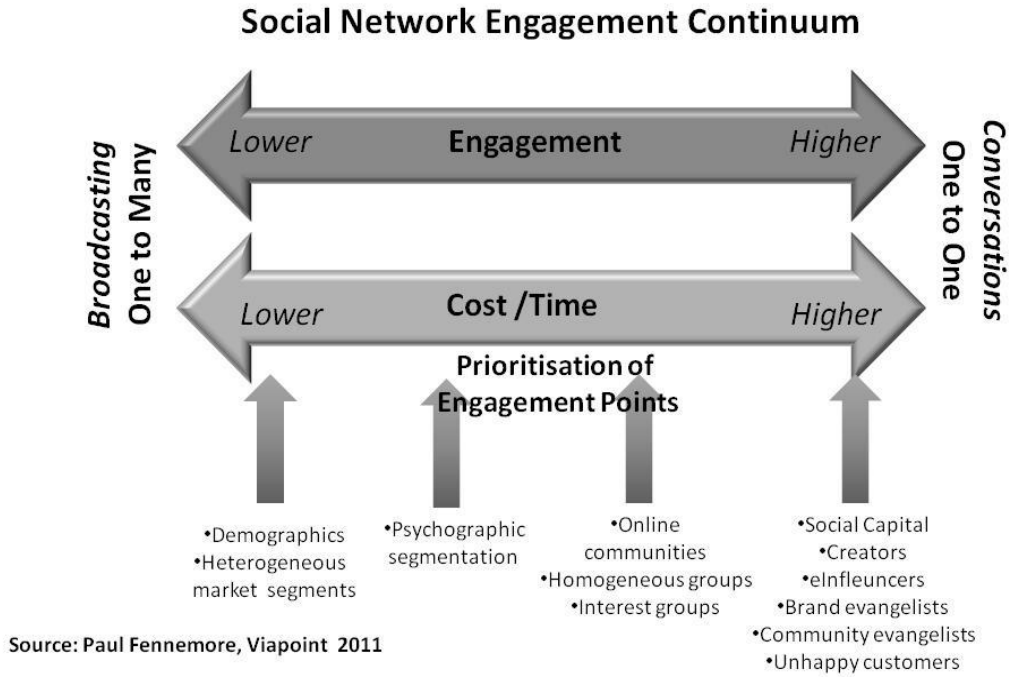
The real-time, interactive and two-way communications functionalities of social networks have called for new marketing and customer services practices. Social networks have created a new channel for consumers to communicate with brands that have resulted in an increased expectation of instantaneous responses. This development has created new organisational challenges for all companies interviewed. Responding to the discourse, managing sentiment, conversations and customer issues over social networks means budgeting for additional resources with specialist skills. This consideration, plus some regulatory compliance obligations, had prevented four informants from adopting social media as a customer service channel due to "opening up the floodgates and not being able to manage the volumes of interactions". The authors assert that this reticence is likely to lead to competitive disadvantage.

This study revealed that social media audience engagement has no single point of interaction, as Figure 4 serves to explain. There is an engagement continuum that spans broadcasting to social demographic market segments extending to one to one conversations for managing customer complaints for example or incentivising opinion leaders. Given the multiple engagement points, all organisations interviewed claimed that they are struggling to

 © Henley Centre for Customer Management - 2011

assign appropriate resources. In instances where resources are assigned, they were fragmented across multiple business functions such as customer services, PR and marketing departments and or agencies creating further challenges for strategic co-ordination.

Figure 4: Social Network Engagement Continuum



Source: Paul Fennemore, Viapoint 2011

 © Henley Centre for Customer Management - 2011

6. Final Conclusions and Recommendations

With the objective of addressing the first two research questions covered in the Introduction section, this study had four main interrelated areas of investigation. Firstly, how traditional market segmentation practices are being employed today. Secondly, to what extent the organisations interviewed are using social media networks. Thirdly, how they are using social media data and correlating it with CRM data to assist with the segmentation process. Lastly, the authors examined how market segmentations practices are crossing over into social media marketing and what new market segments are emerging in this medium.

In this final Chapter, the researchers sum up the findings and offer recommendations, based on the insight gathered in the study, on how to tackle some of the many challenges found with social media adoption. We also propose ways to apply segmentation strategies to social media marketing and communications.

6.1. Social Commerce Adoption

Despite the majority of informants being at the experimental or tactical phase of maturity, the study found that an intention by over half the informants to start to apply social commerce 'strategically' in 2012. However, no one informant was able to define 'strategic' in the context of social media. Irrespective of this lack of clarity as to what constitutes strategic, these organisations are starting to see sufficient benefits from the use of social media to justify increasing investment and as such has become a board-room consideration. The benefits being gained are multi-functional including; marketing and PR, customer service, innovation, recruitment, employee collaboration and productivity, supply chain management and overall business agility.

Therefore, a critical success factor in realising the potential of social media is not to consider it purely as an advertising channel and the domain of marketing agencies (Brett, 2010) for which it is proving to be ineffective. Instead, success comes from treating social commerce as vehicle to improve business performance. By formulating a systemic and systematic strategy companies are deploying social media marketing more effectively. In doing so, they gain increased returns from their investments in market segmentation.

The researchers argue organisations will have different levels of strategic social commerce adoption governed by factors such as the nature of business or industry sector, customer confidentiality and regulatory compliance. Companies will benefit by setting out an adoption framework as depicted in Table 2 and use it to formulate a plan that matches the characteristics of their industry and is attuned to the strategic objectives of their business. But they should resist adhering to traditional business structures and processes, given that social media can be used to democratise many business functions (Thompson, 2008).

Organisations need to give careful consideration as to where the responsibility for the management of social commerce operations resides and the implications of making their choices. As social commerce becomes increasingly multifunctional so the answer increases in complexity, with responsibility residing in multiple business functions. Social commerce is giving rise to a new business paradigm that calls for lateral, innovative and democratised strategies (Tapscott & Williams, 2006).

 © Henley Centre for Customer Management - 2011

6.2. CRM Data Collection and SocialCRM

This study revealed that all informants are employing social media CRM technologies at experimental and tactical levels of adoption with a view to understanding and engaging with their social network audiences. All had not or are struggling to merge the social data with other data sets to obtain one customer profile. Socialgraphics is a term recently coined to define segments on social networks extending extant segments such as demographics and psychographics.

The merging of multiple data sets is not seen a technical issue but one originating from organisational functional barriers (Egan, 2008) resulting in silos of data. A method that early adopters are using to overcome this obstacle is to create centralised data acquisition teams and consumer engagement systems.

The additional data mined from social networks is leading to an overflow of information. The research found that companies using social media data effectively started with, as with other marketing investments, key performance indicators (KPIs) for which they then produce data to measure. Success came from keeping the KPIs simple but specific to the value that social networks can generate. However, perhaps a leap of faith may be called for when setting KPIs. This is because social media marketing brings the most value when it augments other marketing channels rather than as a standalone initiative.

6.3. Segmentation Strategies in Social Networks

All informants declared that market segmentation is a foundation block on which to build an effective marketing strategy. They foresee the practice becoming more important as markets become increasingly global, dynamic and atomised, leading to more segmentation variables with online social networks acting as a main catalyst.

Invariably, the more products and services organisations offer, combined with the greater volumes of customers they have, the more market segments they create and the more investment is made into researching and executing upon the segments. This explains the notable difference between B2B and B2C sectors, with B2B investing less in research and formulating fewer variables. The study found two exceptions to this premise in the B2C sector, where the informants said that their products “have very broad appeal” and as such it is very difficult to segment beyond basic demographics. The authors assert that social media provides AIO insights that could help these organisations overcome the hurdle of clustering buyers into undifferentiated groups.

Companies who had more expertise with traditional market segmentation practices demonstrated more effective use of these practices in the context of social media marketing. However, this was not consistent across all informants, with some firms not aligning their segmentation or insight teams with social media operations. This resulted in the social media operations not applying segmentation strategies, an issue that could be readily resolved when recognised as such.

Given that this study has found that traditional market segments are manifest in online social networks, the authors suggest that organisations should review their traditional market segment strategy and determine how it can be extended into social media and how to engage with their existing segments in this medium. In fact, this strategy is now not an option for many organisations as consumers in all market sectors increasingly use social media

 © Henley Centre for Customer Management - 2011

networks as a mainstream method of discovering information about products, services and employment opportunities."

Effective strategies include generating 'segment pull' through participating in relevant communities of interest or hosting an online community. The concept of segment pull, depicted in Figure 5, draws in existing segments into virtual spaces that can be easily targeted with improved focus. In contrast to pushing out messages potentially viewed by all segments, attracting some but with the risk of disaffecting others.

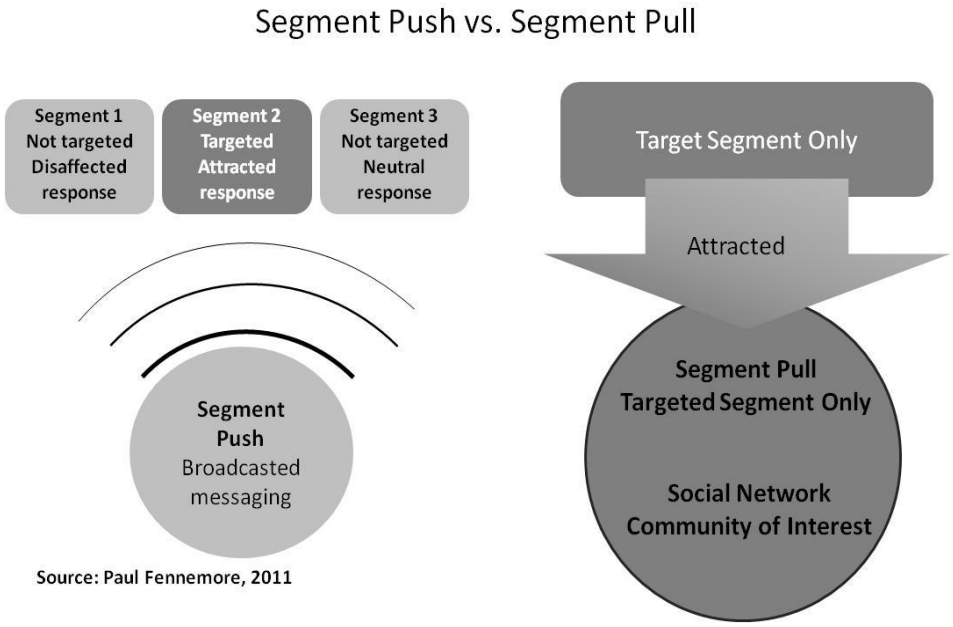


Figure 5. Segmentation Push vs. Segmentation Pull Strategies

Other well established segmentation practices that are being employed in social include psychographics with self-expressed behaviours, actions and interests increasing the magnification and granularity of segments. New segmentation categories are emerging specifically user levels of participation and subsequent degrees of influence aiding the scope to find and relate to niche but lucrative segments in the 'Long Tail' (Anderson, 2007).

Marketing and customer service managers should consider formulating a strategy to engage with existing off-line and on-line opinion leaders and incentivise them to extend their influence over social networks. This strategy needs to also incorporate a method for discovering new influencers and detractors emerging in open online social networks and interest groups.

Social media marketing is considered to be resource intensive and the costs associated with conversational one to one marketing difficult to justify thereby making segmentation in social networks at least equally as important as any other channel. In order to help ensure resources are assigned to the most productive market segments, operations managers as well as marketing managers, will benefit by setting out what their engagements points are along the social media engagement continuum in Figure 4 and assign the relevant skills and resources to those points and plan for how they might need to scale.

 © Henley Centre for Customer Management - 2011

6.4. Beyond Segmentation

One final perspective on social media marketing and segmentation raised by half of the informants and substantiated by the literature, is that whilst segmentation is an important practice, this is only one marketing concept that demands a new approach in the context of this new medium.

Ubiquitous online social network communities are blurring the boundaries between consumers and brands, consumption and participation, play and work, authority and amateurism, reality and virtuality (Zimmer, 2008). Furthermore, consumers are increasingly empowered by their online voice through peer to peer referrals and influence over what is broadcasted about brands (Tapscott & Williams, 2006; Kozinets R. V., 1999; Egan, 2008). This transforming environment is resulting in less importance being accredited to what brands claim about themselves (Dholakia & Dholakia, 1999). This paradigm is leading to consumers paying less attention to traditional marketing channels and promotion methods resulting in phenomena such as online 'banner blindness' where consumers are ignoring display advertising in digital channels (Brett, 2010).

Therefore, whilst brands can effectively apply some traditional market segmentation strategies to social networks and identify with new segments as discussed in this study, further new marketing strategies are required such as Social Influence Marketing, Virtual Community and Conversation Marketing (Valck, Bruggen, & Wierenga, 2009; Gillan, 2007) as methods of marketing to social network market segments. As segmentation is the main topic of this study, this paper will not delve into social media marketing further but simply make the point that market segmentation is only one aspect of a social network marketing and communications.

 © Henley Centre for Customer Management - 2011

References

Anderson, C. (2007). The Long Tail: How Endless Choice is Creating Unlimited Demand. London, Random House Business Books.

Biermann, K. (2011). Betrayed by our own data. Zeit Online, Zeist.

Bonoma, T. V. and B. P. Shapiro (1983). Segmenting the industrial market. Lexington, MA, Lexington Books.

Canhoto, A. I. (2008). "Barriers to segmentation implementation in money laundering detection." Marketing Review 8(2): 163-181.

Casteleyn, J., A. Mottart, et al. (2009). "How to use Facebook in your market research." International Journal of Market Research 51(4): 439-447.

Cheron, E. and E. Kleinschmidt (1985). "A review of industrial market segmentation research and a proposal for an integrated segmentation framework." International Journal of Research in Marketing 2(2): 101-115.

Chesler, C. (2011) "How Cops Are Casing Social Networks for Crooks." Popular Mechanics.

Deschamps, J.-P. (2000). From Information and Knowledge to Innovation. Competing with Information. D. A. Marchand, John Wiley & Sons.

Dibb, S. (2001). "New millenium, new segments: moving towards the segment of one?" Journal of Strategic Marketing 9: 193-213.

Dibbern, J., J. Winkler, et al. (2008). "Explaining Variations in Client Extra Costs Between Software Projects Offshored to India." MIS Quarterly 32(2): 333-366.

Dumenco, S. (2010). "Be honest: what's your real Twitter and Facebook ROI?" Advert Age Retrieved 14 January 2011, from http://adage.com/article/the-media-guy/social-media-real-twitter-facebook-roi/141381/.

Effik, T. (2011). Personalised targeting: don't get personal, get social. Admap. March.

Egan, J. (2008). Relationship Marketing - Exploring relational strategies in marketing. Harlow, Pearson Education Limited.

Foedermayr, E. K. and A. Diamantopoulos (2008). "Market Segmentation in Practice: Review of Empirical Studies, Methodological Assessment, and Agende for Future Research." Journal of Strategic Marketing 16(3): 223-265.

Gill, J. and P. Johnson (2002). Research methods for managers. London, Sage.

Greenberg, P. (2010). "The impact of CRM 2.0 on customer insight." Journal of Business & Industrial Marketing 25(6): 410-419.

Hardey, M. (2011). "To spin straw into gold? New lessons from consumer-generated content." International Journal of Market Research 53(1): 13-15.

Heo, J. and C.-H. Cho (2009). "A new approach to target segmentation: Media-usage segmentation in the multi-media environment." Journal of Targeting, Measurement and Analysis for Marketing 17(3): 145-155.

 © Henley Centre for Customer Management - 2011

Hines, T. and L. Quinn (2005). "Socially Constructed Realities and the Hidden Face of Market Segmentation." Journal of marketing Management 21(5/6): 529-543.

Homburg, C., D. Totzek, et al. (2008). "Customer Prioritization: Does It Pay Off, and How Should It Be Implemented?" Journal of Marketing 72(5): 110-130.

Jamal, A. (2003). "Marketing in a multicultural world." European Journal of Marketing 37(11/12): 1599-1620.

Kietzmann, J. H., K. Hermkens, et al. (2011). "Social media? Get Serious! Understanding the Functional Building Blocks of Social Media." Business Horizons 54(3): 241-251.

Kotler, P. and K. L. Keller (2006). Marketing Management. Upper Saddle River, NJ, Pearson Education.

Liew, A. and D. Sundaram (2009). "Flexible Modelling and Support of Interrelated Decisions." Decision Support Systems 46: 786-802.

Patterson, A. (Forthcoming). "Social-networkers of the world, unite and take over: A meta-introspective perspective on the Facebook brand." Journal of Business Research.

Piercy, N. F. and N. Lane (2009). Strategic Customer Management - strategizing the sales organization. Oxford, Oxford University Press.

Prahalad, C. K. and V. Ramaswamy (2004). The Future of Competition: Co-Creating Unique Value with Customers. Cambridge, MA, Harvard Business School Press.

Quinn, L. and S. Dibb (2010). "Evaluating market-segmentation research priorities: Targeting re-emancipation." Journal of marketing Management 26(13/14): 1239-1255.

Schultz, D. E. (2010). The Pyrite Rush. Marketing News: 12.

Semitsu, J. P. (2011). "From Facebook to Mug Shot: How the Dearth of Social Networking Privacy Rights Revolutionized Online Government Surveillance." Pace Law Review 31(1).

Slutsky, I. (2011) "Facebook Test Mines Real-Time Conversations for Ad Targeting - Offers Marketers the Ability to Target Swells of Sentiment, Much Like Twitter." AdAge Digital.

Stienstra, J. (2010). The Myth of Segmentation or How to Move Beyond. ESOMAR, Athens.

Tupot, M. L. and T. Stock (2010). What's next for segmentation? Admap.

Wood, Neil. Green,A and Starkey,G (2011) 'Social CRM as a business strategy'. Journal of Database Marketing & Customer Strategy Management 18 (1), 50-64.

Yankelovich, D. and D. Meer (2006). "Rediscovering Market Segmentation." Harvard Business Review(Feb): 122-131.

 © Henley Centre for Customer Management - 2011

The Henley Centre for Customer Management

The Primary Objective of the Henley Centre for Customer Management is to promote Customer Focus and Service Excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own Customer Management and Customer Service plans and implementations.

Members

Each year, the Centre aims to attract a membership of between 10 and 20 organisations, each a leader in their sector.

Members in 2011 were:-

Vertex (Main Sponsor)

Cisco

Cognizant Technology Solutions

Ecclesiastical Insurance Group

GSK

Invesco

Janssen-Cilag

Kelly Services

Marks & Spencer

Mercedes Benz Financial Services

Microsoft

NCFE

NHS Blood and Transplant Services

Oracle

Rackspace

Royal Bank of Scotland

The Henley Centre for Customer Management

HENLEY UNIVERSITY OF READING

Centre Contacts:

Director	Assistant Director
Professor Moira Clark	Tony Harrington
Tel: 01491 571494	Tel: 07815 938534
Moira.Clark@henley.reading.ac.uk	tony_harrington@btinternet.com

Henley Business School,
Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU

VERTEX

The Henley Centre for Customer Management is supported by members representing a diverse range of organisations.

Vertex, an international business process outsourcer specialising in customer management, was our main sponsor for the 2011 programme.

Maximising Value through Relationships