

Social media in companies
The online relationship
with the market

The new consumption relations

After the breaking down of physical barriers fueled by the Internet worldwide, access to information has become much easier and faster. At the Web, connected customers have gained more bargain power and they play now the role of decision-makers that interfere in the reputation of suppliers, influencing and being influenced by other people navigating online in the internet.

At the same time, these media have opened opportunities for companies to foster debates on their own products and services. And so, through the aggregate of opinions on their brand from large groups, these companies can benefit from a type of collective intelligence which can surely bring innovation and differentiation to their products, services and other elements of their business model.

In this context, Deloitte has developed the “Social Media in Companies” survey with the aim to determine the degree of maturity achieved by Brazilian organizations as to the social media boom in the world.

Through this study, Deloitte’s efforts were aimed at showing how social media can be used as a strategic business pillar while bringing consumers and suppliers near to each other.

Identifying the benefits of these online tools, the survey also introduces the social media as a social platform through which companies can use not only as an advertising channel, but mainly as a way of getting closer to their consuming public.

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Study methodology and sample

“Social Media in Companies” survey carried out by Deloitte aimed at portraying the new ways of interaction between companies and their public, provides a panorama on the use of these tools in the country, and was developed through the application of an online questionnaire on the Deloitte website (www.deloitte.com.br) from February to March 2010. Deloitte has also visited ten companies for qualitative interviews: Accor Hospitality, Azul, Boehringer Ingelheim, Bradesco, Editora Globo, IBM, Natura, Nokia, Roche, and Tecnisa.

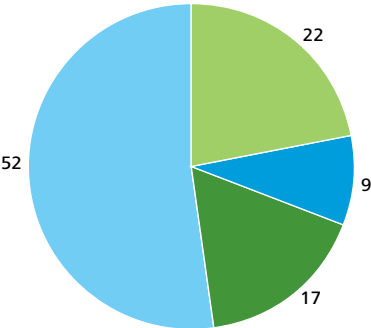
The survey approached companies of various segments and economic sizes, an aggregate of 302 companies operating in the country. São Paulo was the state with the majority of respondents (63%),

followed by Rio de Janeiro (7%), and Minas Gerais (6%). Multinational companies represent 16% of the participating companies and the remaining 84% are domestic companies.

A little over 50% of the participants are small sized companies, while medium and large companies represent 26% and 22% respectively, in the sample. The measurement criteria concerning the size of the participating companies in this survey was the same employed by Deloitte in its internal classification.

The companies in the services industry represent 33% of the sample, followed by retail, consumer goods and transport (20%), technology, media and telecommunications (17%),

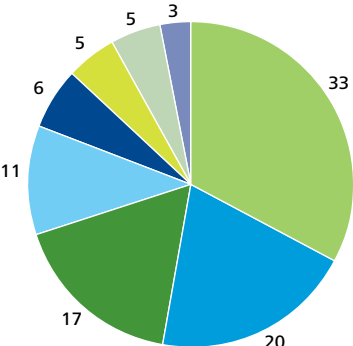
Surveyed companies revenue* (%)



- Above R\$ 500 million
- From R\$ 201 million to R\$ 500 million
- From R\$ 51 million to R\$ 200 million
- From R\$ 5 million to R\$ 50 million

*R\$ 1 = US\$ 0.55 (june 2010)

Distribution by respondent company segments (%)



- Services
- Retail, consumer goods and transport
- Technology, media and telecommunications
- Manufacture
- Health
- Financial services
- Real estate
- Energy and natural resources

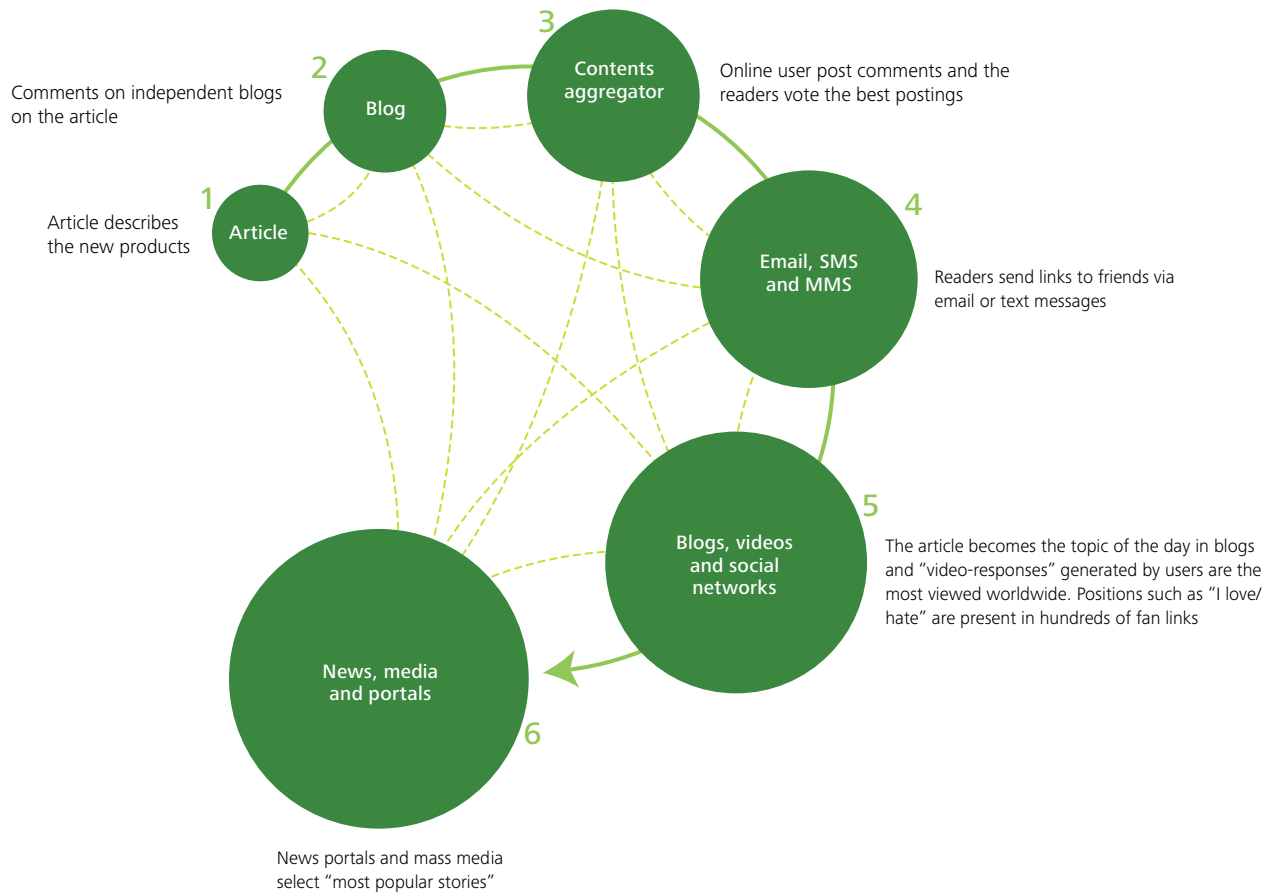
Social media landscape in Brazil

With the increase in popularity among the very consumers in recent years, social media have become a relevant strategic tool to companies of all sizes and economic industries. Customers' patterns have changed when the Internet broke down the geographic barrier and brought speed to the access to information, making it easier to find companies and products on the Web, and consequently, increasing the prospects of online transactions.

In this context, the tools promoting social relationship and online dialogue among users make these new customers a lot more demanding at the time they, are to procure a product.

On social media, the reputation of a company is beyond the control of its management. Through communities, blogs, sites such as Orkut, applications such as Twitter, and other channels, the reputation starts to be defined by the actions of people, customers and other online influencers. The graphic below shows an example of this loss of control by the companies over the generation of information and dissemination process.

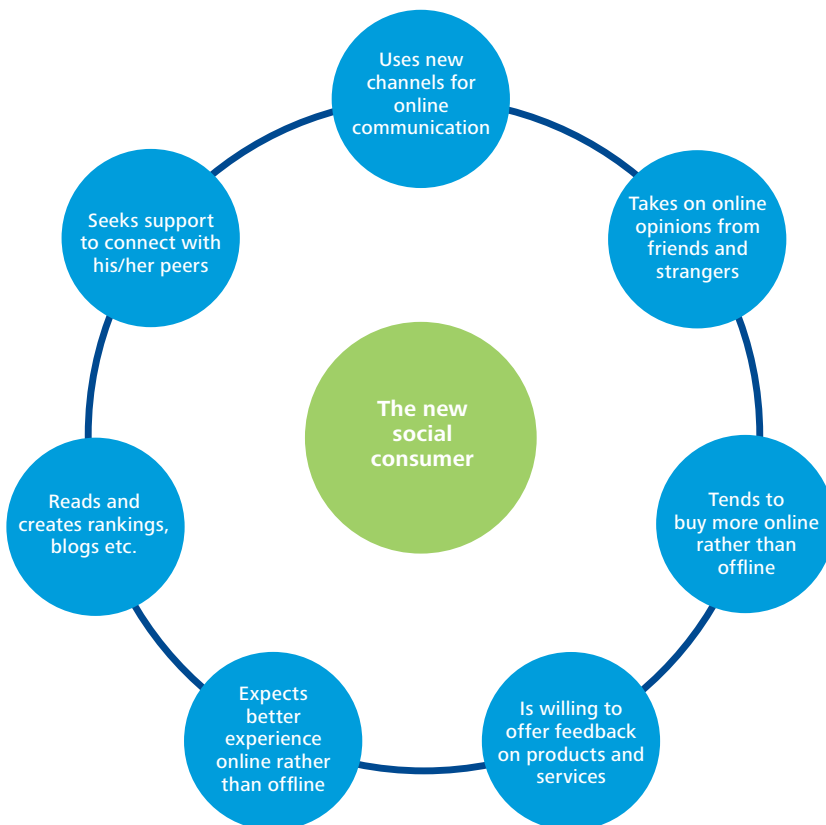
The flow of information in the new media



Feeling comfortable in this virtual environment, this neo-customer wishes to perform the maximum number of online activities possible, from making new friends to shopping, since on the Web the shopping and consume experience can go in a much differentiated and social way. On the Internet, other consumers can express their preferences in favor of suppliers and products, which tends to influence a potential buyer at the time of purchase. Further still, consumers do identify themselves with virtual strangers coming to trust, and it is this identification

that defines the success of any interaction that companies may have with their consumers when considering the social media as a strategic business pillar.

In order to enhance the use of social media, companies need to establish their own brand spokespeople, who will talk to the market and see that value is passed on to their businesses. The companies need, after all, to “humanize” themselves through the social media.

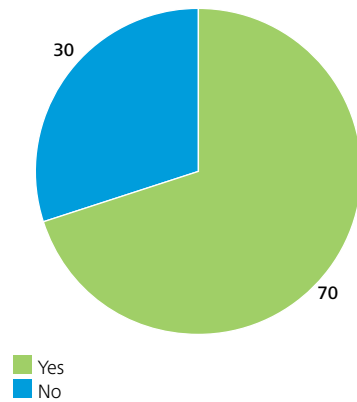


The challenge – complexity of the new social consumer

- Internet connects consumers and encourages relevant changes in the consumer behavior
- Social platforms create a new and complex paradigm to connect individuals
- Interactions between consumers and brands start at an early stage and see no end
- Social relationships with consumers cover more than simply reacting to the demand and/or manufacturing customized products and services

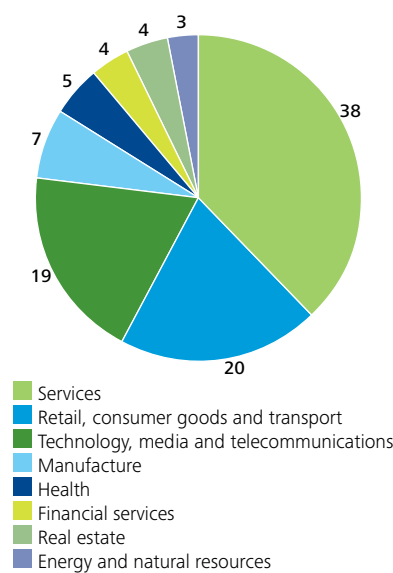
The adoption of social media

Companies that use or monitor on social media (%)



The survey reveals that about 70% of the Brazilian companies have already stepped into this new trend and use and/or are monitoring on what's going on online. Despite the large number of organizations that use social media, their majority still don't fully achieve all promised benefits, don't understand the risks, or could not yet fully implement social media to the whole company, which would demand a change of culture and habits to those actors-to-be professionals in the relationship activity with the market. These factors cause these companies to lose competitive advantage as the ones that have spearheaded the adoption towards these practices are to enjoy the benefits associated with image, reputation, and customer satisfaction beforehand.

Companies that use or monitor on social media by segment (%)



Among the participating sectors, the manufacture industry is the fourth biggest in number of companies already using or monitoring the social media. This data is contrary to the perception by a portion of the market that social media apply only to companies having a close relationship with end-users, such as services, telecommunications, and retail organizations. This evidences a certain maturity of the Brazilian market concerning the knowledge of what social media can provide to the various types of businesses.

The report on this survey is split in two parts: the first details the insights of companies already involved in social media initiatives, including an understanding of what they do and how they perform and measure their actions. The second part presents the perception of companies that as yet neither use nor monitor these tools.

Companies exploiting the social media

The danger of a focus restricted to marketing

Pursuant to this survey, the most popular tool among the companies using the social media are the social networks (81%) followed by Twitter (79%); however, due to the increasing drive Twitter in gaining in Brazil, it is expected it to soon overtake the social networks. The corporate blog is also a very popular tool as indicated by 70% of the companies plugged on the social media. Wiki and social bookmarking are less used by companies.

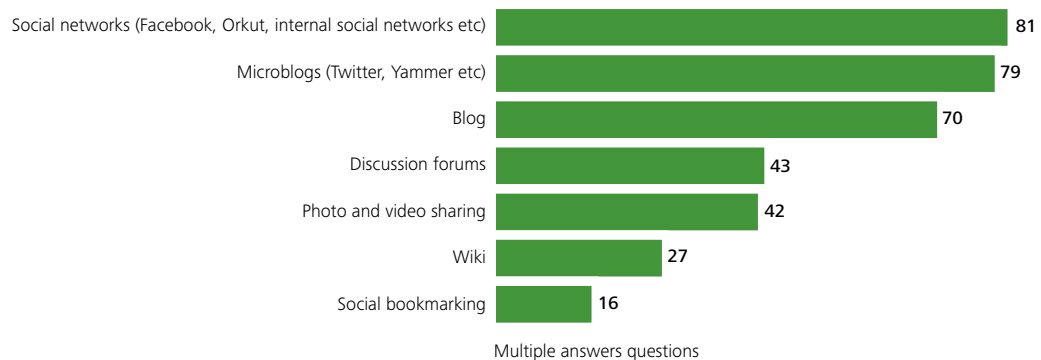
These companies revealed that they use social media for marketing actions and products and services advertising (83%) and for monitoring on brand or market (71%). The popularity of marketing actions appears to be natural, particularly because the social media are deemed to be a channel of communication that reaches thousands of people at a low cost. Additionally, the Marketing is the department having the highest opening to testing new ways of communication.

The result, however, shows that social media are seen as much as a medium than as a social platform. The survey shows that companies still care little about opportunity capture (46%), client support (43%), and innovation through collective intelligence (17%).

This sharing is very close to surveys on the use of these media in other countries, which shows that Brazil is following in the steps of more established countries as the United States, Canada, Australia, United Kingdom, France, and the Netherlands, in the use and penetration of social media in the companies

Other actions mentioned by the respondents are: news launching, dialogue and exchange of experiences, investor relations, customer relationship.

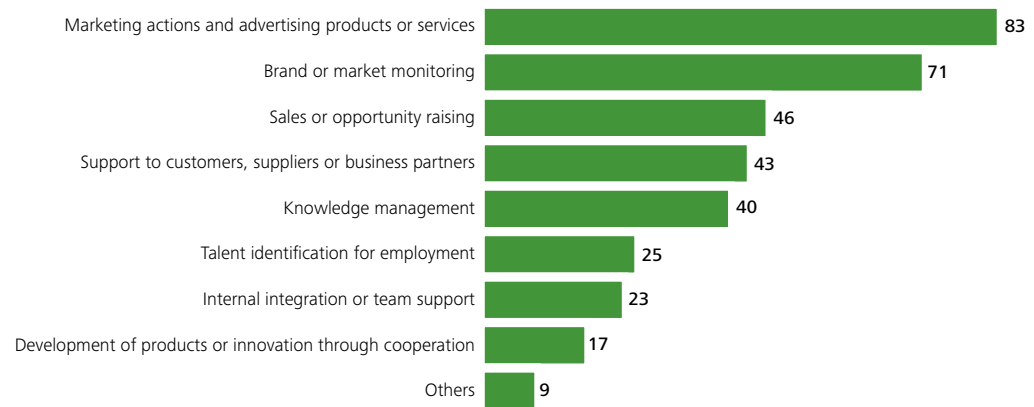
Most used tools by companies using social media (%)



If we segregate the companies that actively use social media but do not monitor on the Web, we see that 29% of them fit the case. This is strong evidence that companies may have adopted the social media by following in the trend, without worrying about the information coming from the market. This monitoring does not apply only to brand but also to the sector where the company operates or the sectors influencing the performance of the company within a given productive chain. The first recommendation to organizations starting in the field of social media is for them to take on the monitoring on the Web in order to be able to design a more accurate strategy of use followed by an assessment of customers already using these tools, and subsequently assessing the existing benefits resulting from their picking a more proactive standing in the use of such tools. This monitoring should continue even after the aforementioned steps, particularly when facing the need to measure the performance of such actions.

A new trend already active outside Brazil, mainly in the United States and Europe, is the migration or equalization of the use of social media focused on customer relationship. As the concept of Customer Relationship Management (CRM) is already known to the companies, it is expected their use of these social tools to this end to gain strength in 2010. Ed Thompson, VP of the Gartner Group, stated that "more than 80% of the increase in the use of social media by companies in 2010 are directly associated with relationship initiatives." A term that gains strength to describe this type of social media approach is the "Social CRM". Thereby, one can expect sales, customer relationship and internal cooperation to be the next steps to be taken by companies on social media.

Most explored initiatives by companies using social media (%)



Multiple answers questions

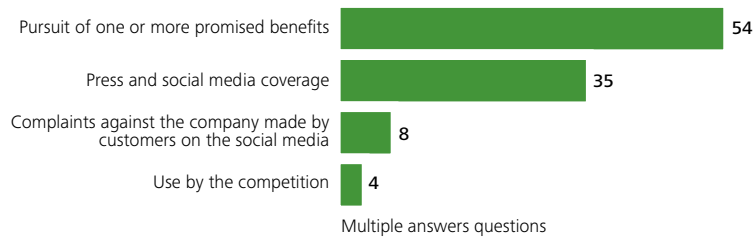
The concern over the large quantity of companies using the social media with no strategic arrangement but just to follow in the trend, confirms itself if we compare with the statement made by 35% of the organizations that their use of the social media is due to the press coverage as well as to the very social media broadcast on the subject. The search for benefits in connection with the social media is the primary factor that has led the companies to use the social media in their businesses (54%).

Noble purposes but low investment

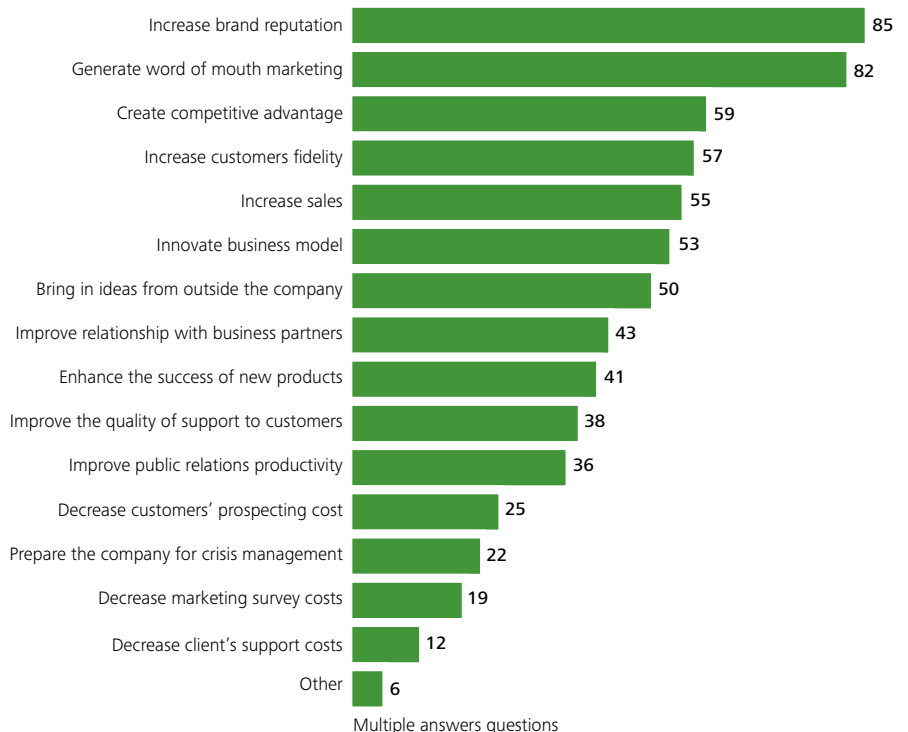
Subsequently to the company's strong focus on marketing actions and advertising of products and services, the raise in brand reputation and outspread word of mouth marketing are the two business goals most pursued by organizations using social media (85% and 82% respectively).

The cost reduction in transactions through customer relationship is among the least business goals pursued by the companies. To place a page on the Facebook or open a Twitter account costs nothing and takes the time of navigating on the Internet for just a few minutes. To host a blog or an exclusive social network on owned servers are also low cost deals when comparing to other IT initiatives taken by any company. Cost doesn't seem to be a major barrier to the companies' entry on the social media, therefore it is difficult to understand why its reduction is not a

Leading factors for companies to use or monitor on social media (%)



Business goals for use of social media (%)



business priority to them. The companies still don't see the social media as a potential way to efficiency gains in processes, considering the low cost of word to mouth recommendations made by customers, in addition to their spontaneous help when offering support or answering to queries from other customers online.

In addition to the purposes stated in the first graphic below, some companies have indicated as goals: benchmarking with other companies, networking and exchange of experiences, an added-on communication channel, visibility enhancement, and brand protection.

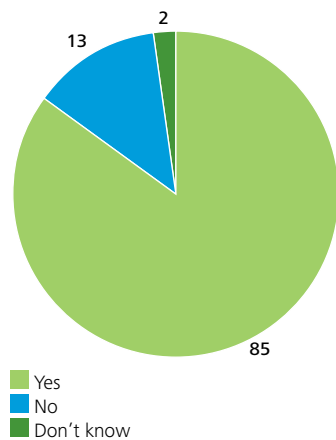
Concerning competitive vision, the companies acknowledged being aware of their competitors' actions, and 92% of them can state whether or not their competitors are using social media. About 85% of the companies already visualize their competitors' actions through the social media in their businesses.

Investments

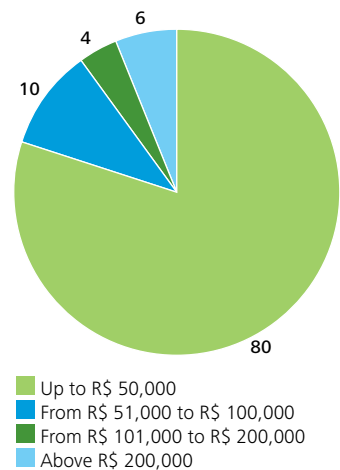
When the talk goes on social media investment, the great majority of companies are still keeping it at little. Nearly 80% of companies invest up to R\$50,000 per year in social media, while a very small portion (6%) state their investment to go over R\$200,000/year. A deeper analysis, taking into consideration only companies with revenues over R\$ 200 million/year and using social media, about 58 % invest below the R\$50,000/year threshold. This shows that social media are still not receiving significant investment and it should take a while for these tools to displace the traditional media.

However, this scenario may change before long. Nearly 60% of the companies surveyed stated their intention to increase the invested value in the next 12 months, which reveals an increase current towards the use of social media by the organizations.

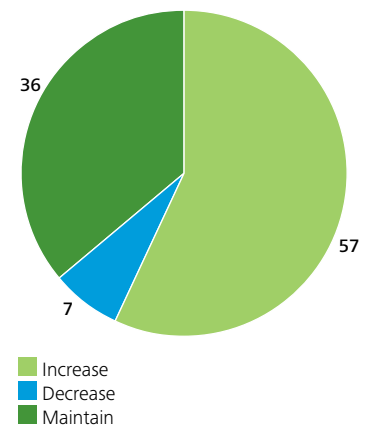
Companies that visualize or have visualized their competitors' social media action (%)



Companies' annual investment on social media (%)



Investment trend on social media in the next 12 months (%)



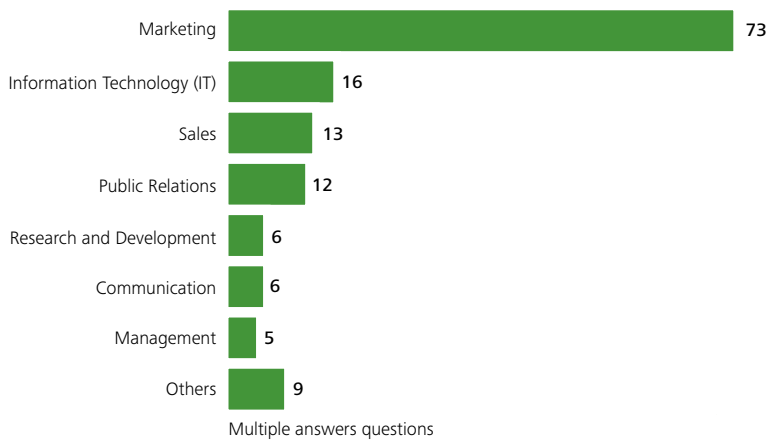
The lack of support issue

How do Brazilian companies apply social media to their organizations? Who performs the task? What are the barriers and how are they measured?

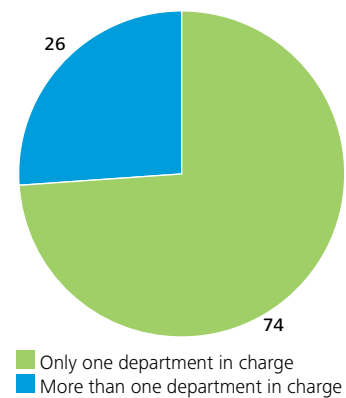
Most of the company's actions on social media are connected to marketing campaigns, therefore it is not surprising to realize that in 75% of the organizations initiatives are led by the Marketing department. The other departments hold a much lower participation. What adversely surprises though, is the lack of engagement from both Management and the Communications department in leading the social media actions. Management and Chairmanship, expected to be the first sponsors as well as the great drivers in the change of culture in these modern times, are still minority. IT is the second department more engaged in the social media actions, although with only 16 % share, which is a very low percentage when considering IT importance for the realization for carrying out the initiatives.

Very few are the companies that also have a department in charge of the actions, only 26%. Picturing a realistic scenario where any interaction with the consumer on social media, even considering marketing campaigns, may generate claims, queries, doubts, and other situations requiring a more specialized treatment by a department different from the one generating the initiatives, it is believed that the result of this engagement would not fulfill the expectations of customers involved in or contemplated by the company's messages. To be on the social media has a much broader significance for a consumer than the mere presence of the brand; to the consumer it means the front door into a more humanized and holistic service. The engagement of another department is critical to enable the companies to address all interactions with their customers.

Department in charge of social media actions(%)



Number of departments in charge of social media actions (%)



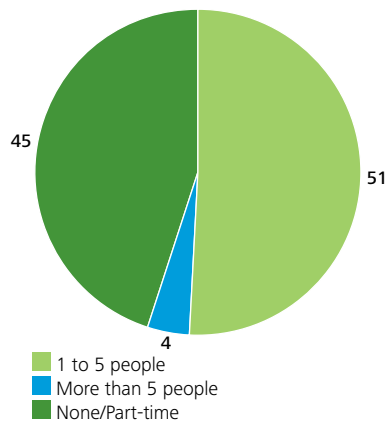
The new occupations brought by social media into the companies, as social media strategists and community managers, are still rare in Brazil. Respondent companies that already have full time professionals in their payroll represent 55%, however, the great majority of them are not ranked high in terms of leadership or management. A large portion (45%), neither employs any full time professional nor use temporary staff in the company.

Quality of teams

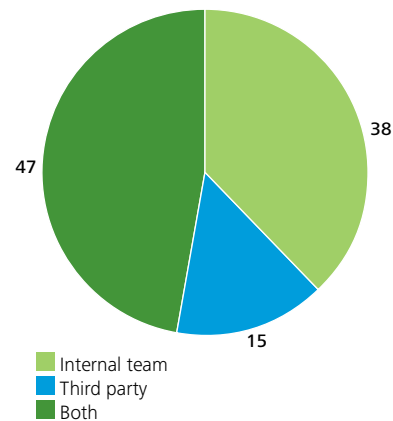
If the companies can't yet rely on large dedicated teams, there can be already found in the market

an array of companies offering from technology solutions to full functionality of actions to support such companies. The results point out that 62% of the companies use or have used third party services in aid of social media projects, while 3% of them manage their affairs internally, combining all activities from conception to execution. Comparing the companies' degree of satisfaction between internal teams and third party services, it seems that the external help service, in accordance with the respondents, has offered regular to good quality and almost all options were satisfactory, although none has reached significant levels of excellence.

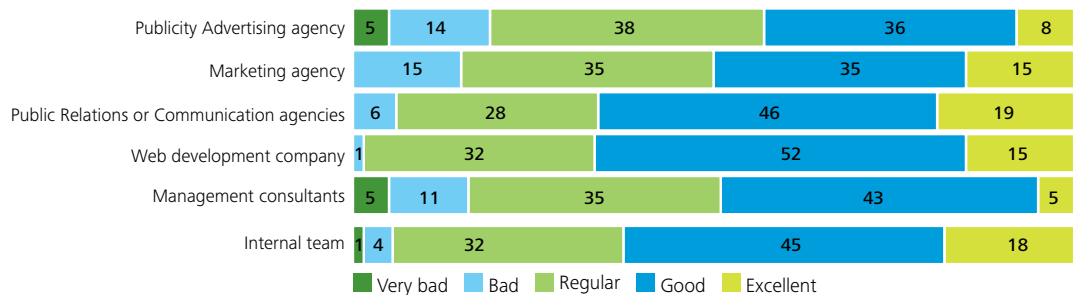
Number of professionals fully dedicated to social media (%)



Team in charge of social media actions (%)



Company's degree of satisfaction on services rendered by the team performing social media initiatives (%)



Measurement and metrics

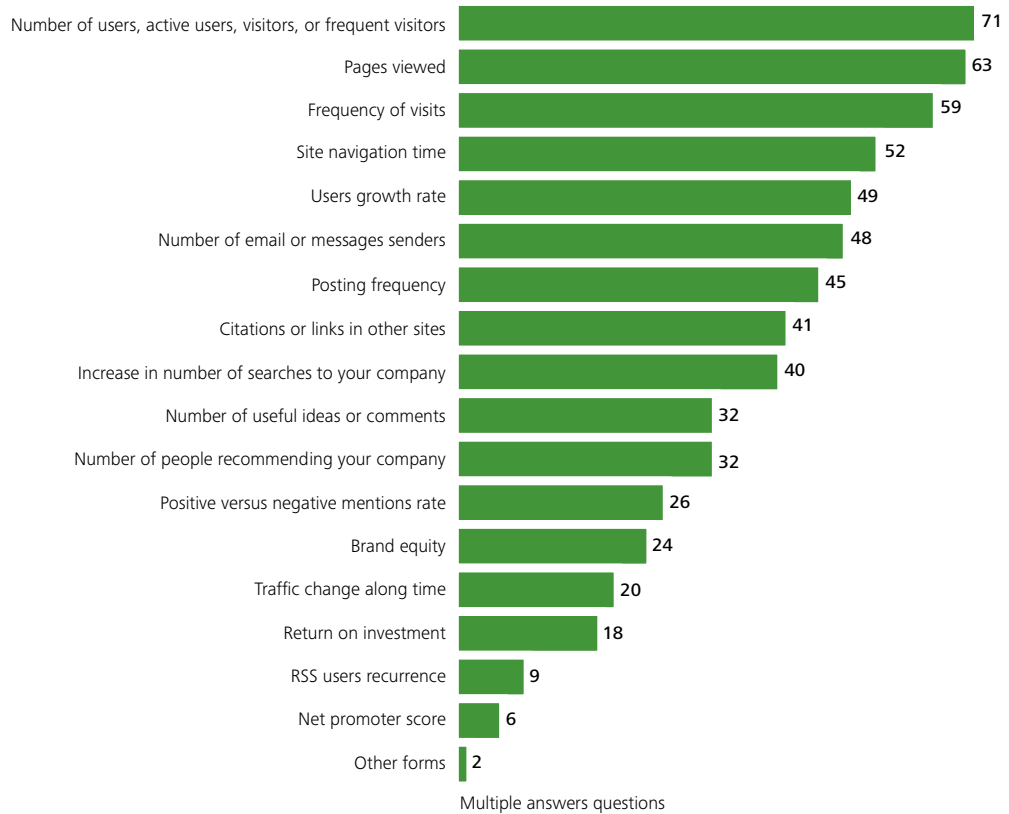
To follow on the results of what the social media do, great part of the companies, about 71%, monitor on the number of users and visitors, while 63 % monitor on the number of pages viewed, and 50% the visit frequency. However, it is in the group of least used options that is found an important piece of information for optimization of the use of social media by the companies.

Any activity or process employed by a company use indicators that are regularly linked to and grouped up with the performance of other processes in order to fill in an indicator for the area or department, which in turn is passed on to the shareholder or the owner. The business of an organization is usually managed by these numbers, which can be translated into value to

the company, either by the perception of the brand or the satisfaction of its customers, or more importantly, by the return on investment. The brand equity indicators, return on investment and net promoter scores are the least used by the companies (24%, 18% and 6%, respectively) to measure the results on social media.

On the Web, almost everything performed is thoroughly traceable and measurable, although the challenge of translating qualitative and quantitative results into financial quantitative numbers still exist. This can be achieved through correlation and analysis of the before and after the social media, crossing off effects of seasonality and market movements. Yet, the task is hard and the company needs planning in order to structure the aspects to be measured before the starting of any actions.

Social media initiatives measurement types (%)



Without fully understanding the social media financial impact on the results of the companies, it is hard to justify the sustainability of a social media initiative. This may be the reason why so many express campaigns are abandoned at the peak of the relationship with the customers. In this context, the inclusion of companies on the social networks can also be hindered, as no entrepreneur will invest in something relatively new, in constant mutation, and unknown to the management. A well written business case is the key to reverse this situation.

Obstacles to success

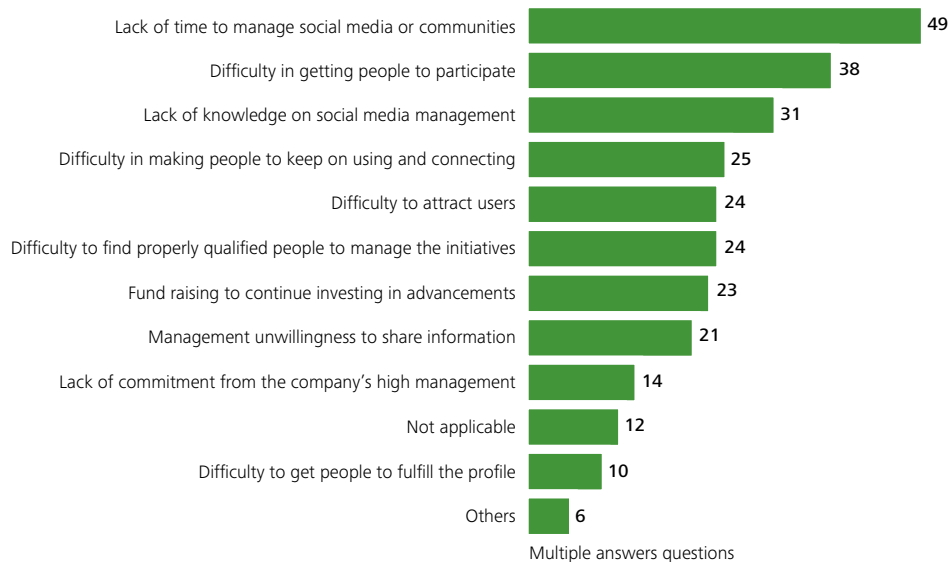
Lack of time and mobilization are the main obstacles met by the companies in the performance of their social media strategies, 49% and 38% respectively.

Lack of knowledge on social media management comes in the third place with 31% of the surveyed companies. Twelve percent of the companies state to have met no obstacles, taking from their successful initiatives.

Lack of time stated by most of the respondents demands a reevaluation of the need to recruit a professional, a dedicated team or third party services to take care of social media initiatives.

Other obstacles appointed by the companies are: culture, bureaucracy, lack of a comprehensive strategy, IT security issues, and customers lacking social media profile, team’s synergy, contents deficiency, and return on investment.

Main obstacles hindering social media success (%)



Companies that watch the revolution from afar

Within the universe of companies that are yet to use or monitor the social media, 53% state that the difficulty to measure and monitor on the benefits is the main barrier to their starting to use these tools. Lack of knowledge on the subject and lack of adequacy to the culture of the company follow suit with 45% and 42% respectively.

Absence of approval from higher level management and low benefit appeal are not included in the list of the main barriers. This may evidence that the companies' leadership are interested or entertain the social media as a potential communication channel

but the difficulty in having a case study at hand is still a challenge to be overcome.

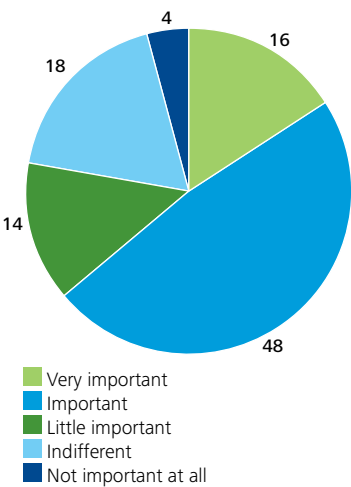
The following was mentioned by the companies as further barriers: Lack of funds for the implementation of the tools and concern over their turn into a channel for complaints.

Barriers still exist that hinder the decision of some companies towards using the social media, however, 64% consider this new communication format of importance to their business, and only 4% of the companies state that the social media play no important role in business.

Primary barriers hindering the use of social media (%)



Degree of importance given to social media (%)

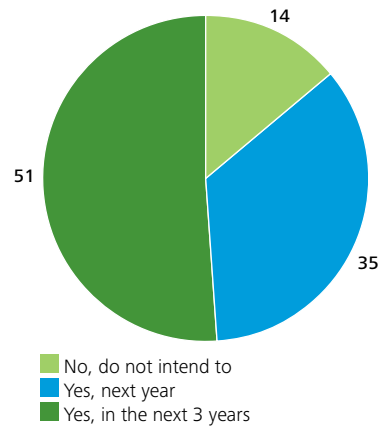


Interest and investments

Marketing is confirmed as the most interesting type of action by the companies' views, even among those that are still to use the social media. About 84% of the companies stated their interest in this type of use. Other interests mentioned by the respondents include identification of business partnerships and encouragement to more frequent use of products.

The majority of respondents also deem necessary to think over this idea of getting into the virtual world or that the use of social media by the companies needs to gain maturity in Brazil. About 51% of the companies state their intention to invest in social media within the next 3 years. Approximately 35% intend to invest as soon as in the next 12 months, and 14% do not plan to invest in social media.

Companies intending to invest in social media (%)



Most interest-rising social media (%)



Tips to enhanced social media strategy

Based on the results of the visits paid by Deloitte to ten companies that already use or that have had successful return from the use of social media, it was created a list of 10 tips to help strategies in this field to be successful to your business too:

1. Gather backing from your company's high management to enable a seamless cultural transformation in the various areas of the organization.
2. Gather internal disseminators that can tip off other areas of the company on the benefits the social media do to business.
3. Start implementing social media step by step. First, the online monitoring followed by an internal pilot project of the participation in online conversation, and eventually the launching of your own initiatives on the Web.
4. Define the core goal of this strategy and break it down to smaller goals determined in accordance with the profile of the customer and the social media to be used. Understand where your consumers are and determine what interaction format can mostly benefit the company in terms of support to customers, sales promotion, idea capture, and other processes. This exercise helps to define the metrics to a close follow up of the activities.
5. Have flexible corporate governance, that is, an internally accepted leader that can grow in the extent of new demands. Also assess the need to have more than one leader for this initiative, allocated in accordance with the product lines and types of social media performed.
6. Assign roles and responsibilities to both the team in charge and other departments that may have their processes impacted.
7. Establish policies and guidelines on social media using clear and simplified language. The best practices offer guidelines manuals and promote workshops to educate both the professionals directly involved in the subject and those less involved.
8. Make assessments on the impacts social media may bring to the company's processes, whether these processes are focused on customers or are internal support processes. Also identify the risks the social media offer to the business and draw up plans for their mitigation.
9. Find the best means to mobilize your public, aiming at encouraging their participation on social media. To award prizes is a good thing, but most of the times the transparent dialogue can have the same effect.
10. Understand the language to be used in the communication with the market. Conversations must be human, show emotions, and be praiseworthy to and supportive on your clients.

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