

# Into the fray

## How should companies approach collaboration marketing given the potential risks?



Social networks, blogs, and other communication technologies make it possible for almost anyone to influence how other people perceive your brand and products. Some companies have already begun to use these technologies – the practice we call collaboration marketing – while others are actively debating the wisdom of jumping into the fray. How much should you invest? What are the risks?

Here's the debate:

	Point	Counterpoint
<p><b>It's time to invest heavily in collaboration marketing.</b></p> <p><i>We should actively engage social media and third-parties – including customers, bloggers, microsites, and other companies – to leverage dialogue that is already taking place about our company.</i></p>	<p>Collaboration marketing allows us and our most loyal customers to influence conversations that affect how people perceive our company and our products.</p> <p>Collaboration marketing is a good way to learn what customers really think and want. We can adapt our products or services by incorporating a formal collaboration feedback loop into our development process.</p>	<p>Collaboration marketing increases the risk that customers – or even competitors – will hijack our brand image. If that happens, we'll spend too much time managing artificial crises.</p> <p>If we hear things we aren't prepared to deal with, our internal teams may divert attention from our core effort. They may not be fully integrated to react to the feedback making us appear non-responsive.</p>
	<p>Putting digital brand assets in the hands of customers can help extend our reach and drive viral marketing.</p>	<p>Those assets can also be distorted or used without authorization, putting copyrights and trademarks at risk.</p>
	<p>We can cut advertising costs by letting consumers and third parties do the talking for us. It reduces service costs too – by enabling customers to help one another instead of calling our help desk.</p>	<p>Marketing through new channels requires investing in digital capabilities. There are significant financial risks if these investments don't prove successful.</p>

	Point	Counterpoint
<p><b>Dip a toe in the water, but don't dive in.</b></p> <p><i>We should make small investments in collaboration marketing while continuing to focus primarily on tried-and-true techniques.</i></p>	Traditional marketing techniques give us tight control over our marketing messages and brand. They've served us well for decades. Why change?	This is happening whether we like it or not. People today are actively and publicly expressing their opinions about our company and products. If we don't engage, competitors will.
	Small-scale experimentation gives us a chance to monitor progress, test policies and procedures, and manage legal risks and privacy concerns.	A comprehensive set of policies and procedures are necessary upfront. There are simply too many risks from third party sites, cyber stalkers and malicious software.
	The impact of collaboration marketing is hard to measure. How can we tell if we're getting a sufficient return on our investment?	There are many examples of companies achieving undeniable benefits. Plus, measurement practices are evolving quickly. In the meantime, metrics such as site hits and click-throughs provide good proxies.
	Things are changing too fast in the social media marketplace. Why bother building a presence somewhere that may fall out of fashion in a few months?	This isn't about a specific technology or website, it's about capabilities. We need to invest now in capabilities that are flexible enough to apply anywhere.



## My take

### Christine Cutten, Principal, Deloitte Consulting LLP

Marketing is evolving rapidly, and the biggest risk is clinging to the status quo. Collaborating with customers, partners and other third parties is critical to sustaining competitive advantage. Many companies are already engaging in collaboration marketing, especially in industries such as consumer products, electronics, and retail. But even they aren't sure how to operate efficiently and manage risks effectively. The collaboration landscape seems to change every day, and the playbook is still being written. That said, here is some practical advice to consider as you approach the opportunities ahead:

**Proactively manage your collaboration strategy.** A year ago, almost no one had heard of Twitter. Now you can't turn around without getting tweeted. Facebook was once a magnet for teenagers and college students. Now its fastest growing demographic is 35 and older. To be effective, you'll need dedicated resources responsible for managing your collaboration strategy and keeping up with the important trends. That doesn't mean you should try to be everywhere at once, but there are some basics you should probably act on. For example, you should take control of potential brand assets, such as login names, email addresses, and site names. Beyond that, you'll need to make careful choices about where to engage. Keep an eye on where trading partners, competitors, and even analysts are joining the conversations. As a general rule, invest in building a presence wherever high-impact discussions are happening and focus on interactions that are consistent with your brand image.

**Be authentic – but discreet – in engagement.** Some companies that have tried to manage social networking without full disclosure of their involvement have seen significant negative backlash when their actions were revealed. To avoid that problem, establish clear engagement policies to drive consistency and mitigate your own risk. For example, when you join a discussion, be honest about who you are. Work to provide information that is genuinely helpful. Company insiders have valuable insight and can generate goodwill and credibility by offering an occasional inside scoop. And if the conversations reveal a real problem, own up to it – and have clearly defined internal resolution path. Representatives seen as a good way to get problems solved will be welcomed in future discussions.

**Align internal processes.** Representing your company effectively in an external environment requires strong internal alignment. You can't provide fixes to problems if your marketing and engineering departments don't see eye-to-eye on what the problems are, or how to solve them. Sync up internal processes with virtual teams. Using internal forums – such as regular customer feedback reviews across marketing, development, customer service, and sales – can help a lot.

**Build and evolve capabilities.** Collaboration marketing is an emerging discipline for most companies, which means there is likely to be a gap in your organization’s skills. Roles such as web master, forum monitor, bloggers, web designers, and widgets developers may be necessary. Companies often make the mistake of viewing their current IT department as the answer for all things internet – an approach that often comes up short. Begin now to establish a comprehensive set of strategic, technical, and functional capabilities. Use third parties if you can’t build the required skills internally.

**Measure interactions.** There’s an old saying that if something can’t be measured, it isn’t worth doing. That might hold true on the factory floor, but it’s harder to validate in collaboration marketing. Someday, performance metrics will emerge that demonstrate the full value of collaboration marketing. But until then, it makes sense to start with basics such as site usage, page hits, and the overall tenor of the discussion. These simple metrics will give you some indication of the impact you’re having.

**Get serious about risk management.** No one has a foolproof formula for how much to spend on collaboration marketing, but there are some critical investments you can’t ignore. For example, understandable policies, effective training, and continuous monitoring are essential. Which means you’ll need to set aside sufficient funds to put those risk-management tools in place. Doing things on the fly without sufficient resources can do more harm than good.

Informal online conversations about your company and products are happening in many different venues – and there’s no way to stop them. Better to work to influence the discussion, providing outlets for positive interactions to manage your risks. Which is what collaboration marketing is all about.

## Perspectives on Collaboration Marketing

[A view from the edge of business and technology innovation](#)

[A view from the board of directors](#)

[A view from the consumer products sector](#)

[A view from the life sciences sector](#)

[A view from the retail sector](#)

### A view from the edge of business and technology innovation

**John Hagel III, Co-chairman, Center for the Edge, Deloitte LLP**

Collaboration marketing is a fundamentally different form of marketing. It is not just about getting into the right conversations or using social networks and blogs. And it is not a passing fad. Rather, it is a result of three parallel and self-reinforcing long-term economic shifts that have been building across industries for more than a decade. First, we are moving from a world of relatively scarce shelf space to one with relatively scarce attention as marketing noise and clutter proliferate. Second, costs of production and physical distribution are significantly declining on a global scale while customer acquisition and retention costs are rising. Third, a systematic and significant decline in interaction costs has made it easier for customers to identify vendors, find information about them, negotiate with them, monitor their performance and switch from one vendor to another if they are not satisfied with performance.

These shifts have driven up customer acquisition costs and churn rates and increased pressure on profitability. As companies move from performance measures based on product or facility to measures based on customer economics, they need to improve their understanding of customers’ average lifetime cost – and how programs can be used to control that cost.

To succeed in this business landscape, organizations should consider shifting from a one-to-one or direct marketing mindset to a many-to-one mindset. This approach is what we mean by “collaboration marketing”, and is defined in terms of a company’s ability to:

**Attract.** Create incentives for people to seek you out.

**Assist.** A very powerful way to attract people is to be as helpful and engaging as possible. This requires a deep understanding of the various contexts in which people might use your products and a willingness to “co-create” products with customers.

**Affiliate.** Mobilize and leverage third parties, including other customers, to become even more helpful to the people you interact with -- without adding to your expenses.

Developing these capabilities does not necessarily require a larger marketing budget. Rather, executives should scrutinize the lower performing activities within their existing marketing spend and think about better uses for that money. Metrics can and should be defined to measure economic impact. Programs should be designed and staged not just to address specific needs of profitable customer segments, but also to address economic pain points in terms of customer lifetime value. Is the company suffering from high acquisition costs, high churn rates, or customer relationships with low profitability? Short-term collaboration marketing programs can be designed to address a company’s specific performance challenges, in conjunction with performance monitoring to assess the impact.

We believe the potential risk of ignoring collaboration marketing far outweighs the risks involved in trying and failing. It can provide a path for success but requires a change in mindset and practices. It can only succeed and take root within a company if it is deeply grounded in customer economics. There are pragmatic migration paths companies can pursue -- and they should begin doing so with haste. We believe the winners in this new world will be companies that position themselves as orchestrators with the ability to mobilize rich networks of resources to serve customer needs.

## A view from the board of directors

### Sharon Allen, Chairman of the Board, Deloitte LLP

Social networking has arrived – and with its speed, openness, and transparency come new issues for businesses everywhere.

The opportunities and challenges are vast. Social networking can enable a better fit between work and life for employees while also providing new channels for businesses to connect with customers and clients. Conversely, while social networking can help bring people together, its potential to put the reputation of businesses at risk reveals great differences of opinion between employees and management.

Before considering what business leaders should do to address these issues, let’s first take a look at the facts. Recently, I commissioned the 2009 Deloitte Ethics and Workplace Survey to explore attitudes about social networking. We interviewed 500 business executives and 2,000 people over the age of 18 who work for various companies outside Deloitte. The findings reflected widely divergent views worthy of concern:

- Nearly three-quarters of the employees interviewed agreed that using social networks makes it easier to damage a company’s reputation.
- Sixty percent of business executives believed that they have a right to know how employees portray themselves and their organizations on online social networks. But 53 percent of employees disagreed, contending that their social networking pages were none of an employer’s business.
- Fifty-eight percent of executives felt that the reputational risk associated with social networking should be a board room issue – but only 17 percent of executives said that they currently have programs in place to monitor and mitigate reputational risks that may arise with social network usage.
- Perhaps most jarring were the findings that even if every business had a clear policy in place, 41 percent of employees said it would make no impact on the way they behave online – which echoes another survey finding that 34 percent of employees rarely or never consider what customers or clients might think before posting online.

Finding an appropriate common ground that manages risk while respecting the privacy and independence of employees will be difficult enough. But the real test of business leadership will be in determining how to reach a balance that works for everyone.

Establishing rules and policies to help everyone understand what constitutes acceptable social networking behavior is important – especially when our survey results indicate that so few companies have yet to do so. However, I believe that our primary focus should be on the powerful role that corporate culture can play to encourage appropriate social networking.

When leaders live the values of their corporate brand, many of their people will, too. By fostering behavior that can mitigate reputational risk, organizations and their leaders can influence positive behavior in a connected world. Continually reinforcing principles of sound judgment and proper conduct is a far more effective influence on social media usage than a pejorative, rules-based approach, or one that punishes employees after the fact.

Of course, the responsibility for appropriate social networking is not solely the responsibility of management. Every employee must act as a leader, with the full knowledge of the implications of their decisions and actions.

The stakes are high. As a result, I believe that companies should make social networking an issue of vigorous board room discussion. Engaging diverse thought on this topic will be crucial to productive discussions – and I wouldn't limit those discussions solely to board directors. Boards may be wise to invite the perspectives of those who are the real experts on social media – members of Generation Y who comprise the most connected generation in history. At least that's what our board plans to do in an upcoming meeting.

Social networking has arrived – and it's here to stay. With social networking firmly entrenched at home and at work, the line between personal and professional lives has grown increasingly blurred. However, by debating what to do and how – and by ensuring that our corporate culture and policies are mutually reinforcing – business leaders can promote social networking as a positive force for employees and companies.

## A view from the consumer products sector

**Pat Conroy, Vice Chairman, U.S. Consumer Products Leader, Deloitte LLP**

Consumer products companies are getting pressured on many fronts, most notably from the slowdown in consumer spending and increased competition from private labels. In this tough environment, forward-thinking companies are engaging consumers via collaborative marketing efforts and leveraging the resulting insights to create nationally recognized brands worthy of their premium price. As companies in this segment are realizing, combining the two approaches of collaboration marketing and consumer-centric innovation can help them create products that capture the consumer's imagination, provide entertaining brand experiences, and offer solutions to previously unmet needs.

The central characteristic of collaboration marketing and consumer-centric innovation is that companies more intimately engage consumers throughout the innovation and marketing process. Instead of relying solely on their own employees, they seek out consumers to help generate new product ideas, and to help design and market new products. This collaborative process involves mining online social media for insights about brands and products. Because collaboration marketing engages consumers directly, it can strengthen relationships, produce deeper insights, and help convert ordinary customers into loyal fans and evangelists.

Technology is the great enabler for collaboration marketing, making it easier and more cost-effective for companies to directly interact with consumers and obtain their comments. According to comScore, there are now roughly one billion internet users worldwide. And at last count, there were an estimated 150 million people using Facebook. Several Deloitte surveys have shown that consumers – particularly people in their 20s – are very tech savvy and interested in obtaining and sharing information online. The survey results also showed that the vast majority of consumers who read online reviews base their purchase decisions on those reviews. In addition, a recent forecast from Myers Publishing indicated that mobile and online collaborative technologies – such as video, social networks, and widgets -- were expected to be the fastest growing areas for advertising spend through 2011.

Customers' online reviews, shared experiences, and opinions are already invaluable in driving additional demand for products. And in the years ahead, devices such as web-enabled mobile phones will add to the importance of collaboration marketing by providing marketers with "anywhere" access to consumers. With one billion mobile apps already available for Apple's iPhone, the future promises a mind-boggling array of new ways for companies to "reach out and touch someone."

These current and future trends suggest that businesses must learn to operate in a new environment of collaboration and participation. Inwardly facing companies that do not work in collaboration with consumers will continue to introduce mediocre products that fail to excite the public. In contrast, companies that embrace collaboration marketing and leverage consumer insights to drive innovation will often find success. By promoting customer interactions, gathering information from willing participants, and using that information to more quickly introduce appealing solutions to the marketplace, companies can better position themselves to achieve stronger sales and improved financial performance. In an era when consumers are increasingly bypassing companies and creating their own products or solutions and sharing them with others, the power and potential of collaboration marketing is too important to ignore.

## A view from the life sciences sector

**Meryl A. Allison, Director, Deloitte Consulting LLP**

It's time for life sciences companies to embrace collaboration marketing. Their traditional marketing model is ill-suited for addressing stakeholder demands and customer needs. To be effective, life sciences marketers must shift from the conventional inside-out, product-centric mindset to a more collaborative, customer-centric approach.

In the past, many life sciences companies have been hesitant to adopt new media and social networking. However, they can no longer afford to sit back and watch. The rules and requirements for marketing are evolving as people are communicating and connecting in new ways. Patients are significant generators and consumers of health care information online, and many rely on social networks for guidance. Given the relatively high cost of direct-to-consumer (DTC) promotion, social networks offer a viable and affordable option for extended reach.

Digital media are integral to physicians' practices, and physicians are increasingly involved in online communities and generating online content. With access to physicians becoming increasingly tight, social networking forums and digital communications technologies such as Twitter provide new ways for patients and physicians to interact. These same tools can enable physicians to connect with their peers, extending their reach beyond traditional forums such as dinner meetings.

The two-way communication of collaboration marketing offers significant benefits. The life sciences industry suffers from a dearth of market data relative to other industries, a problem that is only getting worse. Collaboration marketing provides a means to engage with customers to learn more about their values and preferences and to collect information for subsequent direct communications.

Innovative companies have dabbled in this space but many have been put off by potential regulatory problems – particularly around the reporting requirements for adverse events. The FDA's lack of guidance has only exacerbated the issue. Although no clear solution has emerged, experiments with new commercial models are de rigeur. The truth is there will always be practical challenges. What distinguishes market leaders is their willingness to work through the challenges. It is time for all life sciences companies to step up their collaboration marketing efforts -- or risk being out-marketed by their competitors and left behind by their customers.

## A view from the retail sector

**John Rooney, Principal, U.S. Retail Consulting Leader, Deloitte Consulting LLP**

Consumers are no longer relying solely on the companies that they shop and purchase from to share product and service information with them. With the ever expanding amount of content and information on the Web, they can and are researching products, services, and companies more than ever before as they make purchase decisions. Nearly all the information that one could possibly want is now simply a click away. Forrester, in their US Online Retail Forecast, 2008 To 2013 report, estimates that by 2013 nearly 54% of online sales and offline sales will be influenced by consumers researching their purchases online. Consumers are integrating the use of the Web more and more into their shopping and buying habits. As information channels such as blogs and social networks continue to grow in popularity — and steadily become the significant communication vehicles of the 21st century — retailers cannot afford to be absent from this space lest they lose a major conduit to communicate with and educate their customers.

The growth of the Web and broadband connectivity has shepherded in an era of online collaboration — creating a more transparent view of the world, whereby consumers and prospective buyers share their likes and dislikes of products in real time both online and offline. In fact, according to a recent Deloitte survey, 45 percent of consumers are creating personal content for others to see, and 69 percent of consumers are watching and/or listening to content that others have created. Retailers need to embrace this new medium and engage the very customers that are discussing their products. By doing so, retailers will be in a better position to influence the conversations that shape the image of their brand, dispel any possible perceptions of being an out-of-touch organization, and acquire real-time customer feedback. Arguing that the social networking world is too unknown and fraught with risks sounds too much like those who told Christopher Columbus that the world was flat and there was no New World. Oh, the opportunities that they missed.

That is not to say a retailer, or any company for that matter, should rush headlong into an area that they are not well prepared to enter. Missteps in any brand-building activities can have significant unintended or negative impacts. They need a plan to proceed and the talent that understands how to operate and maneuver in this new world. But denying that the social networking space will be a significant arena for capturing the hearts and minds of consumers — and doing nothing to address it — is a strategy fraught with far more risks. These risks include becoming irrelevant in the market, being outmaneuvered by a more nimble and astute competitor, and losing much of an entire generation of new shoppers.

Collaboration marketing is also relatively inexpensive when compared to traditional marketing. The barrier to entry, in many instances, is creating a page on a social networking site. Recent studies I've seen have shown that social media marketing budgets are generally on the rise in spite of an overall slowdown in spending. This type of marketing strategy can be a very powerful and cost-effective approach that has the potential to increase brand loyalty and foster a valuable dialogue between retailers and consumers. The Internet is making retailing lucrative for many companies that are now able to reach targeted groups of consumers who previously would have been unknowable. Social networking sites, in particular, are making it easier for retailers to reach like-minded consumers. The greatest asset a retailer can have is a base of consumers who feel a sense of loyalty and connection to their brand — and social networking is all about connection. The retailers who can win in the social networking arena and blogosphere have the opportunity to connect to their consumers in ways not available in the past.

Retailers have a tremendous opportunity to employ collaboration marketing strategies in their promotional efforts. By partaking, a retailer has the ability to not only influence the perception of its brand, but to also leverage consumer feedback to provide a more relevant customer experience. Monitoring, researching, and using online social networking feedback to inform strategies and plans is essential for the 21st century retailer. The ability to survive in today's highly fragmented and competitive retail environment will not be solely based on economic recovery factors. If retailers are unable to create extraordinary, memorable engagements that drive value, they will likely find themselves watching consumers flock to their competitors who can.

---

<sup>1</sup> Deloitte's "2008 State of the Media Democracy Survey,"

For more information, please visit: [www.deloitte.com/us/Debates/Collaborative Marketing](http://www.deloitte.com/us/Debates/Collaborative%20Marketing).

For further information about this debate, please contact:

**Christine Cutten**

Principal  
Deloitte Consulting LLP  
[ccutten@deloitte.com](mailto:ccutten@deloitte.com)

**John Hagel III**

Co-chairman  
Center for the Edge  
Deloitte LLP  
[jhagel@deloitte.com](mailto:jhagel@deloitte.com)

**Sharon Allen**

Chairman of the Board  
Deloitte LLP  
[sallen@deloitte.com](mailto:sallen@deloitte.com)

**Pat Conroy**

Vice Chairman  
U.S. Consumer Products Leader  
Deloitte LLP  
[pconroy@deloitte.com](mailto:pconroy@deloitte.com)

**Meryl A. Allison**

Director  
Deloitte Consulting LLP  
[mallison@deloitte.com](mailto:mallison@deloitte.com)

**John Rooney**

Principal  
U.S. Retail Consulting Leader  
Deloitte Consulting LLP  
[jrooney@deloitte.com](mailto:jrooney@deloitte.com)

**Related Insight:**

[2009 Deloitte LLP Ethics & Workplace Survey: Social Networking and reputational risk in the workplace](#)

Addressing the reputational risk associated with the increased use of social networking

[Deloitte's State of the Media Democracy Survey](#)

Deloitte's multi-national third edition of the State of the Media Democracy Survey provides a "reality check" on how consumers between the ages of 14 and 75 are interacting with media, entertainment, and information — and what their preferences might be in the future.

**Related Content:**

Library: [Deloitte Debates](#)

Services: [Strategy & Operations](#)

This publication contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.