



Has Social Media Grown Up Enough to Prove Its Value?

by Curtis N. Bingham

**CHIEF CUSTOMER OFFICER
COUNCIL**



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Curtis Bingham is the recognized authority on chief customer officers and the first to promote this role as a catalyst for competitive advantage. He is the creator of the CCO Roadmap, a groundbreaking work containing 100+ critical strategies essential for customer centricity. As an international speaker, author, and consultant, Curtis is passionate about creating customer strategy to sustainably grow revenue, profit, and loyalty.

This past March was published one of the very first quantitative analyses that I'm aware of to correlate the effect of customer engagement via social media with the firm's bottom line. In the article entitled, "[The effect of customers' social media participation on customer visit frequency and profitability: an empirical investigation¹](#)," academics examined the effect of customers' participation in a firm's social media efforts and found that social media engagement resulted in not only a stronger bond between the brand and the customers, but also discovered that engaged customers visited the store 5.2% more often and generated 5.6% greater revenue than the control group with similar shopping history, identified before the social media effort began. As well, engaged customers as measured by frequency of posting had a stronger preference for premium products and lower price sensitivity, making them more profitable than their non-engaged counterparts

The researchers examined a large retail wine seller and gathered information on customers' demographics and spending habits including wine purchased from other outlets. They created a control group consisting of customers with similar purchase habits and who are not participating in social media. One of the challenges that could easily get lost in a company's social media experiments is whether the relationship is actually growing or the firm has actually provided greater accessibility to promotional coupons. In this study, the researchers weeded out "price buyers" who were using social media solely for the purpose of obtaining coupons. The social media customers and the control group did not have significant differences in their purchase behavior prior to the firm's social media

¹ <http://isr.journal.informs.org/content/24/1/108>

experiment. Thus, they effectively isolated the effect of social media on a material segment of their customers.

However, these results are sometimes masked by the law of averages. To duplicate these results in your company you should carefully segment customers, observe their behavior, and compare such behavior with an appropriate control group. Even more importantly, it appears that done properly, social media can be an effective tool for engaging customers.

As we see in this study, engaged customers spend more and more often, may have a higher predilection for premium products, and are therefore more profitable.

What can you do to engage customers in your business? How can you go beyond preaching at them or pushing coupons to engaging them in a dialogue, and truly understanding what they need?*

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About CURTIS N. BINGHAM

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