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Speaker(s): Paul Greenberg

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Welcome to the Era of the Social Consumer

Paul Greenberg

I have some questions for you to start out. How many of you actually use mobile devices for something other than phone calls, meaning your e-mail, text messaging and so on? Most of you have. How many of you actually go and either search online or go to a review site and read product reviews written by other people or restaurant reviews or something like that when you're looking at something? Pretty significant percentage. How many of you for either business or personal reasons, don't worry about business per se here, use a social network like Facebook or LinkedIn for something, even tracking your kids and grandkids? A significant percentage.

I want you to remember this then, put aside all generations here, all of you who raised your hands are social customers, exactly the people we're going to be talking about today. So welcome to that era. We are now in the era of the social customer and what I want to do today is actually take you through who that is, what kind of business model that you can begin to look at that would approach that social customer and then what are a few things you can actually do to actually reach them.

You've all been enormously successful. There's no question about that. You have a high standard of ethics. You have personal relationships with a good chunk of your clients. Some of your businesses are beginning to grow well beyond just knowing all your individual clients, if not all of them. In fact, you're at a point now where you're looking at growth even in a difficult time potentially, but with a new breed of customer who actually thinks differently than they did five or six years ago. We're no longer living in a world where the company is at the center of business. We're living in a world where the customer is at the center of business. In fact, we're actually living in what's called a "customer echo system" now, where the customer determines the demand. They determine what they want. They determine the terms they want it on and they determine the time and the framework in which they get it.

What we're going to begin to look at is what kind of institutions we have to create, what kind of business models we have to accomplish, what kinds of steps we have to take so that not only do you engage those customers, but at the same time you actually get business benefit from them. But understand one thing first: This is a social transformation. This is not a revolution in business that's occurring. This is a revolution in communications. It's how we communicate. We now communicate untethered. We now communicate 24/7. We now communicate in real time. We now communicate via a variety of channels the way we want to. That affects every institution. It affects us as individual human beings. It affects economic institutions. It affects political institutions, government institutions, business institutions and even social clubs. All institutions are affected. We are affected as people, but we are going to look at it from the standpoint of our role as customers and as business people today.

Take a look at these numbers. Gen-Y probably drove the initiation of this change, but is far from the only people involved in it. If you look at it now, by 2010, Gen-Y is actually going to outnumber Baby Boomers in the workforce. Baby Boomers will have retired sufficiently. Ninety-six percent of those Gen-Yers are already on a social network. We could have seen this

coming really. About 16 years ago, when my niece was four years old, she actually came to my sister-in-law and said, "Mommy, can I have your credit card?" My sister-in-law said, "Why?" She said, "Well, I just downloaded a game on the internet and I have to pay for it." Now, think about this. She's four years old. They didn't even know she knew what a computer was yet and she already figured that out.

I will bet if I talk to you individually afterwards, a significant percentage of you will have a story something like that to tell. Because these kids were raised on the internet and, if you look at it, in 2006 the Forester Group actually came up with the fact that this is the first generation that spends more time on the internet than even watching television. But, look at how it's impacted us as Baby Boomers. I'm pretty much the average age of this group. I'm 59, so I've got you beat by a year. Gen-X has affected every generation. Seventy-four percent of all adults on the Web are engaged with some sort of social network.

Here's something even more significant. Take a look at that number right down at the bottom. For the first time, as Nielsen found out, this year there are more people who are communicating via communities and social networks than there are via e-mail. More people are being reached via these communities. You know why? It's personal. It's much more personal.

I'll give you an example. A lot of my clients are multi-billion-dollar companies and a lot of them are in the high tech world, and a lot of the C level executives and I communicate one way or the other. If I send a CEO of a company an e-mail, I'll get a response in a week or two. That's how long it takes. So you know how I communicate with most of them? Facebook. And you know why I communicate that way? Because two to three hours after I send them a message on Facebook, I get a note saying, "Sorry it took so long." And they respond. And that's typical. That's not an unusual example.

The reason is there's a much more personal interaction going on in that environment. It's not so much that it really is more personal. It *feels* more personal and that actually has a lot to do with it. It's kind of the emotional response that you get with that kind of interaction, which is why you see that happening more.

The other side to remember about these people, and this is where it impacts your businesses directly, is not only are they internet savvy, as you can see 51 percent of the people are at least capable of using technology, but in other studies done by similar organizations, they found that word of mouth still remains the most powerful way they communicate. They use the technology to communicate for that kind of viral word of mouth. What you have now is not just a one-to-one relationship anymore, but you have one-to-one and one-to-many that is, keep in mind, being made available to you.

One of the things that is really significant here is that there is an enormous opportunity. It's enormous. It's not small. It really depends on what you want to do with your business and how you actually evolve it. How you want to develop it. If you're comfortable in maintaining the one-to-one personal relationships that you have with individuals who you know and that's the way you want to run your business, you'll probably succeed for a long while to come because you already have these repeatable clients and friends. You just heard that lovely tribute actually.

If you want to grow beyond that, to the point where you don't know all of your clients anymore, but at the same time you still want to have kind of an interpersonal way of dealing with them, this is what you have to consider. Their demands are very different than what they were a few years ago. Who they trust is very different.

The Edelman Trust Barometer, what you see here, is who the most trusted sources are. It's been coming out for about 10 years. Back in 2003, the most trusted sources were financial analysts and advisors such as you, industry experts such as me, and "a person like me" accounted for, if you'll note, only 22 percent. But look at 2004. It jumped to 51 percent and look at it since then. That the most trusted source for individuals now, who they believe when it comes to word of mouth, who they believe when it comes to advice and information is a peer, "someone like me." You do that.

Think of it this way. If you're looking at a product review, and you're going on the internet and you're just sort of looking over some product you're interested in. You're not just looking at five-star versus one-star as the way you're looking at the review. You're saying well, this restaurant, osso bucco is great but I hate osso bucco, so I don't care. But, on the other hand, this person loves the veal piccata and I love veal piccata so I think I'm going to give this restaurant a chance. Now here's the interesting thing. You're trusting that person. The only thing you know about that person is their e-mail handle is rapiddog@aol.com, but you trust them. It's implicit. You're reading a review seriously. You're paying attention to it. If you read reviews for the Italian restaurant here, four-diamond, triple A restaurant. You read reviews on Yelp. You see three stars, three stars, three stars, three stars. You read people who like some things, don't like other things. You sit down and what are you weighing? Four-diamond, triple A versus human reviews of specific things. If you saw consistent three, three, three, three, this, this, this, this you might have a second thought about dining there. You might not. It depends on how you think and what you perceive. But the key is a person like me is the single-most trusted source and that affects how you deal with it.

"A person like me" is how you had your businesses for all these years. You are a person like your client, and they've always trusted you for that. Now look at these numbers. Traditional ads trusted by 14 percent. Peers trusted by 90 percent when it comes to how you trust those product reviews.

What this says is that the customer controls the conversation. Right now most of the conversations, be it about you or about your industry or about things of interest to you, are occurring outside you. And they are occurring out there in dozens and dozens of different kinds of channels. We'll show you how to deal with that shortly. And, they're occurring among peers who have the ability to either virally affect you badly or, and this is where the opportunity lies as we'll see, become your advocates. That's really the key to all of this. Note the blog numbers. It says 200 million blogs. Thirty-four percent post brands and private things. About 100 million blogs are active. You can make an assumption that 34 million blogs have people who are posting brand opinions and private opinions. Are these well informed? Not necessarily. They may be terrible and stupid. They may be wrong, but people believe them. So, how they perceive matters almost more than if it's actually true, which you have to deal with.

So, what are we dealing with here? If that conversation is controlled by the customer, then the question becomes what do we do about that. Well, before we get there, take a look at this diagram. Look at the number of channels that they converse in. Every one of these is a different channel. One says events. Another one says wiki. Another one says blogs and conversations. This one says Twitter. You can go on and on and within each of these are different examples of that and they're only a miniscule number of the examples that are available for all of those different channels that are out there, which is scary. So you have these customers talking about things of interest to you in these incredible numbers of channels with incredible numbers of locations for those channels. And you're thinking, well, how in the world am I going to deal with all of this? That's enormous amounts of this.

One other thing, that's the channels. But then there's another facet which is what do the customers expect of you besides the number of ways they communicate. Take a look at this *Business Week* article, 2005. Companies used to focus on making new, better or cheaper products and services. Now the game is to create wonderful and emotional experiences for consumers around whatever is being sold. It's the experience that counts not the product. Number two is the one to implant.

People want capabilities and options, not uniform product. Business is there to provide the tools. Notice it doesn't say business is there to provide the products and the services. It says business is there to provide the tool. What that actually means, at this point, is products, services, tools for the customer's capabilities and experiences, which is where Seth Godin comes in from yesterday. Being remarkable. Those are the experiences the customers have with you.

What happens, then, if you have customers conversing all over the place on the one hand, you have expectations which have been dramatically different. Then you tend not to act on them. Here's what happens. NBC Universal announced sweeping cuts to its television operations yesterday, demonstrating just how far a once rival network must now go to stay competitive with YouTube, social networks, video games and other upstart media. You know what the actual impact was? Seven hundred fifty people laid off, \$750 million in budget cuts and a complete revamping of NBC Universal thanks to YouTube, social networks, video games and other upstart media.

I'm not saying that to scare anybody really. The real idea here is that the level of impact that the new customer has is dramatic and actually has a physical business effect.

Let's take a look at it from the other side. We're dealing with a new customer. He has new demands. He has new channels through which he can communicate and he can communicate with his peers. He trusts his peers. What do you do to actually frame it so that your business has a positive impact with that customer so that you actually engage him? What kinds of things can be done?

Well, step one, and this is mission critical, in CRM we call this the voice of the customer. You don't worry about the channel they're communicating on. You concentrate on what they want. You actually concentrate on what they want. When I say that, though, I don't say that you

concentrate on what you presume they want. I say you concentrate on what they want. And do you know what that means? Ask them. It means ask them. That might sound like a “duh” kind of thing, but the reality is that is something corporations continually don’t do. That is something small businesses continually don’t do. They don’t ask. They presume. Or, they commission a study. But they literally don’t ask the customer.

You have been enormously successful. Why? Because you do ask. You do talk to them. You all sell similar products or the same products, but it’s who you are that makes the difference. They understand that. When you hear the testimonies that we’ve heard for varying agents and for varying businesses here and you also look at a group that says we have a high ethical standard. Ethical standard is exactly the kind of thing we’re talking about. It’s the personalized interaction. It’s the emotional content that actually matters. And each one of your customers and your future customers who you might not even be talking to want a highly personal experience when it comes to how they deal with you.

Let me ask you a question. How many people here buy from Amazon.com? Most of you. How many of you have ever talked to a human being there? Nobody. It’s usually nobody or one. And yet you keep buying. Why? Because the experience feels personal. Because it’s convenient. Because they provide services that they have actually asked customers about. Because there are reviews by trusted peers that you can look at. In other words, they do all the things you have to do and, yet, they don’t ever communicate with you one-to-one. But you keep buying. You keep repeating your business. The reason is that you feel they know you and that actually is mission critical to how you deal with a new customer. A new customer has to feel that you are a company like them, if you’re growing beyond the just one-to-one.

So how do you begin to actually know these customers? Well, look, you’re going to have to understand how they interact with you, and we’ll go into that, and then you’re going to have to provide the tools. But we’ll get to that.

Ultimately, your customer is no longer the object of a sale, but is actually your partner, your collaborator. Every time you hear a story of success, every time you are successful, I am pretty sure your customer thinks of you as a partner, not just something that’s selling them something. They actually are understanding you that way.

What are you going to do as you grow to this new level of customer? Think about what I said earlier. In 2010, Gen-Y is actually going to be a larger part of the workforce than Baby Boomers. They may not be your clients yet, but they may be your children’s clients. They may be your clients in a few years. A lot of these guys have been pretty successful with their technology companies.

The idea is that you’re providing them with that purple cow, that remarkable experience. You’re providing them with tools that they need so they can do convenient things. You’re providing them with exactly what they want, because you’ve actually asked them what it is, and that includes products and services.

Here are companies that have actually done it. You remember yesterday when Seth talked about how BMW didn't spend a dime on U.S. advertising. They just invested back in the engineering? Well, they went a lot further than that. They know their customers are advocates. They're people who love BMW, hate Mercedes. They just love what they have. So they put up what's called the Innovation Toolkit online. They said, "Look, customers, look advocates, look owners, do us a favor, tell us what you want for the car. What are the future features and functions that you want?" A thousand people downloaded that toolkit and submitted possible features and functions. Fifteen of them, telematics features and functions were adopted. They're all going to be in future BMW models.

Did they pay those people for that? No. I think they should have but, aside from my personal opinion on that, what they did though is this. When that feature comes in the car, and you buy that BMW and the guy who suggested it sees it, he says, "That's mine." Bragging rights. And don't underestimate the power of that emotionally. That's customer value by the way. Customer value isn't just a good deal. Customer value is not the same as business value. Customer value says I have beauty. I could be banging all this in and I love the design. Coolness. All those things are part of customer value. In addition, validation. In addition, there are dozens of emotional things that are involved in it.

How many people here can tell me about a company or a product or something like that that they love and are willing to tell other people about? Anybody. It could be Starbucks. I don't care. It could be anything you like. About a fourth of the audience. You're advocates. You already have that emotional investment in those companies, and you're willing to tell others about it. That is mission critical. You can tell other people about what in fact it is that you love about it. Guess what? Because the people you tell are your peers. They're going to believe you and they're going to consider it themselves. That's what BMW actually did. They understood that their advocates are invested in that company. By giving them the bragging rights to that feature and function, not only will they make out like bandits from a financial standpoint, but they're going to get things that the customers want that will actually encourage them to buy future cars.

We're going to look at another model from a much smaller company. It's called Karmaloop. As you can probably tell from the Web site, it's skewed toward Gen-Y. This is a clothing company. They practice what's called community retailing. Their return on investment, their actual business objective, is to build their community. And they understand that revenue and other things will come from that. So they do two things: they sell their own brands and they sell independent brands. The way they sell the independent brands is they have a marketplace that's strictly for members of the community who want to show and showcase their designs. Those members are allowed to sell in the marketplace, the "Kazbah."

They have a community of 800,000 people. Now, here's the interesting thing. Not only do they promote the indy designers, but they recruit to the community and they recruit from the community. They build out that community all day and night, and then they establish what you're about to see, street teams.

Now most of you might know what street teams are. If you do, usually it's those 15- and 16-year-old kids who are plastering theater notices on lampposts and they get paid a little bit to do

it. These are different. Of those 800,000 people, each of these street team members signs up, gets a code and sells the clothing, recruits to the community, can upload videos to talk about what they're doing and show what they're doing. The interesting thing about this is, in return, they get points. For those points they get cash and they get free clothes. In other words, they're compensated for what they do. But they're members of the community and they're also compensated not just for sales but for recruitment.

Now look at the results. Eight thousand of those 800,000 are doing this. Now imagine an extended sales force of 8,000 more people who are doing it basically for the equivalent of love and commission. They love what they're doing. These are advocates. Want to see the results? This is a \$26 million company right now. That one percent is worth 15 percent of their revenue. They sell it. What do they get in return? Cash and free clothes. That's what they're getting.

This is because you have people devoted to what they do and they want to participate in the business in a way that actually helps them feel like they're part of that business. That's extremely important.

How do you create people like this? It's not like Frankensteinian either. It's real people engaged.

Let me tell you a story. How many people here have heard of Skype? Everybody. Here's the story of Skype. Skype was created in 2003 and went public with its first beta in mid-to-late 2004. Within six months of going public, it was downloaded strictly through word of mouth 288 million times. One hundred million people registered for Skype. As a result of Skype's growth, organic communities began springing up very much like the BMW side, but they were organic in this case. What would these communities be? There was one called the Public Mind which is the biggest. It's now defunct. But what it did was about tens of thousands of people would talk about features and functions of Skype that they were interested in.

Skype, being intelligent, went to the facilitators of the public mind and said, "Do you mind if we work with you? We'll expose some of our code. We'll expose everything to give you what you need." So, what happened? Skype harvested 1,000 features and functions. They looked at their business model. They looked at their business plan and said we can do seven. They did seven. The 993 who didn't get their features and functions were ecstatic. Why? Because Skype is listening to the customer. So what you're doing here is engaging the customer. You're providing them with the intelligence and the information they need to actually do what they're doing better and, consequently, you're actually creating a relationship that keeps them continuously engaged with you.

We're going to be a little short on time, I gather, but I want to concentrate on one area here. Look at the value proposition. What this means is that you are actually saying to your customer base, "Look, we are going to talk to you. We're going to engage you. We're going to decide to work with you to provide what you need for you so that you can help us build our business. In return, one way or the other, and it can be emotional compensation, it can be real financial compensation, we will compensate you for that. We want you to be part of our business." You've done that your whole life. Now the world has changed. Now it's growing to places where, in fact, no one anticipated in 2003. It's now in a new area. This is what you get if you

actually do that and if you understand that they're dealing with you as a company like me. That's the way they're thinking of you.

Number one is that they will make sure your business grows. They will talk about you just as you all talk about the companies you love. And the more that you tell them, the more involved they feel. But don't cross it. Remember what Seth Godin said about hiring jerks yesterday? Well, it's the same thing. You make a mistake, it's all over the net. If anyone one wants examples of how that works, we can talk afterwards. I'm happy to tell you.

Let's look at some things you can do. I want to qualify this before I get into it and as I close. Being remarkable is still what you've got to decide first. Number two is you have to decide what you want to do. You don't do these things just because they're there to do. These are things you can do, however, specifically, to start engaging your customers.

So, let's take a look at this one. Self-service. Number one about self-service is this: You're providing customers with the tools they need to actually do what they need to do so that they don't have to bug you, bother you or you bother them. Disney Destinations, back in 2007, said well, you know what, we're changing our relationships with all of our customers. We're going from CRM, customer relationship management, to CMR, customer managed relationships. And what they did, because their travel business was languishing, was they built tools. They said we know our customers, because we've talked with them, don't want to be dealing with agents who are trying to up-sell them all the time. They're trying to build more complex vacations. We just want to have convenient tools that allow us to build these vacations when we want, the way we want, at any time we care to. And Disney put up those tools on the site. Business took off. Tools for building a vacation. They allowed for instant chat. Remember yesterday again, Seth talked about the guy who ripped out the IVR system and put in systems so a human being would always answer the phone? You want to do it via the Web. You create instant chat. You literally put a button in there and when it's hit a human being gets on. You can do those sorts of things.

A knowledge base for your customers. Absolutely critical. Provide them with all the information they need to make an intelligent decision. If I had time I could tell you stories of when people don't do that and what happens, and when they do do that.

Build if you care to, and this is more advanced and does cost, community forest of discussions about subjects. Here is something on the issue of convenience and coolness that USAA, which historically has the best customer ratings that I've ever seen really, did. It is an app they built for the iPhone and it handles self-service banking, insurance and investment services. Look at the numbers. See that 800,000 registered users? That's 11.4 percent of all USAA's members are using that app to do self-service via the iPhone. And there's one thing that's incredible about it. You see that picture? That's a check. What you do is you take a picture of the check and it deposits the check. You don't even need the physical check anymore. Now that is astonishing. It's an astonishing application. It's apparently flawless. I can't speak to it directly, but that's what I read.

The interesting thing is that's so innovative. It's a "wow." And coolness does matter. People feeling that this is a really cool thing to do matters. Do not underestimate the style and that facet.

This is part of that. That innovation, in combination with just the convenience of what they're doing, is how self-service works at its best.

Here, got to be careful. Facebook pages do have business value. What you're looking at there is just Allstate's really. They're about as successful as it gets in insurance, which is about 13,000 fans. The one that you really want to look at the paradigm for a large business is Coca-Cola. Three and a half million fans. What they do, though, works for small businesses too. But the key to a Facebook page, because it can get complicated, is two things. Number one: Understand there are plenty of companies that can do it for you if you want to do it. But, number two: Understand why you're doing it, because this is not something you just throw up and think somehow it magnificently works. It doesn't. You have to understand it could be any one of those reasons you want to communicate with your existing customers.

Remember the gentleman who spoke about south Florida yesterday? You could make it an actual south Florida Facebook page and actually draw in savvy people from your community right to that page. There are tons of those kinds out there. So this is an area where you have to be absolutely crystal on what you need to do.

Outreach into LinkedIn. How many people here actually use LinkedIn or just on it? A fair amount of you. Understand something. I typed in insurance, just did a search. Look at the search results for groups on insurance in there, 2,384. Some of them have as many fans there as 41,000.

Remember, we were talking about dating your customer yesterday? And the idea of, I call it "thought leadership" too. The idea is to participate in the groups. You go in. You answer questions. There is a questions-and-answers part of LinkedIn that's very important. People rank and rate you based on your answers. People actually pay attention to who answers and how well they answer. And they respond to those people through LinkedIn. This is a constant. You join the groups. You'll find all kinds of activities going on within the groups on LinkedIn. It's an outreach program. It doesn't cost you anything but time. You don't have to do anything but time here.

Finally, and most importantly, voice of the customer. This is easily the most important and probably the easiest one for you to do. You all have clients who you love and you trust. Make them a customer advisory group. They're not just individuals anymore. Pick the five, seven, 10 and say we're not going to just present you with stuff anymore. We want you to come work with us. Talk about the product. Tell us what you want. What kinds of tools do you need? What kind of experiences do you want to have? There are things you can help us think of to make us remarkable. And how do you want it delivered? We're not just going to assume you want it delivered on 8 million channels out there on the Web and via phone and via snail mail and via e-mail and so on. We're going to find out what you really want. And do us a favor. Talk to your friends, too, and help us figure this out. You make this an actual organized regular group. And you treat them well as you always have. But you treat them as an organization, a group. You compensate them in some way again.

This one you can all do without investing in technology. This is something where you actually are treating the voice of the customer as something coming from the actual larynx rather than coming from your own hits.

With that, think about it from the standpoint as I close. You have the social customer now. You know that they communicate via the Web. They communicate one to many. They trust their peers. You have the opportunity here to actually apply a business model that says: Not only do we trust the fact that you are talking to your peers, but we want to become a company like me, meaning someone who you trust too. And for that we will engage you rather than just simply work with you and manage you. We'll actually engage you and involve you to some degree in our business through these varying channels, through these opportunities and through these capabilities.

And with that, since I'm out of time, thank you for everything. You people are really something else.

Paul Greenberg is president of the 56 Group LLC, a consulting firm focused on cutting-edge customer relationship management (CRM) strategic services. He is the author of the bestselling "CRM at the Speed of Light: Essential Customer Strategies for the 21st Century," which has been called "the bible of the CRM industry." Greenberg is also the co-chairman of Rutgers University's CRM research center and the executive vice president of the CRM Association. He is on the board of advisors at Baylor University MBA program for CRM majors. Greenberg was also named one of the most influential CRM leaders in 2008 by *CRM* magazine.

The 56 Group LLC
9504 Tudor Oaks Drive
Manassas, VA 20110
Phone: 703.551.2337
Fax: 703.338.0232
E-mail: paul-greenberg3@comcast.net