# Social Media: Opportunities and Risks

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Overview

- **Using Social/Digital to drive revenue growth, customer engagement**

- **A risk-based view of Social Media**
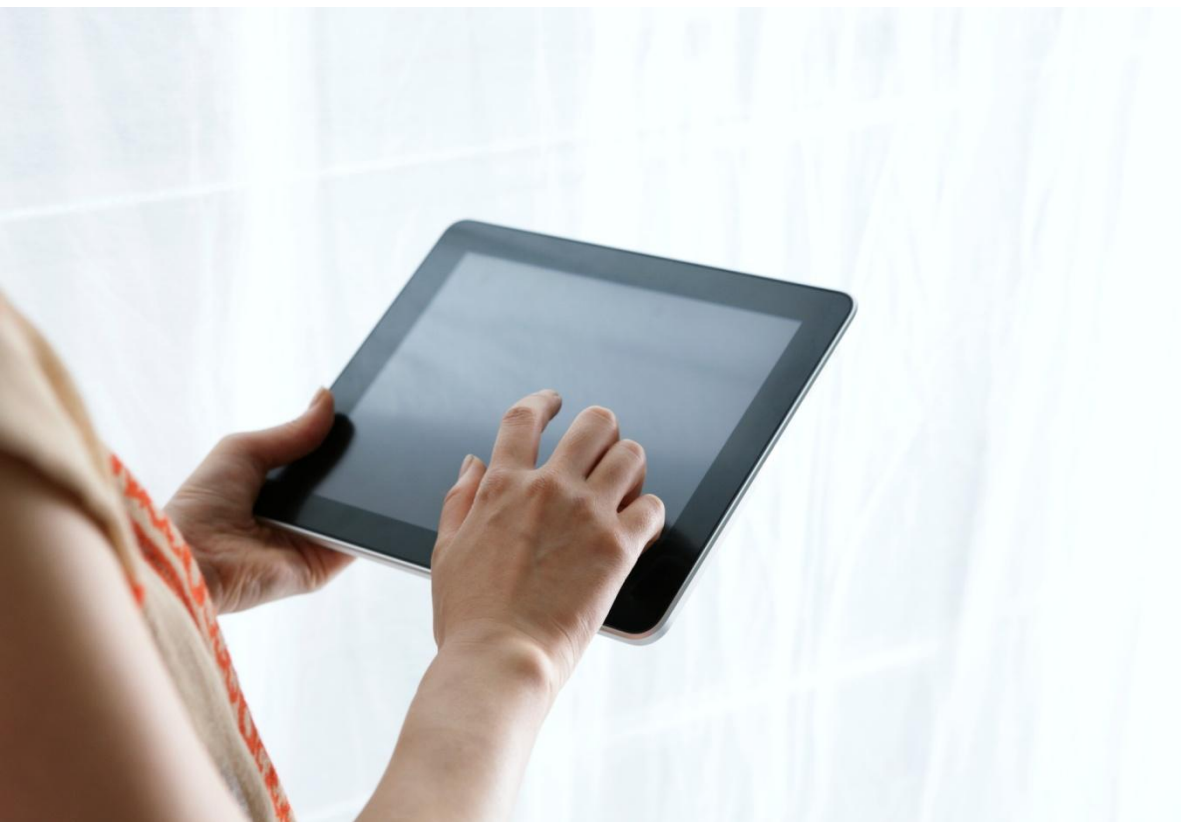
Businesses cannot afford to ignore the promise of digital

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Digital is a large and growing phenomenon

The Internet accounts for 4.7% of U.S. economy
or $684 billion; more than education, construction, or agriculture.

Expected **10.8% growth** per year in G-20

Online marketing spend
accounts for **31%** of overall marketing budgets in 2012; a **30%** increase from 2011.

Social media spend
expected to triple by 2017, to **19.5%** of digital budgets.

Note: Figures reflect both B2B and B2C projections.

Digital/social can have a pronounced impact on a business

Digital distribution of games, DVDs is destroying former leaders.

Apple

Dell

Best Buy

Companies must reinvent themselves to remain competitive.

Susan G. Komen for the Cure

Social media missteps that have lasting negative impacts

BP

Wet Seal

Thriving due to online engagement with customers

Loss in productivity due to social media in the workplace: **$2.25 billion/yr.**

Best-in-class B2B companies are generating 17% of leads through social media.

The Digital/social space is ever evolving and incredibly dynamic

The **number of Web sites** more than **doubled** in 2011, from 255 million in 2010 to **555 million** in December 2011.

21,000
Social media related jobs were added in 2011; **600% increase** over the last 5 years.
First social media related jobs appeared in 2004.

Source: CNNMoney, eMarketer, Pingdom, The Pulse of America Survey, Mashable, The BOSS Group, Aberdeen Group, KPMG analysis.

People driving the imperative for organizations to utilize digital platforms and technologies

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Social media advertising spend will increase 400% by the year 2014.
- Forrester

One out of every five minutes online is spent on social media related sites.
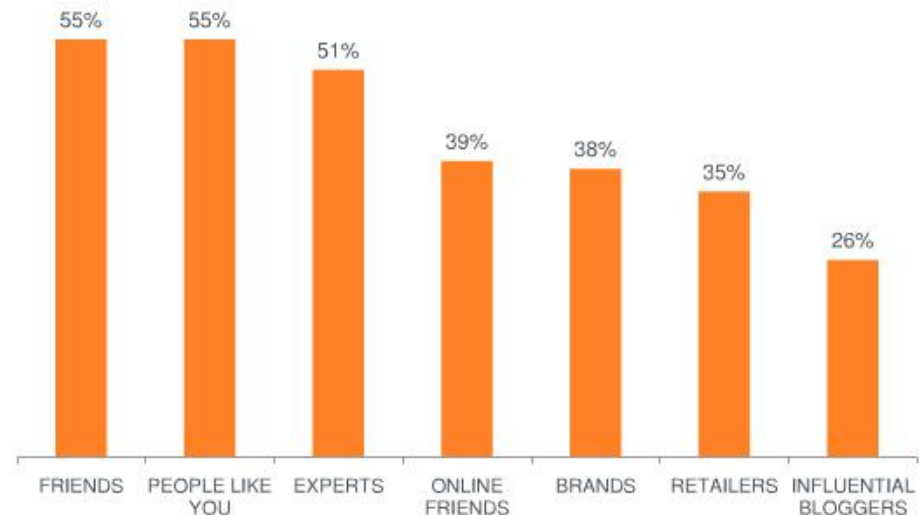- Nielsen

"79% of U.S. adults age 18+ are online."
- Pew Internet & American Life

"This stuff is as mainstream as it can be. Google, the iPhone – these move the culture more than The Beatles… It's shaping the human race."

- Andy Hertzfeld
Original Macintosh developer and digital thought leader

The Social Customer
Who influences purchase decisions?

FRIENDS	55%
PEOPLE LIKE YOU	55%
EXPERTS	51%
ONLINE FRIENDS	39%
BRANDS	38%
RETAILERS	35%
INFLUENTIAL BLOGGERS	26%

Source: Pew Internet & American Life Project 2011, KPMG analysis.

Digital brings a new channel for success via a Customer Engagement Life Cycle

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Engagement/Profits (y-axis)

eMarketing → eCommerce → eEngagement
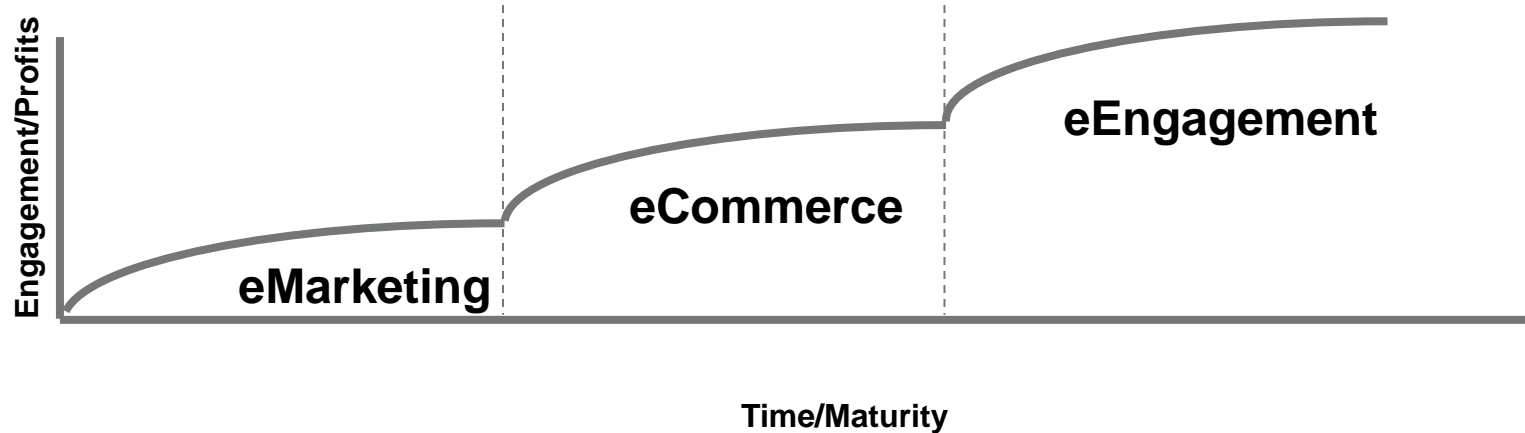
Time/Maturity (x-axis)

	"1.0 Digital Advertising"	**"Digital Transactions"**	**"Digital Relationships"**
Identifying Characteristics	Static information	Commerce-enabled platform	Access to target's social graph
Benefits Include	Low level of investment	Potential to make the sales process more efficient/effective	Drive loyalty through ongoing dialog with customer base
Infrastructure Needs	Deployed through readily available services	High availability systems and appropriate partnering	Analytics analysis; commitment to social platforms
Key Success Factors	Matching market content to target needs	Complement existing sales channels and processes	Willingness to experiment; speed

The KPMG point of view – What world-class companies should be doing now

Engage with Your Customers

- Embrace the opportunities digital brings to improve the level of engagement with your customers.
- Staying top-of-mind with customers across multiple digital channels minimizes competitor touchpoints.

Connect Your Employees

- With the changing demand and demographic shift of your workforce, digital should be front and center.
- Employees engaged through digital technologies and policies have profound effects on financial results.

Utilize Mobile

- Have an industry-relevant mobile strategy that is essential to customers, and strategic to your goals.
- Use inherent mobile characteristics (location-based services, rich media) to reinforce brand messages.

Change the Culture

- Digital adoption should occur across the enterprise, not exist in siloed departments.
- Create "seats at the table" and shared responsibilities for those traditionally excluded (e.g., Finance).

Manage Risk

- Take full advantage of emerging technologies while mitigating risk to your company.
- Have disaster and "what if" scenario planning in place to take proactive approaches.

Fresh from the headlines….

Establishing effective "Workforce" social media policy

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Where does the risk exist?

- Technical infrastructure risks

- Personal communication contents regarding company matters

- Discoverability of social media postings with regard to internal employee disciplinary matters

What current guidance do employees receive that applies?

- Augment current communication guidelines to consider:

  - Social media provides both an Audit trail and "triangulation" of message to employees
  - Intellectual Property Rights
  - Standard disclaimers

Employee Access Considerations

- The position on allowing employee access to appears to be changing

- Is Virus and Malware exposure greater than what is currently managed?

- What do your preventative measures use as a definition of a "social media" site?

Determine the nature of the risks presented

Establishing Effective "Voice of the Company" (External) social media policy

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It's about immediacy	It's about transparency	It's about follow-through

What policy is in place to govern your external presence?

- Identify the behaviors that you want to drive across your social media audience

- Identify the players **– Roles and Responsibilities**

- Monitor emerging Regulatory guidelines in these areas, if applicable, remembering that social media is not geographically bound

- Define guidance with regard to how social media will be employed
  - Align to corporate objectives **– Marketing/Communications**
  - Set Measurable objectives **– Digital mechanisms lend themselves better to monitoring and measurement**
  - Think about retention for legal/audit purposes

KPMG Thoughts on Social Media Governance Structures

Management should develop a governance program and guidelines with defined roles and responsibilities to consistently oversee social media activities. This should include:

Guidelines

Development of corporate guidelines relating to initiating, managing, or decommissioning social media channels.

Metrics

Standard qualitative/quantitative performance metric requirements where applicable, leaving room for customized metrics where needed.

Oversight

Coordination with Legal, Corporate Compliance, and other corporate oversight groups for applicable content review and approval.

Technology

Coordination with IT for technical areas such as password management, authentication, application maintenance strategy, and network interfaces.

Risk/Governance:
Digital strategy must include a risk monitoring and mitigation plan
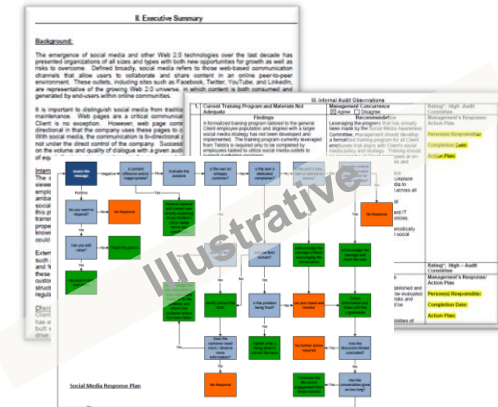
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Anticipating Risk

Organizations with strategic controls in place in the forms of policies, procedures and audit plans, are better equipped to resolve operational issues that a digital program will inevitably experience

Monitoring Risk

Organizations have an opportunity to build a set of KPI and KRI metrics to monitor the effectiveness of their digital programs and prepare mitigation programs more tightly aligned to the true nature of risk presented

Mitigating Risk

Organizations with mature monitoring programs are able to pre-determine risk response plans that can be constructed to address emerging reputational risks at gradient levels where more effective and efficient mitigation can be initiated in the early stages of developing incidents