



cutting through complexity

Going Social

How businesses are making
the most of social media

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“Organizations cannot afford not to be listening to what is being said about them, or interacting with their customers in the space where they are spending their time and, increasingly, their money too.”

– **Malcolm Alder**, Partner,
KPMG’s Digital Economy practice
KPMG in Australia

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Introduction

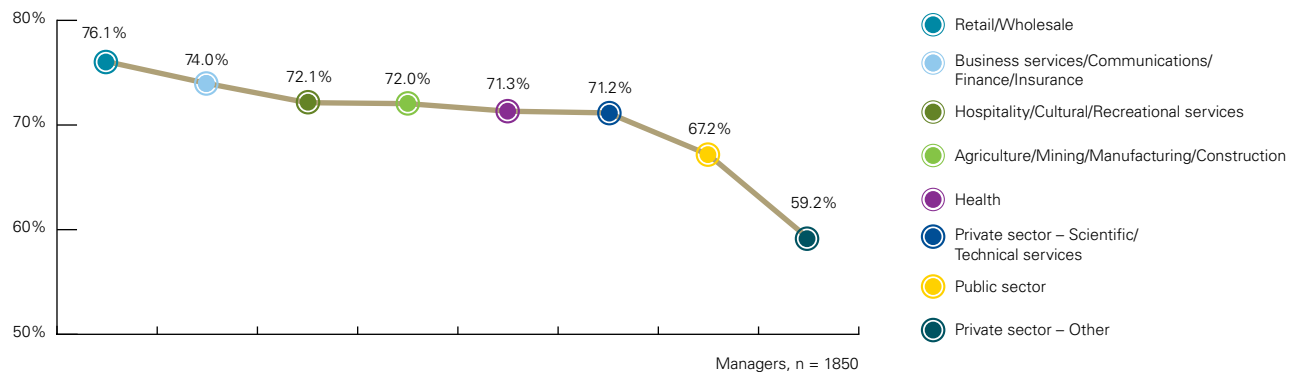
Participating in social media has become a business imperative. More than 70 percent of organizations operating around the world are now active on social media. Many are finding significant benefits and unexpected risks along the way.

KPMG surveyed more than 1,800 managers and 2,000 employees at organizations in ten major markets and found that – in many cases – there remains a significant gap between expectation and reality when it comes to social media.

The adoption of social media is widespread for businesses in the emerging markets of China, India and Brazil who – on average – are 20 to 30 percentage points more likely to use social media than counterparts in the UK, Australia, Germany or Canada. In part, this may be attributed to the emerging markets' lower dependence on 'legacy systems' that – in more established markets – tends to bind organizations to their long-established channel strategies, as well as the rapidly declining cost of internet access and devices in the developing world.

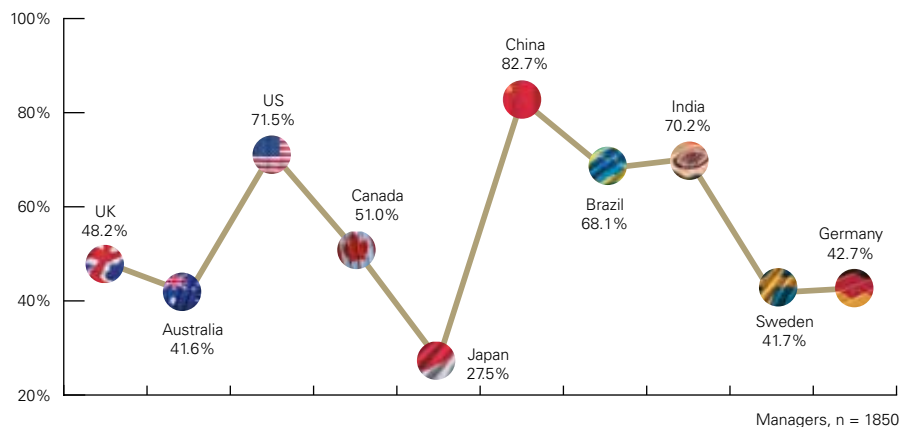
From an industry perspective, retailers and wholesalers seem to slightly lead over all other sectors, though it must be noted that all sectors (except the 'Other' segment) were closely grouped within a 10 percent differential.

Does your organization use social media?



Source: Going Social, KPMG International, 2011

Emerging markets sprint ahead



Source: Going Social, KPMG International, 2011

Key take aways

Clearly, social media is rapidly moving up the boardroom agenda, regardless of industry group or ownership structure. And with adoption rates averaging around the 70 percent mark across the board by industry sector, there seems to be little doubt that social media is widely seen as a viable and effective business tool.

Surprisingly, many of the more developed markets seem to be lagging behind their peers in the emerging markets, indicating significant room for expansion in the advanced economies.

For their part, emerging markets seem to be quickly finding that social networks offer yet another opportunity to leapfrog the competition in the developed markets. In

some cases, inefficient, unreliable or monitored email systems are foresaken in preference of the faster and more consistent social network channels. In others, a lack of alternatives may be driving businesses to adopt social networks within the enterprise.

And while the spread between industries was particularly thin, there is just cause for retailers and wholesalers to lead the pack. On the one hand, social networks tend to be consumer-focused and therefore provide a cost-effective marketing channel. But they also enable retailers and wholesalers to capture a rich source of customer information to better direct their product development and planning.

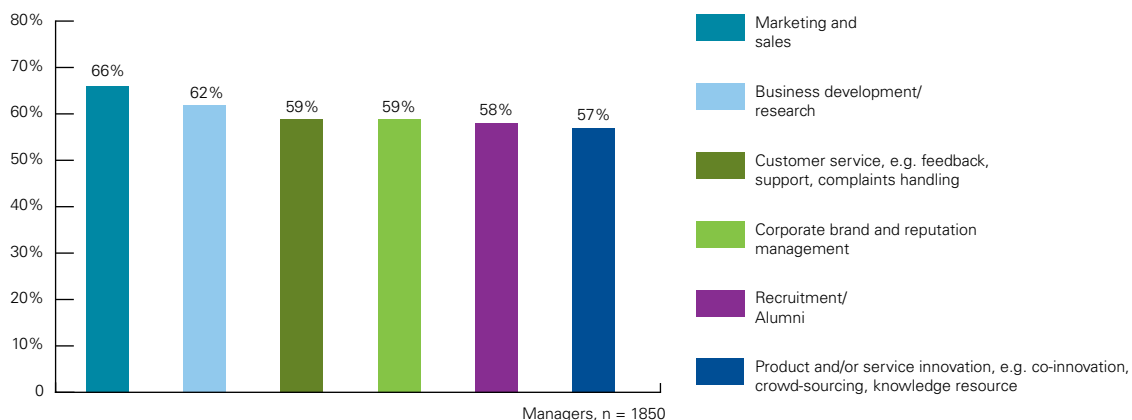
Talking directly to customers

Not surprisingly, the majority of businesses use social media to enhance their relationships with their customers. But more than half are also expanding their use of social media to drive innovation in their products and services, and for recruitment. Companies are finding a wide variety of business uses for social media.

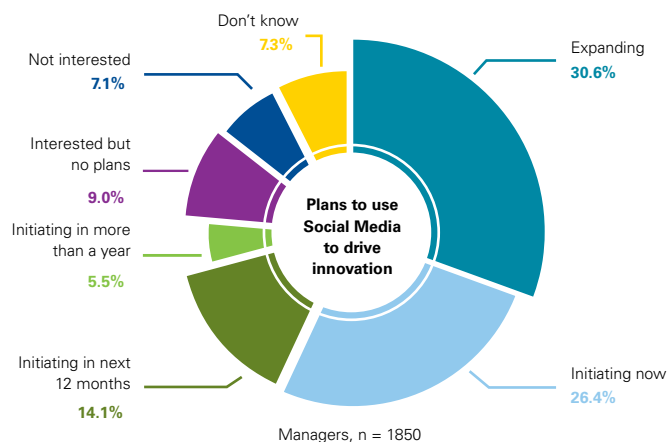
Around the world, two thirds of respondents suggested that their organizations were either expanding or initiating plans to utilize social media for sales and marketing purposes and six in ten cited use of social media in business development. Almost six in ten respondents also said they communicated directly with customers over social media for customer service purposes.

And while somewhat less frequently cited, 57 percent of respondents also suggested that they were either in the process of expanding or about to initiate plans to leverage social media as a catalyst to developing new products or services.

Expanding or initiating now



Plans to use social media to drive innovation



Source: Going Social, KPMG International, 2011

“ We said let’s experiment and let’s try creating our own customer service account...we launched [but] we followed traditional corporate processes...minutes into this thing customers accused us of using robots because it had gone through our processes, everything was stripped out. Within days we revamped the process and made the changes quickly.”

“ We’ve got some core assets like YouTube, our corporate blog, Twitter and Facebook accounts where people are seeing some of the things we can do. Now we’re doing a bit more of a deeper dive in with the business units to say ‘how do you see social media supporting your business objectives’.”

“ We don’t just talk to people who talk to us. We talk to people who are talking to each other about us. We get points then just for responding. You’re already better off.”

Key take aways

With more and more business activities now leveraging social media, the need for a coordinated and consistent approach becomes critical. In part, this is to ensure that social networks are being used properly and appropriately across the business. But it also enables the enterprise to achieve better synergies between individual projects to encourage the sharing of best practices and risk management.

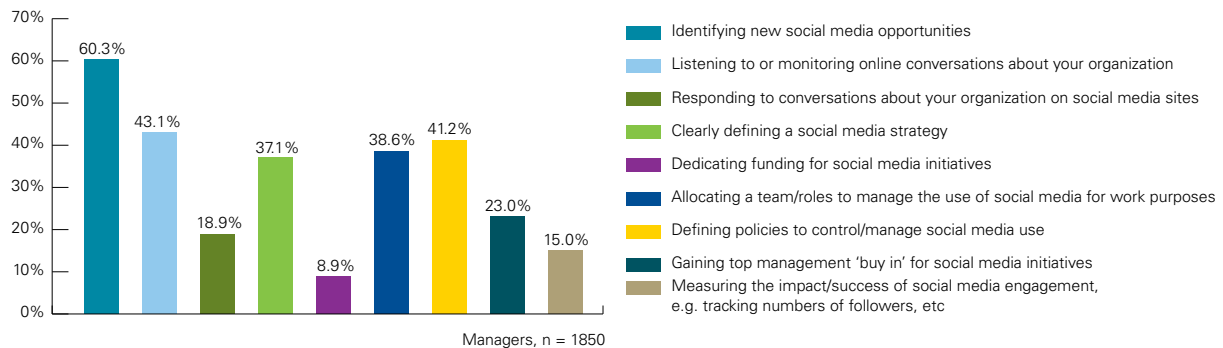
In particular, the need for greater coordination on marketing, business development and product development will become increasingly important as these three functions begin to engage customers in two-way conversations over social networks.

However, there seems to be every indication that marketing budgets dedicated to social networking will only increase as the technology becomes more mature and accepted. For instance, most pundits expect retailers to start to combine their social networking capability with their wholesale systems and cashier infrastructure to gain greater insight into customer spending patterns and preferences. Others are talking directly with their customers on Facebook to help them develop more customer-friendly products and retail spaces.

Getting it right

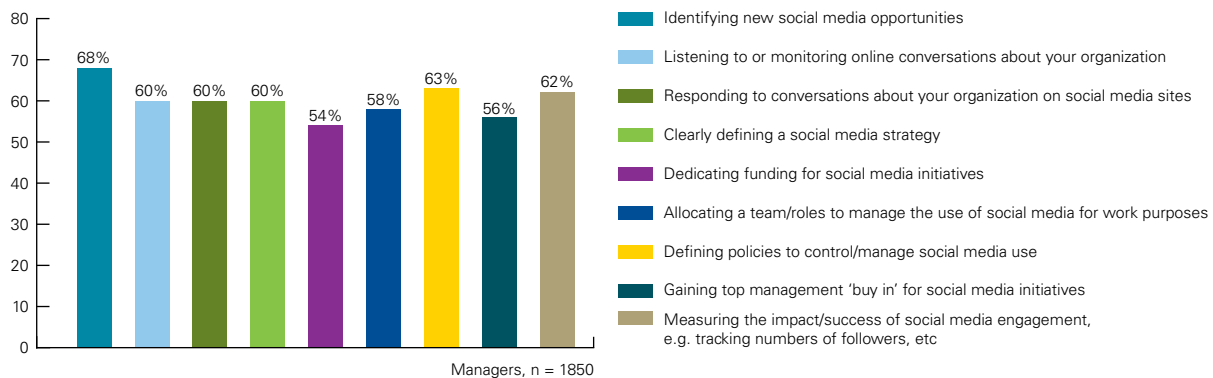
Respondents were clear that an ability to identify new opportunities is the most important factor for ensuring success in social media. Interestingly, less than one in ten suggested that securing dedicated funding for social media programs was a critical requirement.

Critical success factors



Source: Going Social, KPMG International, 2011

Expanding or initiating now



Source: Going Social, KPMG International, 2011

Many of the traditional program management tenets also ranked surprisingly low for respondents. Measurement was only cited by 15 percent of respondents, gaining management buy-in by slightly more than a fifth, and even strategy definition and resource planning were cited less than 40 percent of the time.

But when it comes to actual activity, respondents indicated that their companies were taking a more formal approach in developing their own social media program. More than 60 percent reported that they were actively working to define a strategy, develop policies or conduct measurement related to social media. However, respondents were least likely to cite specific activity in securing dedicated funding and gaining top management buy-in, both of which are key ingredients to achieving sustainability in any business venture.

“Internal stakeholder buy-in [is key], I would’ve invested a lot more time in that upfront. You need to do it a lot more than you think. You’ve done the presentation but often people only absorb about ten percent and you need to go back again and again to keep on hammering the benefits.”

Key take aways

In social media, success is directly related to the quality of your ideas, not the size of your budget. And while securing a dedicated budget can certainly provide some benefits such as coordinated spend and strategy, it seems clear that most organizations see social networking as a functional strategy rather than a business one.

In fact, the lack of dedicated funding suggests the reality that social media programs tend to be ‘add-ons’ to existing business strategies, rather than a specific strategy in its own right. So, for example, advertising executives may choose to divert budget from traditional advertising to social media to reflect the changing audience profile, rather than request a dedicated budget to experiment with a new technology.

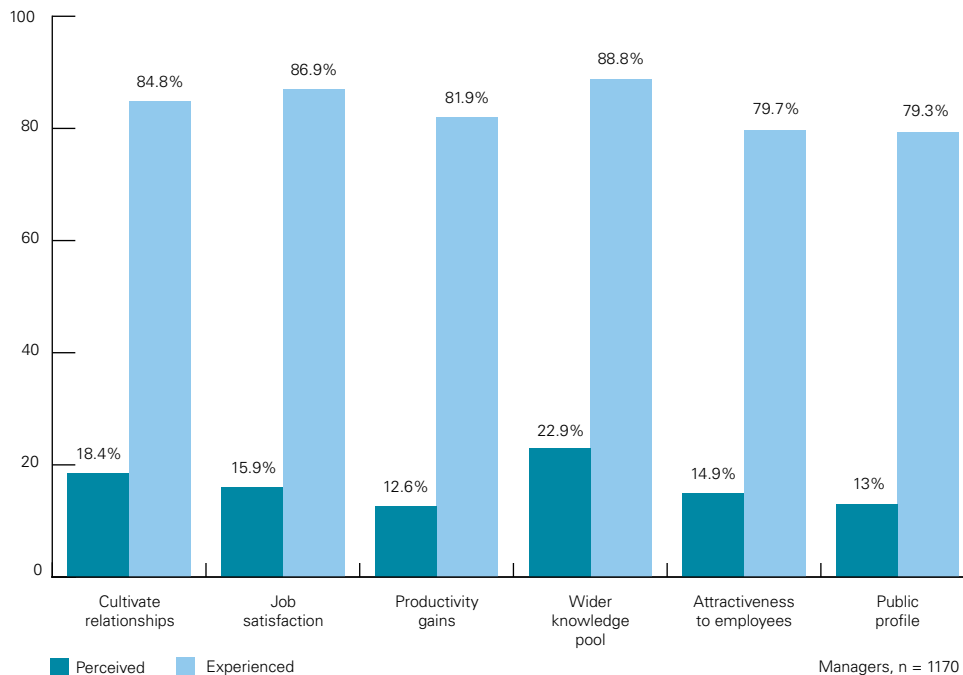
Additionally, based on the rather broad and consistent list of social media activities, coupled with low management buy-in and measurement, there is every indication that social networking still has a long way to go before it is accepted as a core business strategy.

All of this serves to remind us that we are still really only in the early dawn of social media in business. We suspect in a couple of year’s time, the responses to these sorts of questions may be very different and that we will see social media moving far closer to the core of strategy considerations.

Benefits outweigh risks

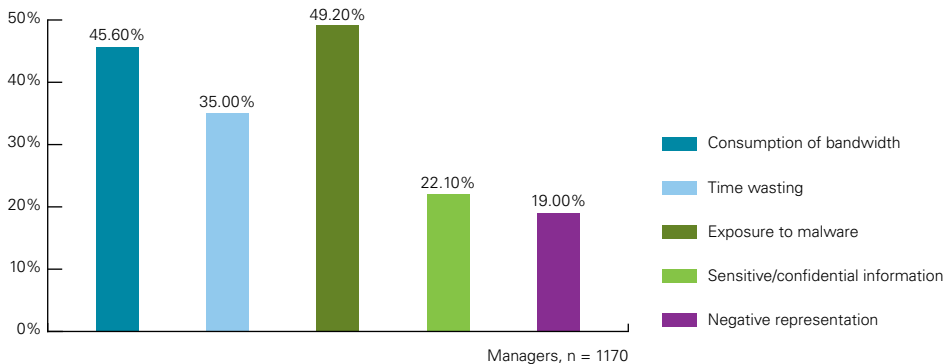
According to respondents, social media programs tend to deliver significant returns to the business, often outweighing the risks. In fact, almost 80 percent of respondents say that they have either personally seen or organizationally measured all of the key benefits that were anticipated from their program.

Benefits of social media



Source: Going Social, KPMG International, 2011

Has your organization experienced any of the following issues in the last 12 months, by allowing employee access to social media?



Source: Going Social, KPMG International, 2011

Companies seem to be experiencing substantial benefits from their social media programs. Almost nine out of ten respondents cite wider access to knowledge and enhanced job satisfaction, while more than 80 percent reported cultivating better relationships and developing their organization's public profile. It is also important to note that more than 80 percent noticed productivity gains as a result of their programs.

Our research demonstrates that – once implemented – the benefits clearly outweigh the risks. So, for example, while only around a third of respondents cited time wasting as an experienced risk, more than double that amount claimed to have witnessed productivity gains.

“What's the risk, it's not doing it. Not only can someone say something whenever they want, they can open up a Facebook page themselves and start commenting. There is also a limited amount of real estate and we created our accounts before launching, gather the assets before the launch.”

“To date we've had hardly any issues – probably a handful of issues. But given how active our staff are on social media... the policies seem to prevail.”

Key take aways

With more than 80 percent of respondents citing benefits and only around 40 percent identifying any one risk, it seems clear that the exploitation of social networks should be an organizational imperative.

Executives would be well advised to balance the risks of engaging in social media against the opportunity cost of not participating. So, while almost 20 percent of respondents suggested that they had experienced some negative representation as a result of social media use, this

must be viewed against the 80 percent that indicated that their public profile had actually been enhanced through employee participation.

Organizations considering further expansion into social media would be wise to consult with their internal audit departments at the planning phase of their strategy development to ensure they are asking the right questions and quantifying the risks appropriately.

Hidden dangers – Bandwidth consumption

Across the board, those that have taken the leap into social networking seem to have underestimated both the risks and the rewards of their social networking strategy (although, as we have already discovered, and will continue to see in later chapters, the benefits continue to strongly outweigh the risks). Many respondents to our survey seem to indicate that they had not fully considered the risks inherent in social media before entering the social media fray.



When asked for their top three concerns, more than 20 percent of respondents without social media programs cited challenges related to IT security, the loss of sensitive information, or reduced productivity from time wasted. Challenges related to bandwidth and the potential for negative representation were viewed as less of a concern.

But according to those with social media programs already in the field, some challenges tend to become more acute as social media programs become institutionalized. For example, bandwidth consumption occurs much more frequently than expected and can blind-side the uninitiated.

“ At a day to day level the biggest problem with social media at [our organisation] is use of bandwidth. ”

Key take aways

While the higher use of bandwidth seems to have surprised many organizations that now allow some form of social networking at work, this seems to be indicative of a lack of both preparation and coordination with IT.

In truth, both the increased use of bandwidth and the potential for higher levels of malware are both risks that IT face on a regular basis from a variety of sources and

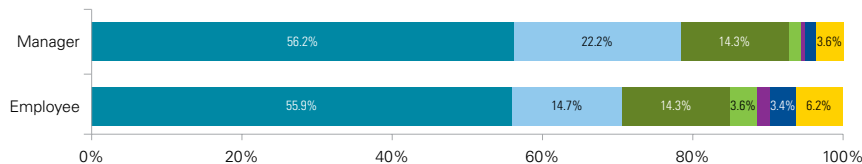
therefore should be easily and rapidly managed by an alert and informed IT function.

As a result, organizations contemplating wider access to social networking must work closely with their IT function to identify the potential risks and build robust strategies and contingency plans to mitigate any unwanted outcomes.

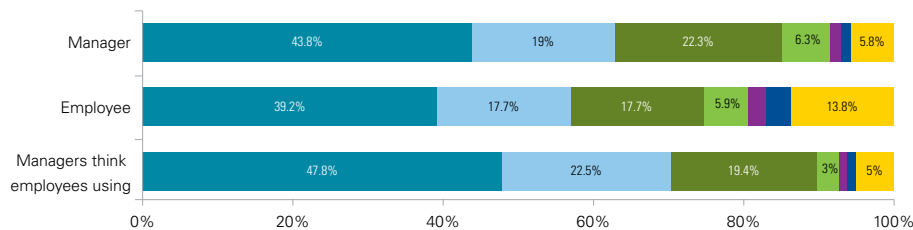
Hidden dangers – Overestimating time-wasting

Managers' views of how much time employees spend on social media appear to be significantly overestimated, while productivity gains tend to be underestimated.

Work and home use



Work use only



Managers, n = 1850; Employees, n = 2016



Source: Going Social, KPMG International, 2011

According to our research, four out of ten managers in the USA and Australia believe that their organization's employees are using social media multiple times a day. But this was in direct contrast with employees' own reports on their frequency of use at 14 percent and 16 percent for the USA and Australia respectively.

Additionally, managers tend to have higher usage of social media at work than their employees. More than 85 percent of managers reported using social media at the workplace a few times a week or more, compared to 75 percent of employees. Employees were also much more likely to never use social media than the managers, with almost 14 percent of employees reporting that they never use it compared to just 6 percent of managers.

Key take aways

Perception does not quite meet reality when it comes to employees wasting time on social networks. This suggests that perceptions of time wasting may be based on the actions of a few individuals who abuse their privileges. However, when juxtaposed against the benefits that organizations report, it seems that they self-admittedly achieve an overall productivity gain from staff.

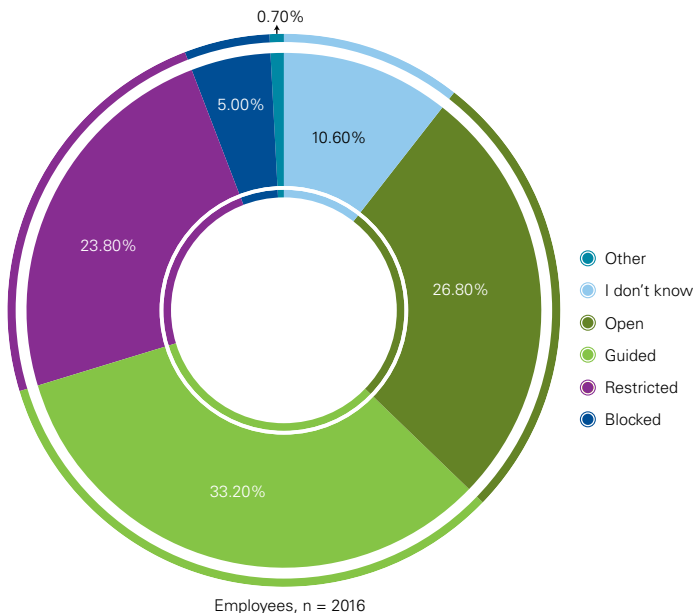
In reality, many of the worries about time wasting are no different from similar concerns when organizations adopted email or telephones: the potential for time wasting is certainly there, but generally it is only those that are determined to waste time that tend to abuse these privileges.



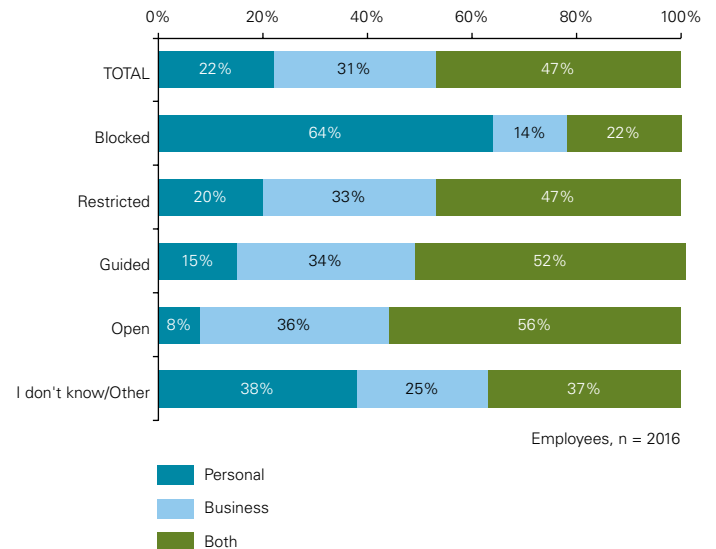
Hidden dangers – Restricting access

Restricting access to social networks may not be the panacea that risk-averse organizations expect. For employees blocked from using social media (around one in ten), over half are accessing it anyway, using both their personal devices and work provided technologies.

Employee access to social media



Source: Going Social, KPMG International, 2011



Our research found that a third of those working in organizations with blocked access were not only still accessing social media, but were also finding ways to circumvent the security protocols on their work devices to meet their social networking needs.

The study also found that those organizations that block employee access, yet leverage social media in their marketing and business strategies, may face a losing battle. Almost three quarters of employees expect to have access to social media when they know their organization is using the medium for marketing or other purposes, compared to only 45 percent when the company does not.

Job satisfaction levels were also reported to be higher when allowed access, with 63 percent of employees at organizations with open policies citing job satisfaction compared to only 41 percent who are restricted.

“We have a social media policy in place for staff and franchisees, when we’re looking at what customers say, we invariably come across staff [making comments].”

Key take aways

Blocking or severely restricting employee access to social networks may create more risks than it removes. For one, employee morale seems to be closely interlinked to social network access, even more so when the organization itself uses social networks for business objectives, yet restricts employee access to the same sites.

Executives may also be tilting at windmills in thinking that banned access to social networks eliminates employee use. Indeed, the survey shows that by restricting or blocking access, many employees tend to move their activity to their own personal devices which are often less secure and completely unmonitored. Organizations with blocked access do not tend to offer employee training or guidance on appropriate social media use, thereby opening themselves up to a range of new and unmanageable risks.

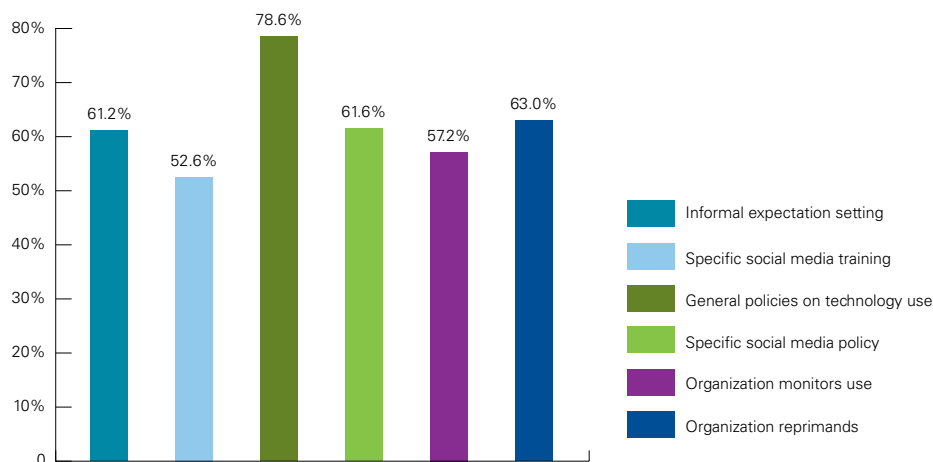


Checks and balances

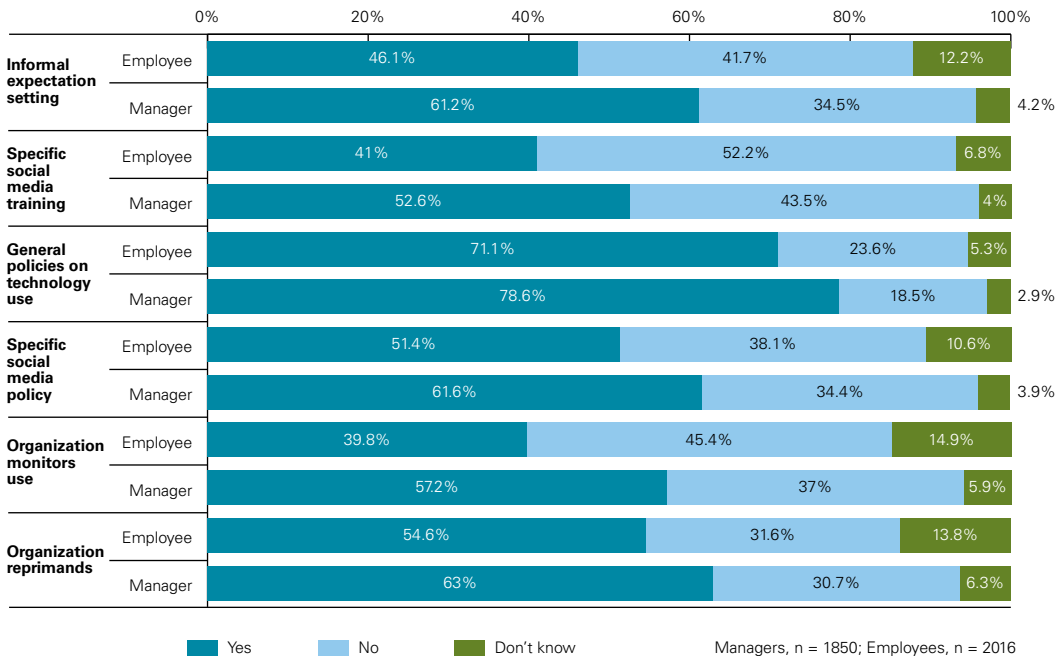
Organizations often provide employees with guidance on how to most appropriately use social media within the business. Many tend towards formal processes and controls, while others rely on their employees to 'do the right thing' in the interest of the business.

Almost 60 percent of organizations have either developed a specific policy or set informal expectations around social media. Only around half of all respondents believe that their organization offers specific social media training. More than one in ten employees surveyed had no idea whether their organization had a policy or not.

Responses reveal that a significant number of organizations also seem to monitor social media use. 57 percent of management respondents admitting that their organization supervises use, yet only around 40 percent of non-management respondents believed that their organization monitored their use. Similarly, 63 percent of managers noted the potential for organizational reprimands for un-approved use or conduct, but only 55 percent of employees were aware of that possibility.



Source: Going Social, KPMG International, 2011



Source: Going Social, KPMG International, 2011

“ We have a really straightforward four step policy...it is funny, a lot of companies have clamped down and they've got an intricate detailed policy about what you can and can't say on these different platforms. But that seems to often fly back in the face of people, because it is so easy to transgress.”

Key take aways

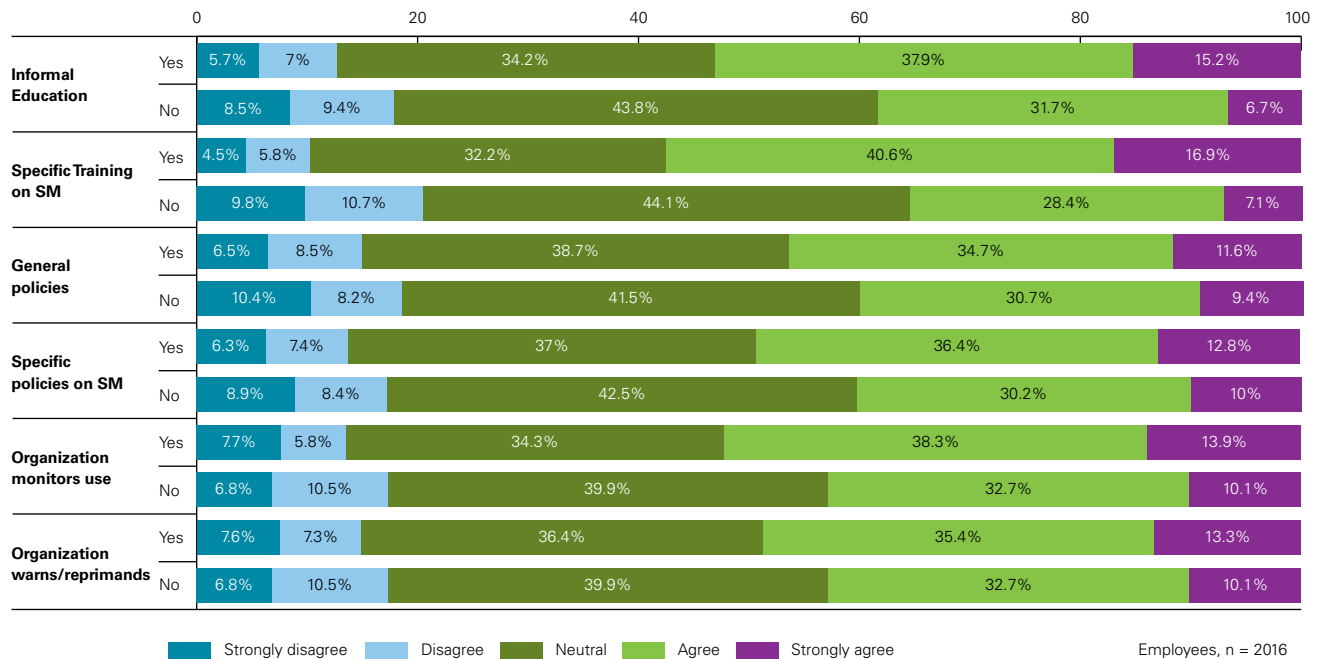
One would be hard pressed to overstate the importance of a social networking policy. Clear, practical and concise policies supported by appropriate training should be high on the agenda to give employees the confidence to be active in social media, while reducing risk by knowing the boundaries within which they should act. In fact, setting the rules of engagement and use for

the organization should generally be the very first step that an organization takes on the path to social network adoption.

Training is also critical: there is no use maintaining a social media policy if employees are unsure how to comply with it, or – worse still – unaware of its existence.

Unexpected benefit – Encouraging advocates

Many organizations are finding that – with proper training and expectation setting – employees often become strong advocates for the business. And while these activities will not necessarily deter those determined to make negative comments, organizations seem to have much to gain from implementing smart and appropriate guiderails.



Source: Going Social, KPMG International, 2011

Interestingly, guiderails and training seem to have little impact on the frequency of negative employee comments: 19 percent of employees who work for an organisation with a general policy are likely to post or have posted negative comments compared to 16 percent employed where there is only a specific policy.

However, the likelihood of making positive comments appears to increase dramatically when employees are given either specific training on social media use or informal expectation setting by managers. More than half (57 percent) of employees with specific training are likely to make a positive comment compared to only 36 percent without. Similarly, 53 percent of employees with informal expectation setting are likely to post positive comments compared to only 38 percent without.

“ We don’t have a very large team of people working on social. So scalability is one of the aspects that I’m looking at. How to build up the skills of our colleagues and potentially create 5500 [employee] advocates that are in social. Actually getting them out there to tell our story is quite the challenge. ”

Key take aways

These findings indicate that – while negative employee comments on social networks may be almost impossible to stamp out – organizations that properly deploy social media training can influence the likelihood that their employees will post positive comments about the organization.

This is not about incentivising employees to curry favor with their managers and leaders by ‘fanning’

their organizational or brand profile; rather it is about empowering the workforce to speak and advocate on behalf of the organization within public forums. Once again, this means providing clear policies and effective training (both formal and informal) to help employees understand and follow the rules of social media engagement.

Methods and demographics

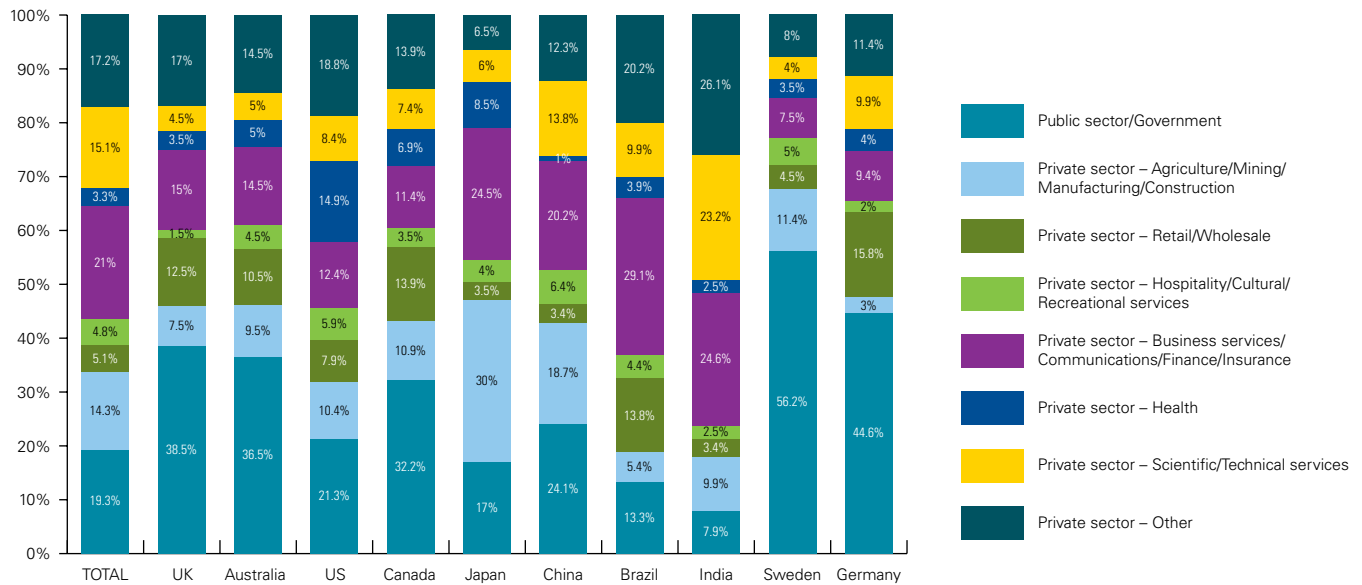
KPMG's survey about external social media stances, uses and approaches by organizations and employees was completed by a total of 1850 managers and 2016 employees from 10 countries. The survey was administered online during April and May 2011.

Data from the survey was analyzed by professionals from KPMG's Technology, Media and Telecommunications practice. Additional insight and context was provided by regional subject matter experts from across KPMG's global network of experienced professionals.

To help ensure the data was representative of the target populations, the responses were weighted to reflect the relative sizes of the employee populations per country for employees and the number of enterprises per country for managers.

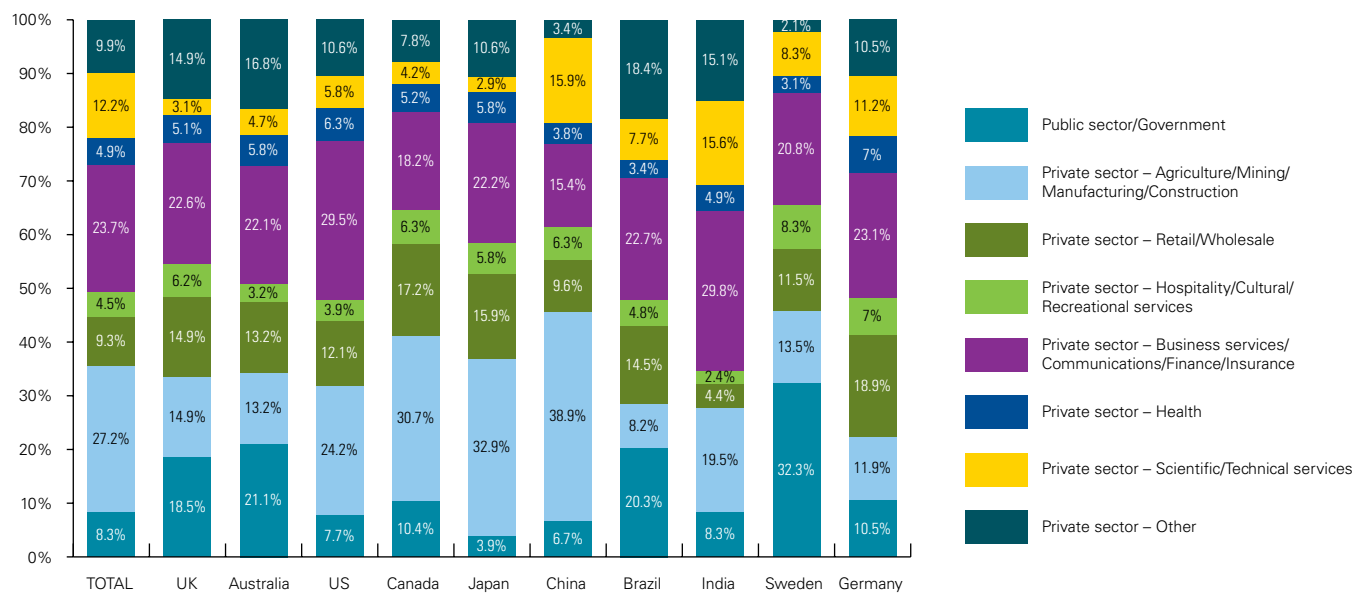
Overall, respondents were from a wide range of industries, including: financial and insurance services, mining and agriculture, science, and government. 19 percent of employees and 8 percent of managers worked in the public sector, with the remainder in the private sector. Of the managers, 11 percent were chief executive officers/business owners, 26 percent were senior executives and 63 percent were managers.

Employees



Source: Going Social, KPMG International, 2011

Managers



Source: Going Social, KPMG International, 2011

Why KPMG?

KPMG helps organizations to identify and develop business opportunities available from leveraging social media. Whether just starting out, already a little experienced or well-advanced in social media, our global network of professionals bring a business-centric 'hype-free' approach and a comprehensive social media methodology, tailored to your specific needs. With experience across many industries, our team has in-depth knowledge from organizations who have been there before, and draws on specialist expertise from our strong social media alliances.

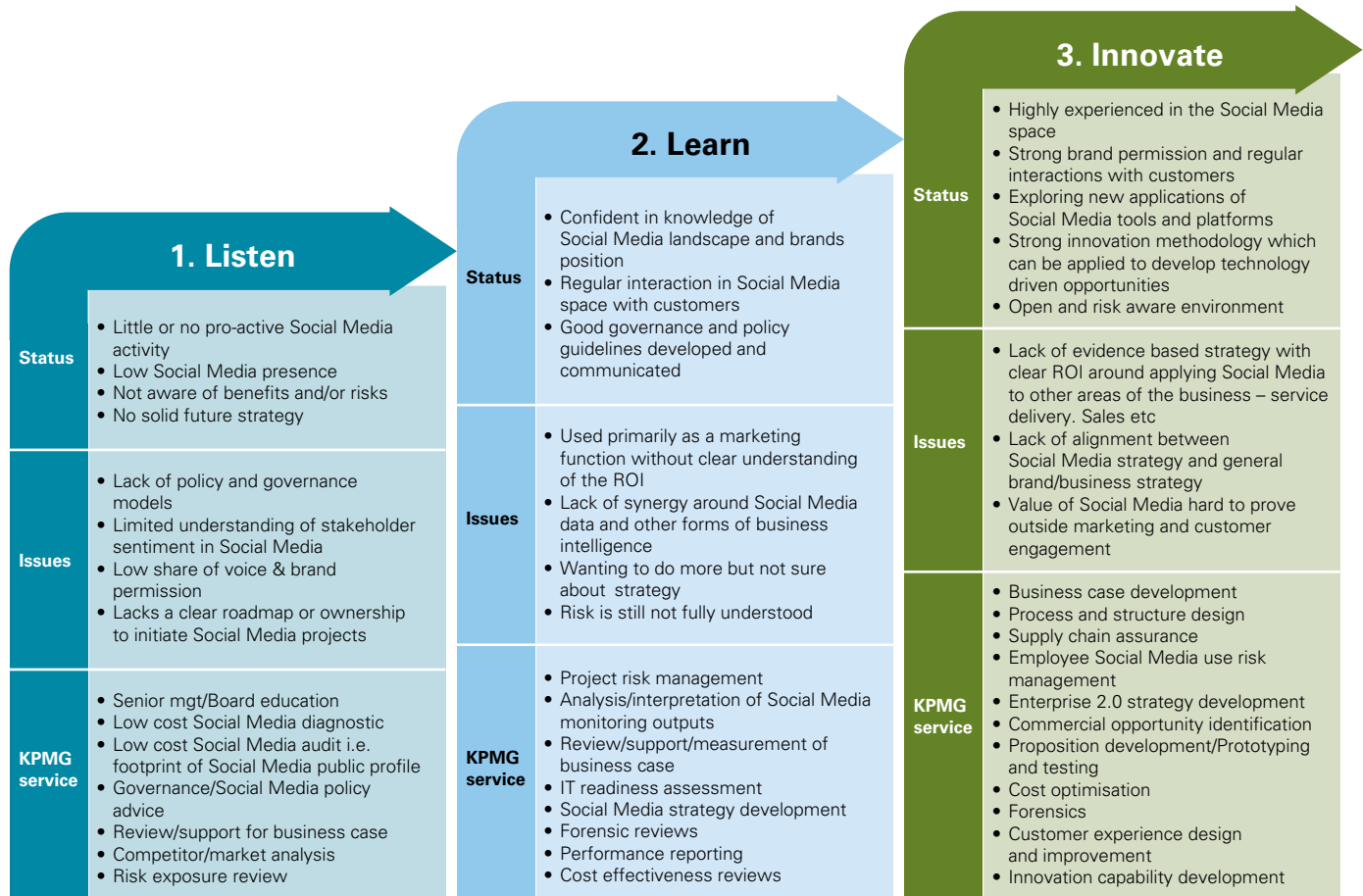
KPMG's Social Media Approach

Realizing the opportunity that Social Media holds for businesses has led KPMG to develop a robust methodology, which helps companies to reap the benefits of a clear and robust social media strategy.

Some recommendations include:

- Listening is a key initial stage to effective social media engagement
- Experimenting and early learning is a natural part of involvement
- Challenging old ways of thinking on community engagement
- Embedding social media use across the organization and empowering employees to speak on behalf of the business

KPMG's social media methodology & services



Source: Going Social, KPMG International, 2011

“Our analysis has demonstrated that we can look at the experiences of both early business adopters and our overseas counterparts, to learn from them. If businesses do not get on board quickly, they may very well be left behind.”

– **Malcolm Alder**, Partner,
KPMG’s Digital Economy practice
KPMG in Australia

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Designed by Evalueserve.

Publication name: Going Social — How Businesses are Making the Most of Social Media

Publication number: 111139

Publication date: December 2011