# Copying Facebook's Profiling Strategy

*Why Customer Profiles are Essential for Online Engagement*

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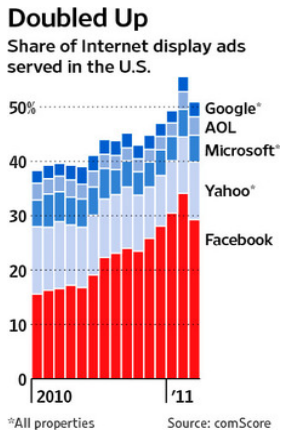
# Why customer profiles should matter most to your business

**Customer profiles are the new pots of gold**

Just look at some of the biggest IT firms in the world: Apple, Google, Microsoft and Facebook. All of them are directly involved in building up customer profiles. Apple has its iTunes store, where it collects customer data and serves as intermediary to other companies selling music and apps. Google's entire business model is built around collecting customer profiles through its free search engine and through Picasa, Google Docs and Android. Microsoft has long been investing in collecting customer profile data with free initiatives like Hotmail, Skype, Bing and MSN Messenger. And Facebook is quickly catching up with the other three dominant IT players, offering a free social platform to share all kind of personal data with your friends. And according to some industry experts, with its projected market valuation of 83 billion dollars[1], Facebook could soon become the most dominant player of all...




The added value of Facebook, Google and others is not just the ability to show an online advertisement at the price of a packet of chewing gum. The value lies in bringing the advertisement to the attention of a targeted audience, based on the vast amounts of customer data that have been collected over the years by offering a free search engine and many other free online services.

Oh, and by the way: there is no such thing as "free." There are no free lunches. The only reason why these IT companies have invested many billions of dollars in offering fast, reliable online services is that they anticipated that they would earn it back many times over. How? Through targeted advertising and by becoming the default financial intermediary for social commerce, with initiatives like Google Wallet and others[2]. In fact, the price you pay for using free services provided by Facebook or Google is that you no longer get truly objective information, since someone else is willing to pay money to be able to influence you. And for this, they need your profile data.

So if these multi-billion dollar firms are all investing in services and technologies to capture customer profile data, why shouldn't your company do this as well?

The short and simple answer is: *you should*. And you most likely already do, to some extent. Most companies have been active in collecting customer data from offline and online sources. Over time, they have collected basic profiling data like names, phone numbers and email addresses, but most of this data either becomes outdated quickly or is incomplete or irrelevant at the moment of use.

This data provides only limited insight into the needs and whereabouts of your prospects and clients. It does not tell you if there was a special occasion for which they bought your product or service, how they made their purchase decision, who or what influenced them, how much time it took from the orientation phase to the final moment of purchase, and so on. In other words, little of the relevant information that marketers and sales professionals would need in order to optimize their efforts and investments. But the more complete the information, the better the customer profile.

## Customer profiles have value for your business

A complete, well-rounded customer profile — one that highlights your customer's socio-demographic and geographic details, lifestyle preferences, buying behavior, brand loyalty and product-related requirements — represents a tremendous value to a company. Better insights leads to better interactions with your customers, which in turn lead to a higher sense of engagement. Research shows that more highly-engaged customers on average offer a 23% premium in terms of share of wallet, profitability, revenue and relationship growth[3].

Different departments within a company benefit from having a complete customer profile.

Obviously, from a *sales* perspective, such a customer profile makes life much simpler when it comes to qualifying the customer. How likely will this person be to make a new purchase from your company within the next three months? A robust profile also offers relevant conversation topics to continue the (online) dialogue with this customer.

For *marketing*, it provides additional segmentation criteria to help target campaigns, advertisements and messages. Since these marketing activities can be better targeted, conversion ratios are likely to rise and the overall marketing ROI will increase.

From a *product development* point of view, in-depth customer insights based on a full customer profile significantly contribute to making better informed decisions about new product initiatives. What are customers looking for that you do not yet provide? What are the market trends if you look to a larger population of profiles in your database?

*Management* also benefits from a complete customer profile. Customers' behavior and needs are an essential element in decision making. What should be our next product innovation investment? Should we open up a new regional office, yes or no? By analyzing customer profiles, you may get early indicators to invest additional resources that serve new needs and new (niche) markets.

## Social media is great at building online profiles, but what's in it for you?

Social media like Facebook, LinkedIn and Twitter can be very instrumental in building up relations with your customers. Through an interactive dialogue, companies and customers can maintain a direct conversation with each other. Customers proactively provide their feedback whenever they are (dis)satisfied with the services rendered, and share this with all their online friends and followers in the blink of an eye.

The reason why social media has received such enormous attention is that it caters to a very basic human need: sharing feelings with other human beings. It does this in real time and across all geographies. And best of all, it's free.

However, it is not totally free, as we already noted in the previous section. In return for offering a platform to communicate and share with friends around the globe, social media providers want access to your personal data. They collect these both directly (asking for name, email address, job title, date of birth etcetera) and indirectly (measuring usage frequency, geo-location, key-words used, friends you are connected with and so on). In fact, they construct a profile for each online visitor.

All social media providers are consistently pursuing this. Let's take a closer look at the frontrunner in online profiling: Facebook. With close to 700 million users worldwide, Facebook is by far the largest online database with personal data[4,5]. Facebook contains a lot of information that is relevant for sales purposes[6]: name, gender, birthday, hometown, religious conviction, education, work, network of family and friends, related pictures and videos, interests and hobbies and many other categories.

In doing this, it is quickly becoming the largest online "CRM" system in the sense that it keeps track of personal data, customer preferences and relationships between people. And not only is Facebook the largest online customer information system, it is also the most up to date. Where traditional CRM systems fail due to bad input data — sales reps traditionally are not the most enthusiastic users of these systems, largely because it takes a lot of time and they do not see the value of sharing this information via a digital system — Facebook succeeds since the "object" stored in its system is the same individual who keys in the data. And these individuals do it voluntarily and in real time!

You might then wonder if companies cannot completely turn to Facebook — or similar social media — and use it as their main source for user profiles, since it is already so complete and covers more customers than any company could normally handle. Facebook becomes the online customer information system, for lead generation and prospect nurturing purposes. Pay-per-use, no additional overhead costs, instantly available. Sounds great, or what?

## Why relying on Facebook profiles might not be such a good idea

Social media like Facebook offer great benefits in terms of reaching out to and understanding prospects and customers. It is also beneficial for after-sales services, to gather feedback or to actively support customers who may have questions regarding your offerings.

In the table below, a comparison is made between Facebook and the regular customer information system:

| | Traditional CRM | Facebook "CRM" |
|---|---|---|
| **Profile building** | Offline | Online |
| **Ownership** | Marketing / Sales | Customer |
| **Focus** | Internal use | External use / "display" |
| **Market** | Both B2C and B2B | B2C mainly |
| **Type of usage** | Obligatory | Voluntarily |
| **Level of detail** | Demographics | Demographics, behavioral details and social graph |
| **Frequency** | Batch / depends on willingness of sales rep | Real time, semi-automated or depends on willingness of user |
| **Ability to influence peers** | No | Yes, using the Social Graph |
| **Ability to share data** | Limited, as it creates information silos at the team or department level | Limited, as it creates an engagement lock-in since data are kept and controlled by Facebook |

Facebook definitely has some great benefits. However, using it as a substitute for building your own customer profiles is quite another thing.

First of all, as the table shows, Facebook creates **a lock-in situation**. As with any monopolist, Facebook as the single owner of its customer data has a tremendously strong position in the market. Companies grow dependent on Facebook. An individual company can't simply break this monopoly situation and is therefore forced to pay a premium to access data stored in Facebook.

Second, there is **no control** on the quality of the data. Allegedly, up to 40% of all Facebook accounts are fake[7]. So what does this mean if you get data from Facebook?

Third, you are **paying for data that you originally owned**. Individual companies give all this customer data to Facebook by adding "Like" buttons on their websites or implementing the Facebook Connect facility on their registration pages. The irony is that thousands of companies across the Internet eventually end up paying for their own information.

Fourth, you do **not have the exclusive rights** to use the information collected via your own websites. Any company, including your immediate competitors, can make use of this information, e.g. when advertizing on Facebook.

And finally, companies **keep on paying for the same data**. You do not own the data once purchased. It is an open-ended agreement with Facebook, and you will never "own" the customer yourself.

But perhaps most importantly, **you do not really *engage* with your customers**. You let Facebook be the central engagement body to handle this for you. The risk is that customers no longer even see you or think about you. You are put on a sidetrack, letting Facebook steal the (customer profile) show.

## Should you build your own Facebook?

From a business point of view, given that customers represent the lifeline of your company, you need to have in-depth understanding of what your customers want and need. As customers are one of the core elements of any company's success, you want to fully own and maintain the pool of customer data. And from a risk management perspective, you may ask yourself if you want to be reliant on external parties to deliver you your customer information. What if these external parties changed the rules of the game overnight, making you pay for rendered services that had once been free? Or if these parties were acquired by your competitor?

To prevent unpleasant surprises by being too dependent on companies like Facebook for essential customer information, it is advisable to start collecting your own customer data. So, if customer profiles are the new pots of gold, how much gold mining can you do yourself?

One idea could be to build your own miniature version of Facebook. Set up an online forum where your customers come together to share best practices, ideas and other relevant information with each other, keeping each other constantly up-to-date on new developments in their business (and personal) lives. As the owner of this forum, you could control the entire information flow and track each individual's behavior.

However, building your own Facebook does not really make a lot of sense. In addition to the time and money that you would need to invest to get (yet another) social networking infrastructure up and running, you would still have to convince your customers to willingly participate in your initiative. Not to mention how you might get in touch with prospects to convince them as well...

### What we can learn from Facebook

Even though the question of whether or not you should build your own Facebook may be a no-brainer, it does make sense to have a closer look at what Facebook does. Important lessons can be drawn from looking at social media companies, lessons that are easily applicable in almost any company:

- Facebook keeps track of almost every detail on a person's life.
- In Facebook, the individual is responsible for feeding this data and keeping it up to date.
- Facebook collects data across a variety of web sites and other online sources.
- Facebook is strong at analyzing, categorizing and segmenting this data into usable lumps of information.
- Facebook offers applications that pull its users back time and again, such as news from friends and online games.

By building their own sets of online customer profiles, companies can take the first step towards a customer-driven online engagement strategy.

# Customer-driven online engagement strategy

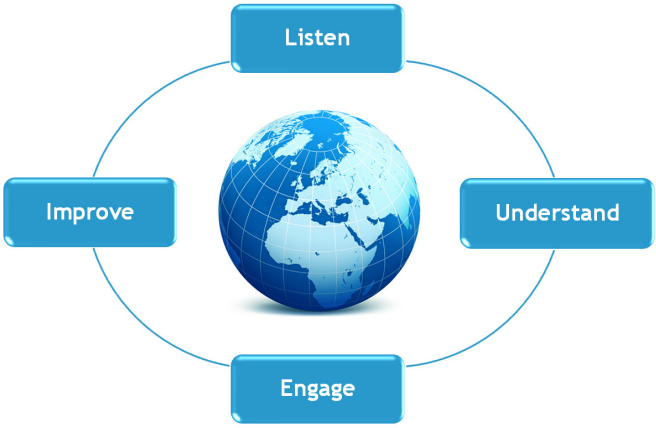
Who would want to be dependent on companies like Facebook and Google to tell you what your customers like, want or need? And to continually pay them for such data time and again, ironically data that is primarily assembled via the websites of companies like yours?

There is an alternative that offers the (free) help of companies like Facebook and Google yet still leaves you in full control of your own customer data. It lets you take control of your own customer profiles, learn from your customers and engage with them directly. It is called *customer-driven online engagement*. Only by approaching engagement using a customer-driven focus can companies grow a profitable, sustainable business over time, making them independent from any third party to achieve their success!

## Social media for driving traffic and richer profiles

A good starting point to turn your company into a customer-driven business is to be present where your customers are. Customers increasingly are to be found online and when online, they hang out on social media like Facebook, Twitter and YouTube. These social channels are great *traffic drivers* (not to be confused with profile providers) towards owned media like your blog site and your website. Research shows that Facebook on average increases website traffic by 200%[8]. They are also great at influencing your prospects, since peer-to-peer advice and (virtual) word -of mouth are the most important factors in decision-making[9]. On top of this, with features like Facebook Connect, you can extend and enrich your customer profiles without much hassle.

Once you have connected with your customers, you can start to systematically listen, register and collect information on your customers, on your own and in an automated fashion. This way, you build your own customer profiles. It ensures you will no longer be dependent on external data providers while increasing your customer service levels at the same time. The quality of the customer profiles you will build over time is much higher, as these customers have shown a true interest in you and your company. These are genuine customers with genuine interests.




After this, you can continue the customer engagement process by interacting with them in real-time across the various channels your customers are using. This has two benefits: you will progressively enrich the customer profiles with new details (think of it as getting to know someone you'd like to date) and you will start to really bond with your customers, becoming one of their influencers on their multi-step buying journey.

Analysis[10] supports the above, and shows there are a number of key aspects in which customer-driven companies differ from other (more traditional) companies:

- They build up value in their own knowledge "pipeline" on each individual customer.
- They involve social media channels to ensure a constant traffic flow to their website.
- They combine knowledge from various online sources including social media to construct a holistic view on each individual customer.
- They are good at introducing various 1:1 online interaction moments through which they have an online dialogue with their customers.
- They consistently measure online channel attribution (tracking how much each channel contributes to the value derived from each individual customer).
- They use social aspects like games, online coupons or interesting news facts while engaging with their customers, to ensure repeat visits.
- They are constantly looking for ways to further improve their online customer engagement processes across their entire company.

Does this sounds complicated to implement in your business? Maybe it does, but it is something other companies already have done successfully[11,12]. Supported by customer-driven online engagement technologies, these companies consistently collect, interpret, combine and use information in (new) interactions and dialogues with these same customers. This leads to improved conversion ratios and increased customer loyalty.

## About BlueConic

BlueConic is a state-of-the-art, customer-driven, online engagement solution. It puts the customer right at the heart of your online marketing operations.

BlueConic listens to and records the online behavior of each of your customers, prospects, advocates, followers and other interested individuals, storing it in a unique personal profile. Over time, as your customer interacts with your company via your websites, social media and mobile channels, his or her personal profile progressively builds up to become a valuable source of customer-specific information. Based on this information, you will better understand your customers' needs; with the insights you gain, you can target information directly at them. This forms the foundation for meaningful right-time, cross-channel, online dialogues with your audience.

Without even knowing it, your customer automatically invokes a two-way dialogue with you via the Internet using BlueConic. His or her online behavior triggers responses from your side that shows targeted, relevant online information in the channel they are active on. This can be any kind of information and in any form: a poll, a tweet, a clarifying question or simply an image of the product he or she is looking for.

BlueConic analyzes all of these customer dialogues in real time across all your online channels and brands and lets you adapt your campaigns on-the-fly.

BlueConic offers you many sophisticated features, including:

- Cross channel progressive profiling, even for anonymous customers
- Dynamic segmentation of online customers
- Instantly-invoked, relevant dialogues with each online customer
- Real-time engagement tracking
- Self-explanatory, user-friendly graphical user interface
- Easily adds engagement to your existing websites

BlueConic has been developed with the enterprise in mind. It features exceptional scalability and performance capabilities, allowing you to keep track of literally hundreds of millions of online customer interactions over time!

For more information, visit www.blueconic.com or follow BlueConic on Twitter via @BlueConic.

## About GX Software

GX Software is a global provider of Web Content Management and Online Marketing software. The company's innovative online marketing solutions empower organizations to engage with their online audiences across all customer touch points to build valuable customer relationships. With GX Software products, organizations can achieve their business goals and outperform the competition by delivering the best customer experiences and engagement across online channels, including websites, social media and mobile.

As a best-in-class Web Content Management (WCM) solution, GX WebManager enables online marketers and contentmanagers to maintain and publish persuasive content in the most effective way. BlueConic: Customer-driven Online Engagement, helps marketers entering into meaningful dialogues with their online visitors in real-time and at the right time, across all online channels.

GX Software has regional offices across Europe and North America. Hundreds of global and national enterprises in different industries, including financial services, media and publishing, already rely on GX Software.

For more information, visit www.gxsoftware.com or follow GX Software on Twitter via @gxsoftware.

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