Has social customer acquisition emerged as a stand-alone market segment?

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The explosion of social media management inside business organizations has been approached from many angles. Early on, we saw social-media-monitoring tool Radian 6 emerge, only to be acquired by salesforce.com. The prevailing wisdom around social media and marketing was that 'social' was a channel for listening and engaging, but few tools were available to actually leverage social as a customer-acquisition platform. Rather, social was a channel to expand brand awareness and engage with those already enthusiastic about your brand. This mindset is rapidly changing – new tools from quickly growing startups are bringing social customer-acquisition tools to the market.

In the past 18 months, we have seen several vendors emerge with models focusing on building strong prospect pipelines, for both B2C and B2B business models, inside and across social channels. Larger application vendors have quickly picked up on this, snapping up 'social marketing' vendors across the board. Adobe made a $400m bet on Efficient Frontier, while Oracle picked up both Vitrue and Involver. IBM made a social move with Tealeaf Technology, Google stoked its social flames with Wildfire Interactive, and salesforce.com made friends with Buddy Media. All told, over a billion dollars was spent in this space.

While we posited in a recent Information Management long-form report that the 'social enterprise' might be a long ways off, there are several silos where social is having a strong effect. Marketing departments are perhaps the most affected by social – since there has been a huge amount of hype and fear around the potential damage social utterances can do to a brand. Also, the vast amount of social interactions going on at any moment offers up various opportunities for firms of all shapes and sizes to pull out relevant conversations and convert those into potential sales interactions, or to use social behavior as a lead-scoring lever. As marketing turns increasingly to social, the remaining

independent social marketing vendors in the space, unaffiliated with enterprise stacks and, thus, having a broader reach, stand to gain.

Independents offer social tools for the SMB

While much M&A activity has occurred, with very large CRM and related customer-facing technology vendors as acquirers, the social marketing space is still thriving. There are a number of independent social marketing tools focusing on the acquisition and nurturing of customers via social channels. These vendors sell to some large corporations and global brands, but also have a focus on the SMB market. Leaders in the space include Awareness Inc, Shoutlet and Spredfast, with other agencies also working in this space with some proprietary tools. The lack of scale inherent in this model tells us that the former list of vendors will be the ones to watch over the agency-led technologies.

The focus on the SMB market, highlighting an independent approach to bridging the gap between social interactions and core CRM processes, is key here as well. While salesforce.com may have a social marketing cloud, that tool is somewhat cost-prohibitive to many SMBs, with a base fee of $5,000 per month. The enterprise-focused social marketing suites from Adobe, Oracle and IBM are also out of many smaller marketing organizations' price range.
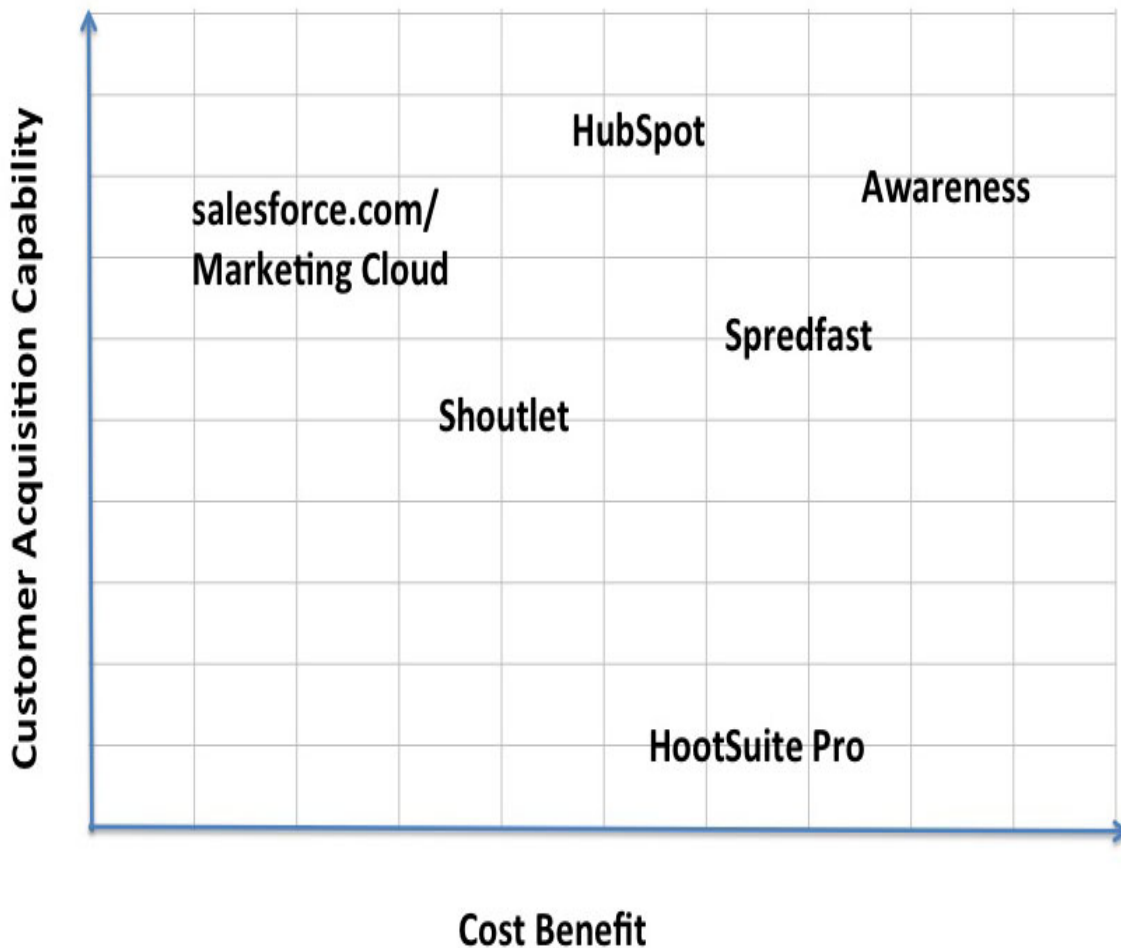
Perhaps more important than price concerns is the notion of independence. While Buddy Media may be well-integrated with salesforce.com in time, there are literally millions of SMBs not using salesforce.com. Products like SugarCRM and Microsoft Dynamics CRM have a very large SMB customer base, yet both lack deep social marketing tools. By aligning with these vendors, the independent SMB players can attack a wide addressable market that is already sold on the concept of CRM, and sell a message around extending that reach into more channels with only incremental expense. Enterprise-focused yet price-conscious tools like Shoutlet can fit in well here, integrating with CRM tools as well as cross-platform analytics tools from Oracle and Adobe's Omniture Web analytics suite.

SMB marketing landscape – general

Demand Generation — Social Marketing
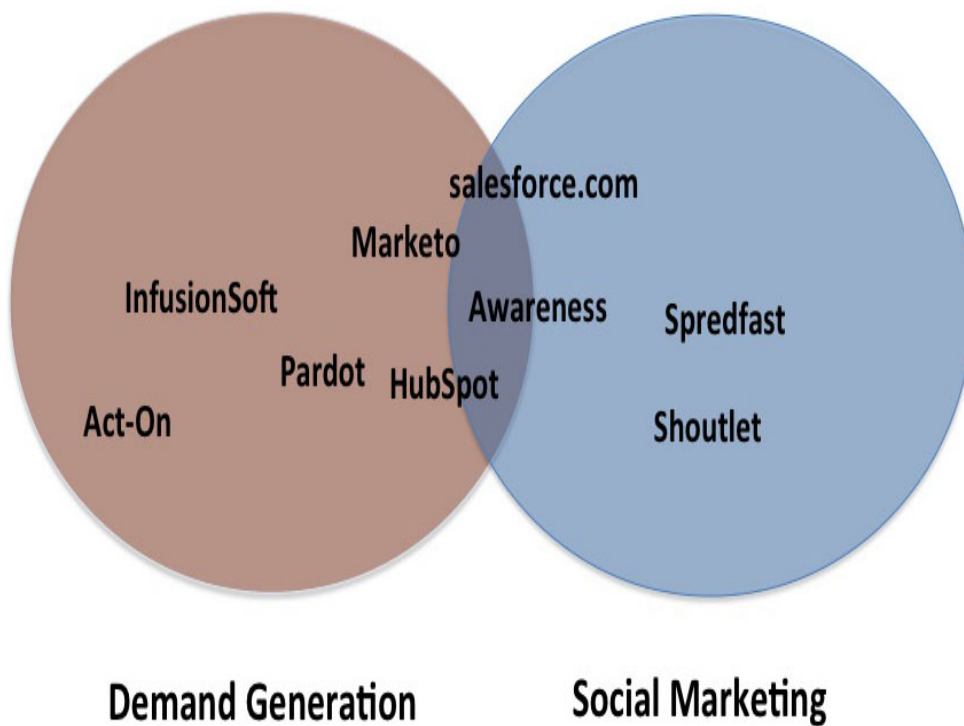
While not complete, the chart above shows both major vendors in the demand-generation field and those with a social marketing focus, including those with overlapping feature sets or business value. We are seeing more vendors bring a value proposition that includes customer acquisition through social channels. For pure-play marketing tools lacking these features, independent social marketing tools with customer acquisition capabilities can bulk out feature gaps via partnership. Also, for customers looking to leverage best-of-breed offerings, independent social marketing tools can complement their existing CRM deployments without any 'rip and replace' requirements.

SMB social marketing landscape – customer acquisition

Customer Acquisition Capability (vertical axis)

HubSpot

salesforce.com/
Marketing Cloud

Awareness

Spredfast

Shoutlet

HootSuite Pro

Cost Benefit (horizontal axis)

This second chart looks at some of the representative vendors in the social marketing space. The vendors are positioned on this chart based on the robustness of their social acquisition features, coupled with the cost-to-benefit ratio of the software packages.

Acquisition over 'listening'

It is important to note the distinction between traditional 'demand generation' marketing vendors and the social marketing tools we are discussing here. Demand-generation tools might leverage some social capabilities; however, they are usually around creating a broadcast message via social channels, and responses can be tracked in the marketing automation system. There is also a huge difference between this new crop of vendors and the social media monitoring tools on the market. These tools are analytics-based, providing insight into sentiment and activity, but sometimes lacking the granularity and data capture inherent in a lead-generation and customer-profiling model.

Rather, these new social tools tend to have a four-part feature set: listen, engage, act, measure. While many of these tools do have a monitoring and reporting aspect, the monitoring is more around finding unique utterances or interactions that trigger an action, rather than just aggregate

sentiment reporting. For example, sales organizations selling business telephony services want to know in real time when someone with the proper credential complains about the phone systems they are utilizing from another vendor. The sales agent or lead-qualification team can reach out or perform other nurturing or monitoring tasks to best queue the lead for a potential sales interaction.

The 'social profile' differentiator

In the above example, the difficulty in qualifying or even spotting leads or other 'hot spots' inside social interactions is around simply knowing who is saying what. Traditional CRM systems have been less than ideal for social interaction management, mainly because the data models are typically based on manual input by a sales rep. At scale, this simply does not work in a social universe of millions of Twitter, Facebook and other social channel users. However, companies like Awareness have focused on creating a social profile management feature inside their social marketing offerings. Again, the notion is to capture lots of data around social channels, and match those posts, Tweets, etc. with the social profile database. As data is compiled, the profile information can reveal more insight about an individual's behavior across channels, which may indicate the intent to purchase or leave a service – and triggers can be put in place to jump on hot leads or salvage potential lost revenue.

This is a powerful concept, since traditional CRM lacks the ability to truly track and manage the potentially thousands of posts and tweets made by an individual to uncover real behavioral insights. Furthermore, marketing-automation tools tend to track activity around fixed assets, such as a webinar registration or white paper download. Tools like Awareness allow a more cross-platform view into behavior, and can identify far more sophisticated pre-purchase behavior.

This new social profile concept can act as the bridge between social media and traditional CRM. The concept has been picked up by CRM firms as well, in different ways. Salesforce.com has leveraged some of the data aggregation tools in its Jigsaw Data pickup and its growing Data.com concept to build a 'social key.' The social key enables auto-population of all known social information about a named contact or account inside the core salesforce.com CRM. From what we have seen, however, the Data.com tool captures profile information from other social channels, but does not compile utterances and other content for scoring and analysis.

HubSpot, which came to prominence as an inbound content-marketing tool, has a new contact feature that includes social behavior. The contact record interface is slick and offers keen insight, but is still somewhat nascent. We believe HubSpot may see success leveraging its social contact management inside partner salesforce.com's CRM system. The benefit to all of these remaining

independent social marketing firms is that they are not married to any platform, providing greater choice for users of other CRM systems such as Sage, SugarCRM, Microsoft Dynamics, etc.

Conclusions

While many of the startups in the social marketing space are now part of much larger (typically enterprise-focused) vendors, this presents a large opportunity. Social marketing means many things, and is applicable to many markets – not just to large brands and other high-volume B2C plays. The value that social profile management brings to B2B lead-generation and lead-qualification initiatives is significant. Also, as emerging B2B2C concepts – or more simply put, merged business models – take hold inside both large and small organizations, we may see even more demand for this functionality.

Given the potential for social tools that more effectively bridge social and CRM, a second wave of M&A could ensue. While B2C and an enterprise focus led the hands of acquirers like Google, IBM, Oracle and salesforce.com, we could see remaining social marketing tools picked up by a number of potential acquirers. While Marketo has acquired some social tools in its Crowd Factory pickup, it could always bolster its arsenal. Also, Eloqua has been a leader in pure demand generation, but could use more social clout. The Microsoft Dynamics product line is a dark horse here, as well. While we see lots of B2B CRM tools as needing this type of feature to better 'socialize' their offerings, Dynamics CRM has the financial backing to make the kind of acquisitions to add social marketing, but also a cloud platform in Azure to push these tools as both stand-alone or integrated into other products, such as the Lync unified communications or even its ERP or Bing social search tools.

While we have noted that marketing was the last bastion of CRM development for years, the proof points are finally emerging. Aided by social and mobile developments, marketing capabilities via various channels (all tracked back to process-centric systems like CRM) are in-demand. This remaining crop of social marketing tools – those with decent revenue and customer momentum – will be impactful members of the marketing software sector either as growing independent offerings or as acquired subsidiaries as this concept continues to prove its value in the customer-acquisition lifecycle.