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Digital Transformation and Digital Strategy roadmap: the growing importance of CRM.

RELATORE:

CH.MO PROF. ANDREA MARELLA

LAUREANDA: GIULIA BERNARDI

MATRICOLA N. 1104794

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Introduction

Globalization is a process that implies economic, social, cultural, political and technological interdependence, it has brought about uniformity in the commerce, way of thinking, customs and traditions all over the world. It has effects on every aspect of world's life and not only in the economic field as many people believe. Thanks to globalization new growth opportunities for poorer countries were created, moreover technology becomes wide spread and this allow faster communication and availability of information all over the world, goods prices are kept low to face the competition and the space-time distance is drastically reduced. In few words, we can say that globalization lead to more choice for the world. Academics and researchers date the beginning of globalization back to the discovery of the American continent, other instead track it back to sudden decrease of transportation costs between the '80s and '90s and the arrival of internet.

For sure the development on Internet and the further evolution of World Wide Web are important enablers of globalization and have contributed to the development of new business models where flexibility is the major characteristic, moreover thanks to the Information and Communication Technology (ICT) there is a further reduction in the space-time distance.

Globalization, the innovation in the ICT field and Digital Transformation have increased the competition in the market, every company regardless its field of activity, so being it a service or a manufacturing organization, has to cope with this new market condition and there is only one thing companies can do: concentrate on customers.

This was acknowledged by companies already in the 90's where the relationship market concept and the first Customer Relationship Management systems were introduced.

The aim of this work is to state the supremacy of customer inside the company and analyse evolution of Customer Relationship Management over the years with a critical eye on the influence of the World Wide Web and the Social Media, that are now of crucial importance for companies that want to gain a competitive advantage over the competitors. Their importance comes from the information, called Big Data, that companies can obtain when implementing a Digital Strategy that implies monitoring of Social Media.

The *first chapter* gives an insight of what Business Models, and in particular E-Business models are, this is quite important as a lot of today businesses are e-business, and even the brick-and-mortar activities are supported by online ones. Moreover, even if Business Models were already in used and a common practice since years only with the spread of e-commerce academics started to write and study them. Thanks to a literature excursus most important Business Models are listed and an insight on world and Italian E-commerce situation is given. It is important, as it enable to understand the degree of competition existing on the market.

The *second chapter* is entirely dedicated to the Customer Relationship Management, both under a strategical, technological and operational point of view. This chapter is fundamental to understand the importance of a good CRM strategy to engage customers and thus gain a competitive advantage over competitors.

The *third chapter* focuses on the Digital Transformation that has hit the society in last years. To this end a detailed description and history of World Wide Web is given, following an excursus on major Social Media and their implications for companies will introduce us to the next central topic: Social CRM. It is conceived as an integration of traditional CRM, that makes a wide use of Big Data to analyse customer needs and wants, and make tailor offers in order to engage and transform them in advocates. Big Data and Social Media Marketing are at the basis of a proper and successful Social CRM system, for these reasons the last part of the chapter is entirely focused on them. This chapter also affirms the importance of having a proper Digital Strategy that backbones the Digital activities of the company.

The *fourth chapter* deals with Fidelity House, an Italian community owned and created by a Paduan company, that has been able to create a business valued € 1.6 million in just 6 years and that is entirely based on a proficient use of Big Data to cluster community's users and display them tailored advertisements that enable the company to gain. This in important as gives a practical example on the importance of Big Data in today competitive environment.

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Chapter 1

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E-Business model

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1.1 <u>Business Model</u>

Every company in the world has a business model, some have explicitly articulated it and some other not. The business model is fundamental because it explains how the company creates value for its customers, the relations it has with consumers and partners as well as all the activities and resources which are needed to achieve company's objectives[1]. Last, but not for its importance, the Business Model describes also the revenue stream of a company. The public debate about "Business Model" definition started in 1970 (Ghaziani and Ventresca 2005) and increased in the '90s with the beginning of the Digital Economy. During these long years of debate a lot of definitions have been proposed both by practitioners' communities, scholars and researches but to this day no clear and unique definition exists, above all because a continuous contestation by researches. Ghaziani and Ventresca (2005) affirms this is due to three main reasons:

1) The debate started back in the '70s and the definitions issued are a lot;
2) Practitioners communities use the term "Business Model" with different meanings, based on their needs and experiences;
3) Historical and contemporary contexts are marked with ambiguity, practitioners and researches focus on different aspects of the Business Model.

Among all the attempts carried out by researches the most famous and shared definitions about "Business Model" are the following:

> *"An architecture for the product, service and information flows, including a description of the various business actors and their roles; and a description of the*

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[1] Fielt E., *Conceptualising Business Models: Definitions, Frameworks and Classifications, in* Journal of Business Model, 2013 pp.85-105

potential benefits for the various business actors; and a description of the sources of revenues". (Timmers 1998)

A business model is a unique blend of three streams that are critical to the business. These include the value stream for the business partners and the buyers, the revenue stream, and the logistical stream. (Mahadevan 2000)

In the most basic sense, a business model is the method of doing business by which a company can sustain itself -- that is, generate revenue. The business model spells-out how a company makes money by specifying where it is positioned in the value chain. (Rappa 2000)

A business model is the method by which a firm builds and uses its resources to offer its customers better value than its competitors and make money doing so. It details how a firm makes money now and how it plans to do so in the long-term. The model is what enables a firm to have a sustainable competitive advantage, to perform better than its rivals in the long term.(Afuah and Tucci 2001)

A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities. (Amitt and Zott 2001)

A business model refers to the core architecture of a firm, specifically how it deploys all relevant resources (not just those within its corporate boundaries) to create differentiated value for customers. (Tapscott 2001)

The business model provides a coherent framework that takes technological characteristics and potentials as inputs, and converts them through customers and markets into economic inputs. The business model is thus conceived as a focusing device that mediates between technology development and economic value creation. It "spells out how a company makes money by specifying where it is positioned in the value chain" (Chesbrough and Rosenbloom 2001)

A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets. (Morris et al. 2005)

We define a business model as a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network. (Shafer et al. 2005)

At its heart, a business model performs two important functions: value creation and value capture. First, it defines a series of activities that will yield a new product or

service in such a way that there is net value created throughout the various activities. Second, it captures value from a portion of those activities for the firm developing the model. (Chesbrough 2006)

A business model, from our point of view, consists of four interlocking elements that, taken together, create and deliver value. The most important to get right, by far, is the customer value proposition. The other elements are the profit formula, the key resources and the key processes. (Johnson, Christensen and Kagermann 2008)

Generally speaking, the concept refers to the description of the articulation between different BM components or 'building blocks' to produce a proposition that can generate value for consumers and thus for the organization. (Demil and Lecocq 2010)

A business model describes the rationale of how an organization creates, delivers, and captures Value. (Osterwalder and Pigneur 2010)

In short, a business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profits. (Teece 2010)

A business model can be viewed as a template of how a firm conducts business, how it delivers value to stakeholders (e.g., the focal firms, customers, partners, etc.), and how it links factor and product markets. The activity systems perspective addresses all these vital issues [...]. (Zott and Amitt 2010)

A Business Model results described as an "architecture", a "method", a "framework", a "representation" used by companies to "create and deliver value to their customers", gain a "competitive advantage" and to sustain themselves. Moreover, it is made up by an interrelated set of elements which explains most important company's activities and relations that enable it to address the customer, the value proposition, the organisational architecture and the economic aspects. Some definitions are more exhaustive almost to point of being "Business Plans" other instead are less articulated. Many definitions briefly describe which are the elements that build up the Business Model and many other ends up coinciding with the framework[2]. This is due to the fact definitions are issued by different researches, with different backgrounds and contexts and this implies different needs. An example are Timmer's, Weil and Vitale's, Mahadevan's and Tapscott's definitions which focus on the actors of the business model and the interactions between them, Rappa instead gives more importance to the monetary aspect. Some researches

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[2] Fielt E., *Conceptualising Business Models: Definitions, Frameworks and Classifications, in* Journal of Business Model, 2013 pp.85-105

distinguish between Business Model and strategy others affirm that Business Models covers also a part of the Business Strategy. After years of study and researches all scholars share the idea the Business Model explains how the company creates value in general and this is the reason why recent definitions are really similar[3]. This is a good starting point toward a generally accepted definition.

To properly understand next chapters, it is fundamental to understand the meaning of "value" in the E-Business context and above all how it is achieved and constructed. When dealing with E-Businesses we are referring to economic activities carried out via the Internet and it is the Internet and the Information & Communication Technology (ITC hereafter) it has brought about that enable companies to create value.

The web was first introduced in the '70s by the "Defense Advanced Research Projects Agency" (DARPA) but ICTs were not available yet, in the '80s thanks to the development of personal computer and the spread of Internet the first Information Technologies were introduced, companies were now able to collaborate with other businesses around the world and stay in contact with customers, but it is with the emergence of the world wide web that ITs increased and obtain the current connotation of ICT[4]. ICTs are the natural evolution of ITs, but they focus more on the communication and on the use of information available to create new knowledge and contents. ICTs have had a huge impact on the people's everyday life and this implies also the business world[5].

It is possible to define ICT as tools which include Internet Networks, E-mail systems, videoconferencing, software and smart technologies (tablets, smartphones, smartwatches…) and that allow the business to speed up the communication among departments and with external parties as well as carrying out many other activities. In particular, thanks to the electronic computers, communication devices and software, businesses can process, store, analyse and collect many information that they can use to improve their performance and thus creating value. The Organisation for Economic Co-operation and Development (OECD) in the "Guide to Measuring the Information Society" listed ICT products and services and grouped them into the following categories:

- Computer and peripherical equipment, also known as hardware
- Communication equipment, all devices which allow the transfer of data

[3] Fielt E., *Conceptualising Business Models: Definitions, Frameworks and Classifications, in* Journal of Business Model, 2013 pp.85-105
[4] Martinez-Lopez F.J. Anaya-Sanchez R. Aguilar-Illescas R., Molinillo S. *Using the social web for branding and marketing,* chapter 6, Springer 2016
[5] Martinez-Lopez F.J. Anaya-Sanchez R. Aguilar-Illescas R., Molinillo S. *Using the social web for branding and marketing,* chapter 6, Springer 2016

- Consumer electronic equipment, devices which allow the consumer to receive information and to create them.
- Miscellaneous ICT components and goods
- Manufacturing services for ICT groups
- Business and productivity software and licensing services, all systems such as ERP, CRM, SCM and other and all the application that allow their implementation
- IT consultancy and services
- Telecommunication services
- Leasing or rental services for ICT equipment
- Other ICT services, such as maintenance and implementation

All the above ICT tools have completely changed the way companies communicate both between them and with the customers and prosumers, but it has also changed the decision-making process, now companies have access to more information which subsequently allow them to re-organize the way activities are carried out enabling them to reduce non-useful costs and increase investments in other fields. ICT has clearly reformed the traditional businesses impacting above all distribution, production processes and organization structure. It is possible to affirm that the entire value chain as changed and this has created the fundamentals for the development of all e-business models described later in this chapter. But how is value created? Thanks to ICT that brought about the Supply Chain Management systems, Enterprise Resource Planning Systems, Customer Relationship Management Systems as well as a lot of computerized machines, new working processes and legitimized communication, companies have increased productivity, efficiency, reduced manual works and as already said speeded up processes thus reducing costs. ICT helps to spread information throughout the company boosting people's knowledge and coordination, helping them in decision-making processes, this led to growth and economic efficacy and efficiency. Moreover, the new technologies allow customers to surf the internet and find the product that better suit their needs and this makes the demand for products increase. Summing up we can affirm ICT tools are the instruments used by companies to create value by building their competitive advantage, reaching higher level of productivity and efficiency and continuously innovate product and processes. Melville et al. (2004) gathered up the factors that influence the ICT value in 4 contextual categories:

- Technological context, related to ICT applications characteristics such as their compatibility with technologies already in use and with the business process as well as their flexibility to changes;

- Individual context, regards the users of ICT applications, their knowledge and skills in the use of ICT is important;

- Organisational context, related to manager's support, commitment to ICT and above all their knowledge and skills in implementing them;

- Industry characteristics, regards competitors, customers, supplier, market characteristics as well as industry ones;

Nowadays ICT is so important that companies are not conceiving it as mere supporting tools but as fundamental and strategic instruments, to this day even more businesses are integrating ICT in their business strategy: this phenomenon is called Business-IT Alignment.

1.2 E-Business Model

Ghaziani and Ventresca[6] state the public talk around about "Business Model definition" grew a lot in the '90s as a consequence of the Digital Economy and the rapid spread of Internet. Researchers observed that with the introduction of new Information and Communication technologies organisational changes were taking place and started not only to define what a Business Model is but also its relations with E-Businesses, innovation and technology and began to deliver the first "E-Business Model" definitions. However, there is no commonly shared and accepted definition yet[7][8].

E-Business literally means "doing business online" and an E-Business model is like the traditional entrepreneurial model: a set of activities and processes aimed at obtaining a profit which sustain the organization and at the same time delivers value to customers. The only exception is that the organization carries out its activities mainly via the Internet.

1.3 Components and Frameworks of an E-Business Model

There are a lot of different views, opinions and understanding about the E-Business models, the whole picture is not clear. The confusion involves also the definition of what are the E-Business model components which are better known as building blocks (Osterwalder in "Business Model Generation"). These elements are most of the time presented as part of the definition of Business Model but it is not unusual to find them in separate lists, framework or ontologies. The only difference according to Gordijn, Osterwalder, and Pigneur (2005) is that frameworks and ontologies also explain the connection and relationships among the components.

[6] Ghaziani A. Ventresca Marc J., *Keywords and cultural change: Frame analysis of Business Model public talk 1975-2000,* in Sociological Forum, Vol. 20, No. 4, 2005

[7] Fielt E., *Conceptualising Business Models: Definitions, Frameworks and Classifications, in* Journal of Business Model, 2013 pp.85-105

[8] Ghaziani A. Ventresca Marc J., *Keywords and cultural change: Frame analysis of Business Model public talk 1975-2000,* in Sociological Forum, Vol. 20, No. 4, 2005

Philip J. and Winch G. in their work titled "Developing and codifying business models and process models in e-business design" try to infer these components from the Business Model definitions proposed by Trimmer (1998), Weil and Vitale (2001). First components identified are:

- Business Strategy;
- Organisation form and structure;
- Business process;
- Value chain;
- Core competencies;
- Financial structure;

They then consider the Business Model definition given by Afuah (2001) which focus the attention on the economic side of the model and states that E-Business models explain how a company makes money via Internet. From this definition, Professor Philip and Winch individuated a framework made up of the following components:

- Customer value
- Scope (Product/service)
- Price
- Revenue Sources
- Connected activities
- Required resources
- Organisational skills
- Sustainability

All these components are valid not only for E-Business Models but also for the traditional entrepreneurial one, however the relations and causality among components, processes and changes in the organisation are different.

An attempt to identify Business Model components has been carried out also by Applegate (2001), in this case the researcher issued not a list of components but an entire framework. The components identified can be grouped in three main categories:

- Business concept: products and services offered, business strategy, competitive dynamics, market opportunities and strategy to gain market shares;
- Value: measured as return to the organization, value delivered to company's stakeholders, market share, brand reputation and financial performance.

- Capabilities: delivered by the marketing and sales, management, development and infrastructure models.

Other researches have been carried out by scholars and practitioners to identify Business Models Framework and its elements, an example is the Framework ideated by Chesbrough and Rosenbloom (2002) who discuss about Business Models and their relationship with technology and innovation. They see the Business Model has a framework that use technological characteristics and potential as inputs and through customers and markets converts them into economic inputs. Another example is the "Four-Box Business Model" proposed by Johnson (2010) which is similar to the most famous framework proposed by Osterwalder and Pigneur in 2010: the "Business Model Canvas". This model was created in 2010 but the underlying idea can be found in the "Business Model Ontology" issued by Osterwalder in 2004. The Canvas is made up of 9 components, also called building blocks, and according to the Ontology published in 2004 they can be gathered up in four pillars:

1. Customer interface.
    a. Customer Segments,
    b. Customer relationships,
    c. Channels,
2. Product,
    a. Value Proposition
3. Infrastructure Management,
    a. Key Activities,
    b. Key Resources,
    c. Key Partners,
4. Financial aspects,
    a. Costs stream,
    b. Revenue stream.

The Business Model Canvas is a sort of shared language which describes and at the same time visualize business models, it is particularly used to assess new innovative business models and to improve the existing ones. The Business Model Canvas focuses on design and innovation, stimulating visual thinking and enhancing communication through storytelling. An important characteristic of this model is that it was not created to describe either traditional business model or e-business models but it is perfect for both. This is probably due to the context in which it was studied, it was issued in 2010, to that year a lot of researches and papers had already been issued and E-Businesses were already a reality and no more a novelty.

There's another framework that worth to be mentioned: "The Business Model schematics" ideated by Weill and Vitale (2001). The two researches took the Business Model definition given by Trimmer and the Business Model elements he individuated and gave them a visual presentation. They came up with a framework highly focused on e-businesses. A depth insight will be given later.

In the 2005 Morris et Al. carried out an important study on Business Models components, they compared 18 frameworks and discovered that the number of elements mentioned in each framework varied from 4 to 8 and individualized a list of 24 components of which 15 were cited more than one time. This is really important for future researches as it seems researches agree on what the core elements of a Business Model are.

1.4   <u>Classification of E-Business Models</u>

Academic literature is rich in papers trying to address the classification and description of different E-Business Models, a lot of framework and ontologies have been issued. If there is a great confusion around the definition of Business Model and its components the issue around the classification is even greater. A lot of Business Models classification are labelled "taxonomies" but this definition is improper because they should be identified as typologies[9-10].

Classification is the systematic arrangement in groups or categories according to established criteria.

Having a good classification scheme is fundamental as a basis for other researches and for the development of further theories. They help to gain an understanding on the topic and above all to remember it. Among the different classification is important to distinguish typologies from taxonomies as they serve different purposes.

Typology is a classification carried out in a deductive manner. Items are classified according to criteria fixed by the researcher in line with the object of the research. The problem of typologies is that they are not quantifiable as they are not generated through statistical but qualitative analysis and serve a limit number of purposes.

Taxonomy is a classification resulting from an empirical analysis so it is quantifiable. Data about objects are collected and analysed, the results are then used to classify them according to visible data and measured common characteristics.

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[9] Lambert C. S., *Do we need a "real" taxonomy of e-Business Models?,* School of Commerce Flinders University
[10] Lambert C. S., *The importance of classification to Business Model Reasearch,* in Journal of Business Model (2015), Vol. 3, No. 1, pp. 49-61

Typologies	Taxonomies
Specific/arbitrary/artificial classification	General/natural classification
Categories (types) are conceptually derived	Categories (taxa) are empirically derived
Reasoning by deduction	Reasoning by inference
Few characteristics considered	Many characteristics considered
Mostly qualitative classifications	Quantitative classifications
Provides a basis for only limited generalisations	Provides a basis for generalisation

Table 1: Summary of Differences between typologies and taxonomies. Source: Lambert S. "Do we need a real taxonomy for E-Business Models?"[11]

Lambert S. in its paper "Do we need a real taxonomy for E-Business Models?", affirms that in the field of E-Business classification the words "taxonomy" and "typology" are used interchangeably and above all classifications labelled as taxonomies are mere typologies.

1.4.1 Classifications

The majority of researches carried out in recent years about E-Business Models were aimed at classifying Business Models already existing. It is important to notice that all these classifications have been provided following different paths, some authors simply describe E-Business Models they see in the reality, others did not identify clear criteria and present Business Models using unstructured narrative thus creating an archetype rather than a classification. Some other researches, instead, use a methodology base on at least two variables to create a proper Business Model codification.

Following there's a description of the most cited and known classification:

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[11] Lambert C. S., *Do we need a "real" taxonomy of e-Business Models?*, School of Commerce Flinders University

No classification Criteria and/or unstructured narrative	Systematic method – use of criteria as variables
Bamburry (1998)	Timmers (1998) (functional integration and degree of innovation)
Viehland D. (1999)	Tapscott et al. (1999) (economic control and value integration)
Hartman and Sifonis (2000)	Afuah and Tucci (2003)
Applegate (2001)	Weil and Vitale (2001)
Eisenmann (2002)	Osterwalder and Pigneur (2010)
Rappa (2003)	
Laudon K.G. and Guercio C. (2003)	
Turban et al. (2006)	

Table 2: Most important Business Classification. Source: Personal Elaboration

- **Bamburry (1998)**

    Bamburry categorizes Business Models related to the I-Commerce (Internet commerce) which are all those commercial activities executed using Internet. He divides I-Commerce business models in two categories: Transplanted real world Business models and Native Internet Business Models. The former includes all the models and activities which exists in the real world and are transplanted into the Internet context, the latter involves all models which do not exist in the real world because economic reasons do not allow it. Bamburry affirms "Unlike the real-world the native economy of the Internet is not based on scarcity but on abundance. There is an abundance of information and anyone can trade in it".

    Transplanted real world Business models

    o The mail order model, retailers who execute traditional operations only on their web shop.

    o The advertising based model, advertising revenues support operations and the free services offered.

    o The subscription model, users subscribe and pay a free to obtain the service.

    o The free trial model, user have access to a service for a limited time period after which they have to pay to use the service offered.

    o The direct marketing model, use of mail direct marketing commonly known as Spam.

- o The real estate model, application of the real estate model to the sale of web spaces, domains, names and e-mail addresses.

- o Incentive schemes model, most of the time combined with the advertising model. Web users are incentivized to accept advertising and to provide personal information through freebies and contests.

- o B2B, all the above businesses are B2C, but to allow this there are also a lot of intermediary activities between vendors.

- o Combination of the above models

Native Internet Business Models

- o The library model, put at the disposal of users a great variety of information and media for free.

- o The freeware model, typical of the Internet software communities. A basic version can be downloaded for free, to have access to more sets of options.

- o The information barter model, implies the exchange of information over the Internet between individuals and organizations. Personal information can be exchanged for a product or service and the set of information obtained can be sold by the company to third partied that create mailing lists or customized advertising.

- o Digital products and the digital delivery model, implies a purchase and a contextual download of the digital item.

- o The access provision model, business which allows the access to the web, also called Internet Service Providers (ISP).

- o Web site hosting and other Internet services

- **Timmers (1998)[12]**

  Through a qualitative mapping based on the criteria "functional integration" and "degree of innovation" Timmers identifies ten E-Business models:
  - o E-Shops, considered the web marketing of a company. The main aim is to advertise enterprise's products and services, moreover there is the possibility to buy and pay the desired item. E-shops are often combined with traditional brick-and-mortal shops.

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1. [12] Timmers P., *Business Models for Electronic Markets,* in Electronic Markets Vo.8 n.2, 1998

- E-Procurement, implies an electronic tendering and procurement of goods and services.

- E-Auction, is like a traditional auction but goods are displayed digitally.

- E-mall, collection of E-shops with common characteristics, the service is enhanced with a common secured method of payment.

- Third party marketplace, perfect model for companies who want to give to third partied their web marketing

- Virtual communities, each member adds personal information onto a basic environment created by the virtual community company.

- Value Chain service provider, the company specialize in a specific function of for the value chain and build a competitive advantage on it.

- Value chain integrators, the company tries to carry out different functions of the value chains and tried to exploit additionally the information flows between the different steps of value chain it covers.

- Collaboration platforms, the company provides a set of tools and an environment which allows the collaboration between enterprises.

- Information brokerage, trust and other services, a complete set of tools and information services which helps both companies and individuals to exploit all information put at disposal by the World-wide web.

- **Viehland D. (1998)**

Studying the opportunity offered by the Internet he pinpointed three E-Business models:

- Virtual retailer, equivalent to the traditional retailers but its activities are carried out primarily via Internet.

- Distributed Storefront, typical model of companies who run a "brick-and-mortar" shop and open a "brick-and-click" one to both sell products online and to use it to display and advertise the company's catalogue and stimulate the interest of customers.

- Buyer-led pricing, a model where buyers can negotiate on prices.

- **Tapscott, Lowy, Ticoll (2000)[13]**

Tapscott, Lowy and Ticoll conducted a qualitative analysis on business models using two criteria, the "economic control" and "the value integration", they pinpointed five

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[13] Meier A. Stormer H., *Managing the Digital Value Chain,* Springer, 2009 pp. 19-37

business models also called b-webs that is business webs where a set of contributors (partners) are put together to create value for the customer and wealth for the shareholder. The five pinpointed models are:

- o Agora B-web, an electronic marketplace where demand and supply meet and buyer and seller can negotiate. The name comes from the ancient Agora, a place where public assemblies were held.
- o Aggregator B-web, defined as a digital supermarket which selects products and services from different suppliers, decide which is the target market segment, fix prices and supervise the fulfilment of the transactions.
- o Integrator B-web, is a content provider, it constructs a value chain tailored on the customer needs. It does not produce anything, but only integrates the value contribution of different content providers such as developers, suppliers, solution integrators, operators etc.
- o Alliance B-web, commonly known as communities.
- o Distributor B-web, a distribution network which connects producer and users.

- **Hartman and Sifonis (2000)**

  This classification was provided by two Cisco's managers who identified "five business models that are changing the way value is delivered", their work is also known as "Extended Economy Business Models".

  - o E-Business storefront, an entity in which commerce occurs and is profitable because creates margin. Value generated is extracted using both traditional and new digital market channels.
  - o Infomediary, also known as content aggregator, the entity collects information, knowledge and contents that add value to a e-business transaction.
  - o Trust intermediary, the aim of the entity is to create trust between parties, usually buyer and seller. It creates a secure environment where transactions can be executed and value exchanged.
  - o E-Business enabler, entity that creates and deliver the infrastructure needed to execute transactions via the web.
  - o Infrastructure providers/communities of commerce, members united by complementary interests such as product, service or content. In case of the community of commerce enterprises are organized around not only common interests but also around shared infrastructures.

- **Applegate (2001)**

By selecting and analysing the "generic market role", the "digital business" and the "platform", Professor Lydia Applegate created a classification made up of five general categories. Each category contains detailed E-Business models.

Focused Distributor Models

Provide products and services to a specific market niche.

- o Retailer, is like "brick-and-mortar" retailers, they carry out the same activities such as inventory control, set prices, sell physical products with the difference that they are carried out through Internet.
- o Marketplace, similarly to retailers they set fixed prices and sell physical goods with the big exception they do not have to control inventory. Revenues come from transaction fees and commissions.
- o Aggregators, provide information on the products but do not complete the purchase transaction. Revenues sources are advertising and referral fees.
- o Infomediary, aggregators that unite buyers and sellers of information, transactions are completed online because no physical product is involved in the transaction. Sources of revenues are advertising and referral fees.
- o Exchange, seller can decide if he wants to control or not the inventory and if he wants or not to complete the sale transaction, the price is not set but negotiated between parties.

Portal Models

Enable consumers to have access to the Web and its contents.

- o Horizontal Portals, provide a way to enter the World wide web and give access to all the information it contains as well as a wide range of tools to exploit them such as the Search Engine, e-mails, personalized pages etc. The primary source of gains is advertising as these portals are visited by thousands of people every day.
- o Vertical Portals, highly specialized portals aimed to a particular costumer segment and market niche. The source of revenue in this case is based more on referral fees and commissions as they are not subjected to a lot of traffic each day.

o <u>Affinity Portals,</u> like vertical portals but much more specialized on the content they deal with.

Producer Models

Design and produce products their customers want, they are usually brick-and-mortar companies which implement their core business with the Internet.

o <u>Manufacturers,</u> use Internet to design, produce and sell also physical products.
o <u>Service providers,</u> design, produce and deliver online services.
o <u>Educators,</u> create and upload on Internet educational offerings.
o <u>Advisors,</u> provide online consulting.
o <u>Information and New Service providers,</u> create and deliver online information.
o <u>Custom Suppliers Design,</u> design, produce but also deliver customer-tailored products or even services.

Infrastructure Provider Models

All Business Models categories described above make use of the digital infrastructure, this category instead includes Business Models that create this infrastructure.

o <u>Infrastructure Retailer,</u> the ones who sell the infrastructure.
o <u>Infrastructure Marketplaces,</u> manage the inventory and complete the sale.
o <u>Infrastructure Exchanges,</u>
o <u>Horizontal Infrastructure Portals,</u> ISPs, network providers and Web hosting providers.
o <u>Vertical Infrastructure Portals,</u> rent software applications.
o <u>Equipment/Components manufacturers,</u>
o <u>Software Firms,</u>
o <u>Infrastructure service firms,</u>
o <u>Custom suppliers,</u> of both hardware and software.

- **Weil and Vitale (2001)**

Through a systemic and practical analysis of several case studies, Weil and Vitale created a classification of eight Business Models. The models are defined "atomic" models because each one can be compared to an atom, organisations can use them individually or arrange them together creating a more complex infrastructure called "molecules". The models were identified taking in consideration the roles of the actors and the relationships among them, the flow of information, product and money and the revenue as well as benefit actors obtains. The eight "Atomic Business Models" are:

- <u>Content Provider</u>, provides contents in the form of information, digital products or services using intermediaries.
- <u>Direct to Consumer</u>, provides goods and services directly to the costumer.
- <u>Full Service Provider</u>, provides a full range of services under one domain.
- <u>Intermediary</u>, connects buyers and sellers.
- <u>Shared infrastructure</u>, brings together various competitors and make them cooperate by sharing IT infrastructures.
- <u>Value Net integrator</u>, organizes and coordinate activities in the value net by providing information carefully gathered and synthetized.
- <u>Virtual community</u>, puts people with common interest in contact enabling interaction and service provision.
- <u>Whole of Enterprise</u>, provides a single point of contact representing the entire company and which provides all services which could be required.

- **Eisenmann (2002)**

Another famous classification is provided by Eisenmann, in his research he pinpointed eight business models, no particular criteria were selected to carry out the research:

- <u>Online retailers,</u>
- <u>Online portals,</u>
- <u>Internet access providers,</u>
- <u>Online content providers,</u>
- <u>Application service providers,</u>
- <u>Providers,</u>
- <u>Online Brokers,</u>
- <u>Online Market Makers,</u>
- <u>Networked utility providers,</u>

- **Rappa (2003)**

Starting from Trimmer's classification Rappa created another one, but contrary to what Trimers did in its qualitative research, Rappa did not use any specific criteria. He just observed which E-Businesses models where used at the moment and described them. He pinpointed 40 e-business models and grouped them in nine categories.

Brokerage model

Market makers who facilitate the transaction B2B, B2C and C2C putting the buyer and seller together and helping them to communicate. Revenues come from transaction fees which can be calculated as a percentage on the operation or can be fixed at the beginning.

- o Marketplace Exchange
- o Buy/Sell Fulfilment
- o Demand Collection System
- o Auction Broker
- o Transaction Broker
- o Distributor
- o Search Agent
- o Virtual Marketplace

Advertising model

It is an extension of the advertising on traditional media such as television, newspapers, magazines, streets etc. In the Advertising E-Business Model the advertisements are broadcasted on the web using social networks and renting spaces in websites, revenues depends on the visibility the advertising has. In particular, a company hosting advertising in its website receive a fee for every impression or click on the banner, for this reason the Advertising E-Business Model is ideal for websites with higher traffic. The model is applied in the following B2C markets:

- o Portal
- o Classifieds
- o User Registration
- o Query-based Paid Placement
- o Contextual Advertising
- o Content-Targeted Advertising
- o Intromercials
- o Ultramercials

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Infomediary model

In the digital era having an insight on customer habit and preference is important as it is a source of revenues. Information gathered can be used to target specific advertising campaigns. Infomediaries companies collect data and put them at the disposal of both buyers and sellers. The model is usually applied in the following contexts:

- o Advertising Networks
- o Audience Measurement Services
- o Incentive Marketing
- o Metamediary

Merchant model

This model includes all retailers who carry out their activity online, often they also have a classic "brick-and-mortar" shop. It is used in B2B and B2C markets.

- o Virtual Merchant
- o Catalogue Merchant
- o Click and Mortar
- o Bit Vendor

Manufacturer (direct) model

This model was created based on the idea that using the Internet the producer can skip important steps of the distribution because he can now communicate directly with the consumer. The steps to which this model refers are:

- o Purchase
- o Lease
- o License
- o Brand Integrated Content

Affiliate model

The affiliate company does not need to buy, sell or deliver anything it just have to redirect its customers to a product page of the parent company website, for each purchase the affiliate company earns a commission. The affiliation is usually conducted B2B or B2C and in the following ways:

- o Banner exchange
- o Pay-per-click (PPC)

          o <u>Revenue sharing</u>

Community model

People with common interests are aggregated together in a community website where they can share information and contents. The viability of this model relies entirely on the user loyalty. The model can be applied to B2B, B2C and C2C relations and in the following marketplaces:

          o <u>Open Source</u>

          o <u>Public Broadcasting</u>

          o <u>Knowledge Networks</u>

Subscription model

Customers pay to have access to wide range of services or contents produced by the company. The fee is paid on a monthly or yearly basis. This model is applied in the following marketplaces:

          o <u>Content Services</u>

          o <u>Person-to-Person Networking Services</u>

          o <u>Trust Services</u>

          o <u>Internet Service Providers</u>

Utility model

This model offers the same services of the Subscription one with the difference that consumers do not pay a fix fee but an amount of money which is proportional to the service they have benefited from. The models belonging to this category are:

          o <u>Metered usage</u>

          o <u>Metered subscription</u>

- **Afuah and Tucci (2003)**

  Afuah and Tucci proposed a classification that is the result of the crossed analysis of the classifications created by Trimmer, Rappa and Eisenmann. The study was carried out according to 4 main variables: profit site that is the role in the value network, revenue model, commerce strategy and pricing model. They came up with seven business models and such classification is mainly based on the most dominant revenues models:

- o Commission,
- o Advertising,
- o Mark-up,
- o Production,
- o Referral,
- o Subscription,
- o Fee-for-service,

- **Laudon K.G. and Guercio C. (2003)**

The classification proposed in their book titled "E-commerce: Business, Technology, Consulting" is particular, they looked at the different types of electronic commerce and then described the observable business models that they grouped in three categories:

B2C – Business to Consumer

- o Portal,
- o E-Tailer,
- o Content provider,
- o Transaction broker,
- o Market creator,
- o Service provider,
- o Community provider,

B2B – Business to Business

- o E-distributor,
- o E-procurement,
- o Exchanges,
- o Industry consortia, a sort of vertical market owned by industries where raw materials and direct inputs are sold and can be bought by participants, the number of companies allowed to participate in these communities is limited.
- o Industry-wide network, a web based network which coordinates the transaction between specific companies thus enhancing the efficiency.
- o Single-firm network, a web based network like the industry wide one but which coordinates transactions between different units of the same company.

Others

- Peer-to-peer, a model which allows to match people who have a service to offer with people who would use it.
- C2C – Consumers to consumers, a model which allows consumers to interact and execute sale and purchase transactions.
- Mobile commerce,

- **Turban, King, Viehland and Lee (2006)**

The authors issued a list of seventeen E-Business models, most of them are similar to the ones mentioned in the classifications above but in this list, there is much more attention on the auction types models.

- Online direct marketing model,
- Electronic tendering systems model,
- Name your own price model, the buyer makes a price offer (named price) and the transaction is concluded only if the seller accepts it.
- Find the best price model,
- Affiliate marketing model,
- Viral marketing model,
- Group purchasing model,
- Online auctions model,
- Product and service customization model,
- Electronic marketplaces
- Exchanges model,
- Information brokers model,
- Bartering model, inspired by the mediaeval model, businesses exchange goods and do not pay with cash but using "trading credits".
- Deep discounting model,
- Membership model,
- Value-chain integrators model,
- Value-chain service providers model,
- Supply chain improvers model.

- **Osterwalder and Pigneur (2010)**

  This is probably the most known Business Model framework among scholars, above all because it is aimed at visualizing and describing both traditional business and e-commerce activities. The authors also identified the following five business models:

  - Unbundling, there are three types of activities a company can carry out, they are customer relationship, product innovation and infrastructure businesses. These three types can coexist inside and organisation but they must be ideally "unbundled" in three different entities to avoid conflicts of interest.

  - Long tail, the idea behind this model is to offer a large variety of niche products which usually are not so sold. It is about "selling less of more".

  - Multi sided platform, the aim is to put together two or more distinct group of customers and facilitate the interaction between them, this model creates value to one group only if also the other group is present.

  - Free (Freemium, Bait & Hook), in this model at least one group of customers can benefit from a free service, the non-paying customers are financed by another customer segment or another part of the business model. The Freemium concept is "Get the basics for free, pay for more", usually only the 10% of users subscribe to the premium service and their payment subsidize the free users. The Bait & Hook model instead implies a first service or product delivered for free or at a really convenient price which sometimes is even lower than the production cost and this should encourage future purchases that must cover also the initial loose the company sustained.

  - Open, this model is used by companies which want to create, capture and deliver value collaborating with outside partners.

From the review of the most important and famous Business Model classifications emerges that almost all practitioners and researches individuated the same Business Models even if called with different names. The problem is that categorization is tailored on researcher's needs and views so can not be used for different purpose. It sounds clear that a comprehensive classification of all E-Business models is needed.

Reviewing the literature and Business model classifications in a chronological order it is possible to notice how Business models are evolving, customer attention is covering even more an important part. Thanks to the Internet business models are continuously improving, sometimes interactions are reduced thanks to the automation of a lot of processes while it is unthinkable to reach without internet. Fort these reasons companies need to install and use inter-

organizational network such as the CRM (Customer Relationship Management), SCM (Supply Chain Management) and ERP (Enterprise Resource Planning).

1.5   M-Business Models

Internet is part of our everyday life, the innovations of the last decade have enabled us to have internet at our disposal in every minute of our day thanks to mobile devices such as smartphone, smart watches etc. These devices work primarily through applications and the demand for these application is increasing. Also in the field of mobile devices there is a lot of researches going on in order to identify a proper M-Business Model classification[14]. In one of his researches Woodbride R. tried to give a classification of M-Business Models and what emerge is that mainly they are the extension into the mobile world of already existing Business Models[15]. The biggest attention is paid on the applications which are the main revenue centres.

1.6   The world and Italian position with respect to the E-Commerce

The 2017 Digital Yearbook issued by "We are Social" in collaboration with Hootsuite is a sort of internet census, it collects and analyse internet, social media and mobile data for 239 countries. The world population in January 2017 counted 7.476 billion individuals and about the 50% of them has access to the Internet. There are 2.789 billion active social media users and 8.047 billion mobile subscription of which only 2.549 billion are active mobile social users. The 2017 Yearbook also gives a snapshot of each country, in particular Italy has a population of 59.8 million individuals of which the 66% have access to the internet and 31 million are active social media users. The total mobile subscription in Italy amount at 76.74 million, almost 128% of the population while the active mobile social users are only 21 million. These data give an important insight on how much Internet is part of our everyday life and so how important is to invest in activities which exploit its immense potential. The "Digital in 2017 global overview" is another important collection of data issued by "We are social" in collaboration with Hootsuite, it shows that in one year (January 2016 – January 2017) the world Internet users increased of 10%, about 354 million of new users. The percentage is even greater when dealing with active social media users who increased of about 21% and active mobile users of 30%.

It is worth mentioning that the majority of digital users are in East-Asia (33% of active social media accounts with respect to the world total) followed by South East Asia (11%), South Asia,

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[14] Pigneur Y., *An Ontology for M-Business models*, University of Lausanne, 2010

[15] Aithal P.S., *A review on various E-Business and M-Business models& research opportunities,* International Journal of Management, 2016

South America (9%) and then North America and West Europe with 8% of active social media accounts. All other world regions present a digital users distribution much lower.

The "Ecommerce Index" issued by Netcomm in collaboration with "Osservatorio del Politecnico di Milano" conducted an analysis on the evolution of the online purchases of the Italian population. In the first term of 2016 about 18,8 million people had accomplished an online purchase, another important information regards the use of mobile devices. About 21 purchases over 100 are executed via mobile application symptom that the mobile is increasing and is worth a lot of attention above all for future developments.

The Netcomm Ecommerce index underlines that the 50% of the Internet users are used to make online purchases regularly.

It is clear that the future of all companies is, not only, but mainly online. Conducting businesses via the Internet enables the company to reach different and bigger market segments, to deal with different customers and penetrate other markets. Thanks to the Internet and ICT managing all the activities of the organisation is simpler, moreover a lot of inter-organisational networks have been introduced to automatize and speed up processes. An example are the SCM -Supply Chain Management, the ERP-Enterprise Resource Planning and the CRM-Customer Relationship Management that is the one we are going to discuss in this work.

Chapter 2
CRM

2.1 <u>The Customer Relationship through time</u>

Globalization along with the new IT innovations and the consequent introduction of E-Businesses has increased the competition in the market and for companies knowing the customer has never been so vital in order to avoid losing market share or even to disappear[16]. These changes imply a complete new company's strategy based on customer satisfaction and customer needs, therefore implementing a good Customer Relationship Management system and strategy is crucial to be competitive on the market.

In the past, the merchant knew all customers by name, was aware of their needs, their consumptions habits and about the family composition[17]. In the 50's there is a complete change in the customer-vendor relationship, also due to the globalization. Companies' activities become product-centric and there is the mass-production, the main aim is to sell huge quantities of standardized products without focusing on the client's needs and wants[18-19]. It is the period of the introduction of the so-called marketing mix (product-price-place-promotion), the vendor is the only active part who can act on this mix as there is an asymmetric power distribution and the client has not the possibility to bargain. 50's is characterized by Marketing Myopia and an atomistic view of the market where customers are replaceable and numerous. Transactions are carried out with different counterparties and long-lasting collaborations are extraordinary. In the 70's the market is saturated, the demand is variable and an economic crisis hits the world, companies understand that customers preferences are not homogenous and marketing strategies are revised. The segmentation concept is introduced and companies start to offer a wide range

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[16] Duse M., *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

[17] Goodhue D. Wixom B. Watson H., *Realizing Business Benefits through CRM: Hitting the right target in the right way*, MIS Quarterly Executive 2002

[18] Magnaghi M., SOCIAL CRM – *Email, Social Media e Web 2.0 : creare nuove relazioni con i clienti*, Milano, HOEPLI, 2014

[19] Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003

of various products and services, the mass customization era begins. The market situation is precarious, to acquire new customers becomes even more onerous and difficult, to face this situation a new marketing approach is introduced: the Relationship marketing[20-21-22]. It is the concept at the basis of the Customer Relationship Management system used by all companies nowadays and its basic principle is to start, maintain and manage strong relationships with targeted group of both customer and vendors in order to build a competitive advantage. The central element of this marketing approach is the relationships between parties who both have contractual power and have an active role in the transactions. The Relationship Marketing is a bidirectional approach which implies the transfer not only of goods and services but also of information which are vital to build and maintain a relationship that lasts over a long term. Starting from the 90's companies' strategy becomes client-centric trying to go back to the "old gold days"[23], they not only need to know the customer very well in order to reach it easily but they also have to carry out customer relationship management activities to retain them over long time[24 - 25]. CRM applications have helped companies to reach this ultimate goal and above all have stated the importance of customers over the product and the complete change in companies' strategies. The introduction of the first CRM application is dated back to the 1993[26]. The 21st century started with a stunning development of the World Wide Web and the further introduction of Social Media, these innovations along with the Relationship Marketing concept have enabled companies to get to know their customers, their habits and call them by name like at the origins of the markets. With the introduction and development of Internet CRM is subjected to a transformation and becomes Electronic CRM (E-COM from here in), which as described by Paul Greenberg[27] it is the online version of the traditional CRM. E-CRM enables companies to take care of their customers via the web so introducing websites, e-mail, e-commerce as new touch points, which at the same time put at the disposal of consumers tools and functionalities to take self-care and obtain some simple information just with a click (Greenberg 2000). Paul Greenberg defines in his book "CRM. Customer Relationship Management" the E-CRM as the CRM interface dedicated to customers as it is aimed at increasing the experience of the customer online and enables him to interact with the company

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[20] Askool S. Nakata K., *A conceptual model for acceptance of social CRM systems based on a scoping study*, London, Springer, 2010

[21] Bull C., *Strategic issues in customer relationship management (CRM) implementation,* in Business Process Management Journal, 2003

[22] Goodhue D. Wixom B. Watson H., *Realizing Business Benefits through CRM: Hitting the right target in the right way*, MIS Quarterly Executive 2002

[23] Goodhue D. Wixom B. Watson H., *Realizing Business Benefits through CRM: Hitting the right target in the right way*, MIS Quarterly Executive 2002

[24] Awasthi1 S. Gupta D. Bhopte A Bharti A., *The Dual Creation of Value: Customer Relationship Managements & Performance; A Key Factor for the Long-term Success of the Firm*, International Journal of Management, Vol. 3 No. 1 pp. 23-28 2015

[25] Askool S. Nakata K., *A conceptual model for acceptance of social CRM systems based on a scoping study*, London, Springer, 2010

[26] Bracchi G. Motta G. in " *Le Strategie di Customer Relationship Management*, Sviluppo & Organizzazione" state that the first CRM application was introduced in 1993 when Siebel launched the first version of the namesake software.

[27] Greenberg P., *CRM Customer Relationship Management. La tecnologia aiuta a migliorare e rafforzare la relazione con i clienti.* ,Apogeo, 2001

through dedicated channels. The biggest changes in CRM both strategy and process have however been introduced with the development of Web into Web 2.0 and with the introduction of the Social Media. CRM concept is subjected to another substantial change and becomes Social CRM. It takes advantages of the Big Data the Web and the Social Media make available, companies foster their databases with a lot of information related to their customer, data are analysed to deepen the customer knowledge and to be able to carry out more detailed customer profiling activities (Greenberg 2010)[28]. Using Social CRM companies have the possibility to focus more on the client and to get to know him better. Social Media have had a huge impact on the entire CRM system, influencing the activities of sale department introducing the Social Sale and the possibility to better engage clients and leads, but also on customer care that has now to monitor the Web in order to understand if clients are unsatisfied and intervene in situations that could harness company's image, moreover even more people use Social Media to contact the company.

It is worth mentioning that CRM at the beginning was aimed at putting the customer at the centre of companies' activities, managers' decisions were taken considering the point of view of the customer but he was not really involved and the main objective was to reach as many customers as possible and to retain them. With the diffusion of the Web 2.0 and the development of Social Media and Social CRM there is a total transformation of customer perception and its role and importance inside the organization, as stated by Greenberg in his article "The impact of CRM 2.0 on customer insight" the client is now empowered and the company does not want only to involve him, but aims at engaging him and stimulate his advocacy. As will be explained in chapter 3 the Social Customer knows what he wants and has the tools to express his opinion online and thus influence other people. The main difference with the traditional and E-CRM is that now customers is actively involved in the companies' activities moreover he can communicate with the company using many different channels interchangeably[29] , his thoughts and opinions are the starting base to develop new products and to increase the customer satisfaction. Being multi-channel is an important competitive differential as it amplifies the number of interaction the company has with customers and the possibility to satisfy them (Bracchi-Motta).

Moreover, increasing customer satisfaction also the retention rate increases as clients are not attracted and do not manifest interest for competitors' products. The customer's knowledge process is continuous and must be coordinated throughout the entire company so that every department of the business is able to create value from the relationship with the client. To this

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[28] Greenberg P., *The impact of CRM 2.0 on customer insight,* Journal of Business & Industrial Marketing, Vol. 25 num. 6 pp 410-419, 2010
[29] Bracchi G. Motta G., *Le Strategie di Customer Realtionship Management*, Sviluppo & Organizzazione N. 202, 2004

end having a good Customer Relationship Management strategy and technology in place is important to gain a competitive advantage over the competitors.[30]
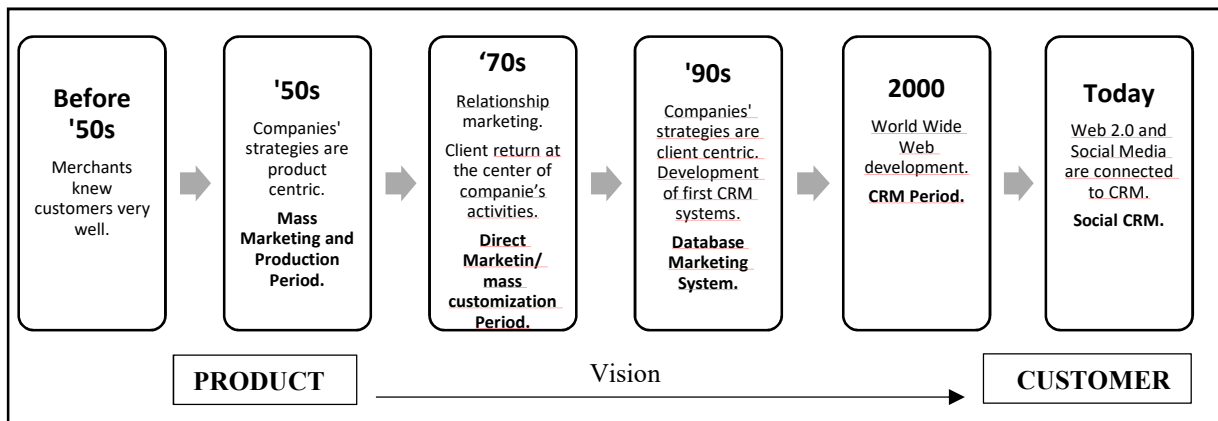

Figure 1: Evolution of company's customers vision. Source: Personal Elaboration.

2.2 What is a Customer Relationship Management System?

CRM is a philosophy and a business strategy, supported by a system and a technology designed to improve human interaction in a business environment." (Paul Greenberg)

"CRM is an enterprise-wide business strategy designed to optimize profitability, revenue and customer satisfaction by organizing an enterprise around customer segments, fostering customer-satisfying behaviours and linking processes from customers through suppliers". (Gartner)

"At the core, CRM is an integration of technologies and business processes used to satisfy the needs of a customer during any given interaction. More specifically, CRM involves acquisition, analysis and use of knowledge about customers in order to sell more goods or services and to do it more efficiently". (Bose 2002)

Customer Relationship Management (CRM from here on) is wrongly considered only a software, but as emerges from the above definitions in reality it is an integrated approach which involves people, technologies and processes. It is a cross-functional, customer-driven, technology-integrated business process management system (Goldenberg 2000)[31] and as stated also by Greenberg in his book "CRM. Customer Relationship Management"[32]. More than an instrument it must be conceived as a strategy supported by technology and which seeks to build,

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[30] Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003
[31] The Dual Creation of Value: Customer Relationship Management & Performance; A Key Factor for the Long-term Success of the Firm S.Awasthi, D.Gupta, A. Bhopte, A. Bharti, International Journal of Management page 23-28
[32] Greenberg P., *CRM Customer Relationship Management. La tecnologia aiuta a migliorare e rafforzare la relazione con i clienti.*, Apogeo, 2001

develop and retain a strong and profitable relationship with clients[33] - [34]. So, the main aim is to maximize the customer's lifecycle length increasing customers' satisfaction and thus impacting also on company's value. To achieve this, businesses do not have to increase transactions value over short time but must act on customer retention which is achievable only with a deep knowledge of customer's needs and buy habits: this is what CRM system do. It is important to get to know clients and collect as much information as possible to create an exclusive one-to-one relationship through which the company can deliver tailored offers and create high customer satisfaction. Establishing a long-term relationship is profitable for the company because the cost of sale for a loyal customer is much lower than the cost of sale for a new client[35] as it has to make it aware of the brand and create the relationship, moreover loyal customers are willing to pay higher prices, bring new customers to the company and tend to buy more over time. The CRM objective is achievable through three main joint activities addressed to the relationship with every single client: create, develop and maintain. Customer Relationship Management is a strategy[36] but also a pure philosophy that must be shared at company level, the "Relationship Marketing" strategy set by the management must be accepted and endorsed by all company's departments[37] and not remain an exclusive prerogative of the marketing one: CRM system enables to spread the important customer knowledge throughout the company, it is important that everyone inside the organization knows the transactions history of the customer (Creighton, 2000)[38], according to Mr. Duse "the company must be able to answer customer questions as if it was made by only one person"[39]. It seems now clear that CRM implementation requires huge efforts. Changes at the corporate governance and structure are essential, favouring horizontal organizational structures[40] that are characterized by less hierarchy and a lot of communication rather than traditional vertical ones which are characterized by a lot of bureaucracy and limitations. To this end organizations have to implement cross-functional customer-focused business processes re-engineering to obtain benefits and most important have to invest in the IT, which is essential to the existence of a

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[33] "Customer relationship management helps in profiling prospects, understanding their needs, and in building relationships with them by providing the most suitable products and enhanced customer service. It integrates back and front office systems to create a database of customer contacts, purchases, and technical support, among other things". Source: Awasthi1 S. Gupta D. Bhopte A Bharti A., *The Dual Creation of Value: Customer Relationship Managements & Performance; A Key Factor for the Long-term Success of the Firm*, International Journal of Management, Vol. 3 No. 1 pp. 23-28 2015

[34] Gulati and Oldroyd (2005) states that the implementation of CRM systems must serve the purpose of getting closer to customers, and that a company has to start a learning journey to getting closer to customers. The organization has to get a deeper customer and business knowledge.

[35] Engage and stimulate a customer as a cost 12 lower rather than acquiring a new one. Source: Duse M., *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

[36] Askool S. Nakata K., *A conceptual model for acceptance of social CRM systems based on a scoping study*, London, Springer, 2010

[37] Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003

[38] Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003

[39] *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

[40] Duse M., *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

CRM system[41]. CRM strategy is most of the time confused with the marketing concept, a CRM strategy instead, in based on relationship marketing principles but it has to be considered as an approach which unite marketing essential aspects to the innovations coming from Information & Communication Technology, organizational schemes, data available and which is fundamental for a complete management of the relationship with clients in all the transaction phases, starting from the first contact till the after-sale service. Fickel (1999), in fact, states that CRM technologies link front office and back office functions with the customer's touch points and this is what enable the organization to have a 360° view of customers and this is confirmed also by Askool and Nakata in the paper "*A conceptual model for acceptance of social CRM systems based on a scoping study*". The CRM system collects a lot of customers' data and produces elaborated reports that are at the disposal of all company's workers who play an essential role in the management and in the company-customer relationship, this is important as enables workers to be prepared to face every situation, to deliver a prompt service and so boosting customer satisfaction.[42]

2.2.1 The role of Information & Communication Technology in the CRM system

We would not talk about CRM without Information & communication technology, which is in fact an important enabler of CRM systems[43]. It has brought about a lot of different innovations which have reformed traditional businesses, first of all ICT introduced the Internet and consequently the Web and Social Media which are now an important source of data for CRM systems and at the same time enable a 360° communication with customers (Eckerson and Watson 2000 – Fickel 1999). Technological innovation has also brought about new devices, software and application which have substantially changed the way organizations run their activities[44]. These modernisations have considerably reduced time required for each business process, this made companies to seek continuous improvement and so lead to the creation of new needs related to the organization management and processes execution. To face all the new requirements systems such as Supply Chain Management systems, ERP systems and computerized machines were created. They are widely spread nowadays and are useful not only for the design of new working practices but also to facilitate the ones already in use. This is

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[41] Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003

[42] 42 Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003

[43] Goodhue D. Wixom B. Watson H., *Realizing Business Benefits through CRM: Hitting the right target in the right way*, MIS Quarterly Executive 2002

[44] Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003

really important as if the working flows work properly companies can address customers' requirements easily and in a timely manner and this leads to the increase of customer satisfaction. IT has legitimized the communication both inside and outside the company thus enabling the spread of knowledge throughout the different companies' departments, so we can state that IT creates new ways to link consumers with companies, and these last ones with stakeholders and suppliers and have made the communication faster. The most important ICT innovations when dealing with CRM are the Business Intelligence, data warehouses, client/server computing applications and the cloud that are exploited by the different CRM software to collect data, analyse them, run predictive models to interpret customers information (Eckerson and Watson, 2000), wants and behaviours, to use the report obtained to take actions but also to make all these information available at company level[45] and as already said this is crucial to develop a long lasting and above all profitable relationship with customers as all employers have complete pictures of clients whenever they need it.

As already mentioned ICTs have introduced essential elements which are vital for the CRM system, among these the data warehousing technology and consequently the Business Intelligence have made a substantial difference. The former is an important management tool that collect in one repository "Island of customer data"[46] coming from different operational systems such as marketing one or sales one. Usually data are subjected to data cleansing to be able to eliminate duplicate information[47]. In the CRM applications data warehousing technology is important as it enables the company to have an historical record of interactions with customers transforming information in Customer Intelligence which is vital to run analysis and understand the clients better. According to Injazz, and Popovich in "*Understanding customer relationship management (CRM):People, process and technology*", customers want companies to understand and anticipate their needs and receive service above their expectation level. Fact confirmed by the phenomenon of Social Customer, described in the next chapter.

An important influence played by ICT on CRM is related to the introduction of Internet and the consequent development of E-Businesses seen in the previous chapter, this led to the creation of new types of relationship with customers who have now access to product and services which they can receive and obtain in manners that in the past were impossible (Peppers and Rogers, 2000) and this also means the possibility for companies to collect much more data on clients

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[45] Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003

[46] Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003

[47] Eckerson, W. Watson, H. *Harnessing Customer Information for Strategic Advantage: Technical Challenges and Business Solutions*, special report, The Data Warehousing Institute, California, 2000

and future ones[48]. Moreover the World Wide Web and further creation of social media have empowered customers that have now the possibility and the faculty to express their opinion and influence other people[49]. All interactions that take place on the web along with all the actions taken by users create "data" that now are called "big data" and contain a lot of useful information that have to be recorded and analysed to have a 360° vision of the customer (Fickel 1999). This has led companies to talk about Social Customer Relationship Management (SCRM) that will be discussed in the next chapter.

2.3 <u>Customer Relationship Management process</u>

CRM activities can be gathered up in two main phases which are interdependent as one fosters the other, the first one is strictly connected to the marketing activities. In this phase, all information collected about customers and saved in the CRM software are analysed using IT instruments and advanced techniques in other to create target groups characterized by people with homogeneous interests, characteristics, needs etc… Once this classification is created the second phase, the real management of the relationship with customers, starts. This one is more related to R&D and production departments which have to use the information received to design the required products, to the sales department which could exploit information to create client-tailored sale offers and thus increase sales and last, but not for its importance, to the customer care which has to understand which are main customers' complaints and prepare itself to deliver prompt solutions and after sale assistance. CRM system in fact offers instruments to automate and synchronize sales, marketing, customer service, customer technical support and instruments to analyse the results of the above activities and the response of the customer. During the sale process or the after-sale assistance the office workers gain new information about customers and these, along with the transaction execution data, are recorded in the CRM software fostering the database. Marketing department can use the new insights to run the customer's analysis another time and create other target groups, for this reason the two phases are defined as interdependent.

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[48] Injazz J. Chen, and Karen Popovich, *Understanding customer relationship management (CRM):People, process and technology*, Business Process Management Journal, Vol. 9 Issue: 5, pp.672-688, 2003
[49] Kaplan A. Haenlein M., *Users of the world, unite! The Challenges and opportunities of Social Media*, Business Horizons pp 59-68, 2010
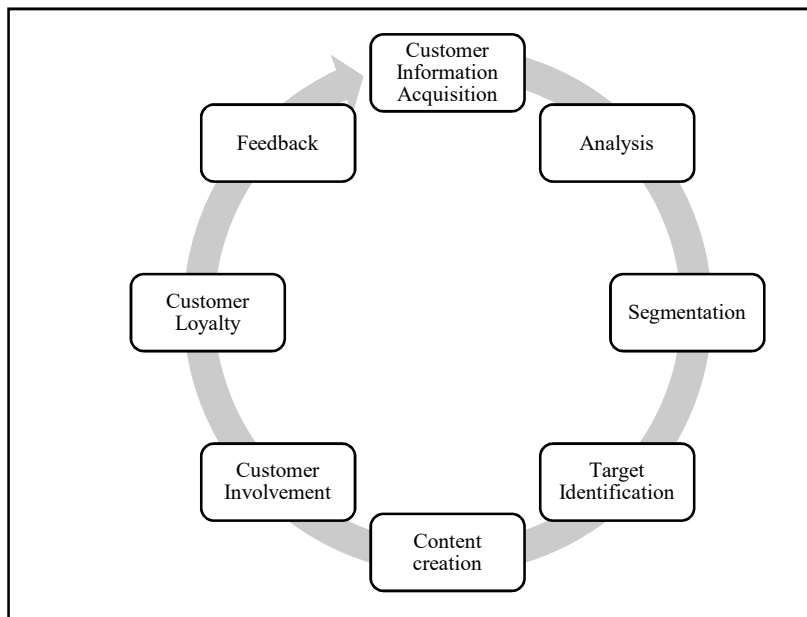
Figure 2: 8 Step of Customer Relationship Management. Source: Personal Elaboration.

The scheme (Figure 2) details the relationship about the two phases described before, into eight main steps, which are:

- Customers' Information Acquisition, the company enters in contact with clients through different touchpoints which could be both on-line and off-line, we are talking about billboards, direct mails, websites, cashiers, promoters, call centres and all social media… In each of these touchpoints the company acquires information about its clients, prospects[50] and leads[51]. It is of vital importance to run this activity efficiently. The more integrated and multi-channel systems the company set in place the more information it obtains and consequently higher is the number of possible actions the company can carry out.

- Analysis, information acquired is saved in the company's database and analysed using data mining and Business Intelligence systems. The first macro categories are created, the company gains knowledge about the attractiveness of its products and about customers' needs and wants.

- Segmentation, according to economic criteria customers are divided into distinct groups: strategic customers, prosumers, emerging customers and low value customer. The aim of the company is to divide clients and identify their importance and effect with respect to the general revenues. Segmentation is carried out also taking in considerations buying habits, buying frequency and the bearing on products sales.

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[50] Someone who has shown interest on a company's product and express the intention to purchase it.
[51] Someone who has shown interest on a company's product but has not the intention to buy yet.

- <u>Target identification</u>, the company runs a further analysis on customers' segments with higher added value identified in the previous step. Once this step is concluded the company has a complete overview on customers' portfolio and has an understanding on which segments it is worth to invest more, moreover it can create tailored campaigns in order to stimulate those customers which have higher value for the company. Analysing the results, the organization is able to identify which are the less profitable segments, if the company is wrongly investing a lot in them after this phase can revise the budget and direct the efforts in more profitable segments.

- <u>Content creation</u>, the company creates tailored solution for the identified customers' segments using all information contained in the CRM. A lot of different touchpoints are covered, the aim is not only to retain consumers but also to acquire new clients, transform prospects into clients and build a strong relationship with them. All the information obtained and saved at the beginning of the CRM process are now vital to deliver customers what they want, when they want it and above all how they want it.

- <u>Customer involvement</u>, as already said the customer is at the centre of all CRM strategies and for this reason the customer's value propositions are not only tailored on customers' characteristics and needs but sometimes are also co-created with them. The client involvement is really important in a globalized era in which we are living. Moreover, Social Media help companies to carry out this step properly. Social listening is a Social Media measurement activity that is carried out by a powerful software which analyse what people are saying and which is their sentiment. Being Social Media so widespread companies can use them as a medium by which inducing costumers to take determined actions, each action implies the creation of different data we already defined as "big data" and which enable the company to understand what has to be done to satisfy the costumer right in the way he wants and above all how he wants it. This is what customer involvement means.

- <u>Customer loyalty</u>, this is the moment in which the company start to obtain benefits if the previous steps have been carried out properly and carefully. Thanks to the client's tailored activities and solutions, the company has created a unique and strong relationship with the consumer who is now loyal to the company's brand. The benefits and revenues are much higher than the one coming from a short-term relationship, the firm can now carry out also up-selling and cross-selling activities increasing the revenues even more.

- Feedback, it is expressed by the customer. This information is important as it helps the company to understand the customer experience, ideas and suggestion for further innovative product but also new customers' need and how to satisfy them.

The information flow ends with the feedback step, the CRM process can start another time to gain more insight and increase the customers' value proposition and consequently the company's value. CRM aims at a continuous improvement, for this reason the eight steps are represented using a cycle as in Figure 2.

The above described process is the backbone of a CRM process, all the eight steps together are important for three different purposes (Malthouse, Haenlein, Skiera, Wege, Zhang)[52]:

- Acquire Customers, analyse "Prospects" information to gain insights on new market segments in which could be profitable to invest but also to find which products are required in other to amplify and differentiate the company's products variety. To reach this objective usually the techniques used are customer segmentation, profiling and creation of buyer personas.

- Stimulate Customer, once the most profitable customers are pinpointed it is important to maximize their profitability and thus the value created for the company. To reach this objective the company has to deliver a value proposition which is near to the customer needs and that satisfy him.

- Retain Customer, especially in the globalized era in which we are living, to develop customers' loyalty is really important. Companies should stimulate clients in a continuous way especially when they are willing to betray the organization manifesting interest for competitors' products.
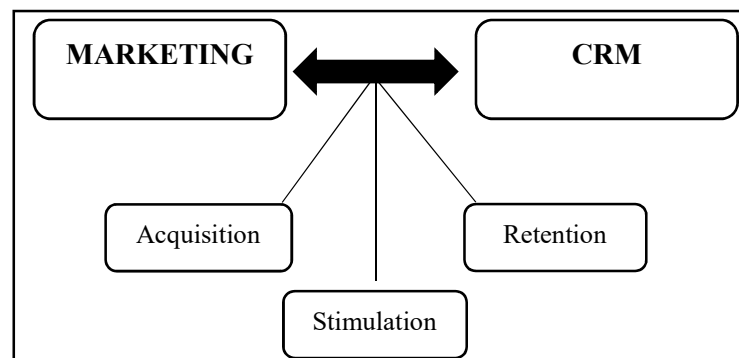

Figure 3 CRM main phases and activities. Source: Personal Elaboration.

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[52] Malthouse Edward C. Haenlein M. Skiera B. Wege E. Zhang M. *Managing Customer Relationships in the Social Media Era: Introducing the Social CRM House*, Journal of Interactive Marketing, 2013.

A CRM strategy is not only an instrument to reduce costs even if it is the main objective, it must be conceived as an important element in company's management which helps to identify most valuable customers in which to invest, but vital also to pinpoint medium-value customers and understand which are the aspects to exploit and in which to invest to transform them in the most valuable ones. This, rather than reducing costs implies higher investments and cash disbursement, but at the same time leads to customer acquisition, satisfaction, retention and engagement which entail higher revenues. A CRM system is also important to identify less valuable customers in which is useless to invest, in this sense a good CRM strategy helps to reduce company's expenditures and profitless investments.

CRM systems have customers as their gravitational centre, this imply costs and use of resources but unlike in the past they are now considered the basis for future revenues and value creation. A useful example is given by Bagnara S. in the book titled "Call & Contact center"[53] which regards the evolution of the customer service systems over years.
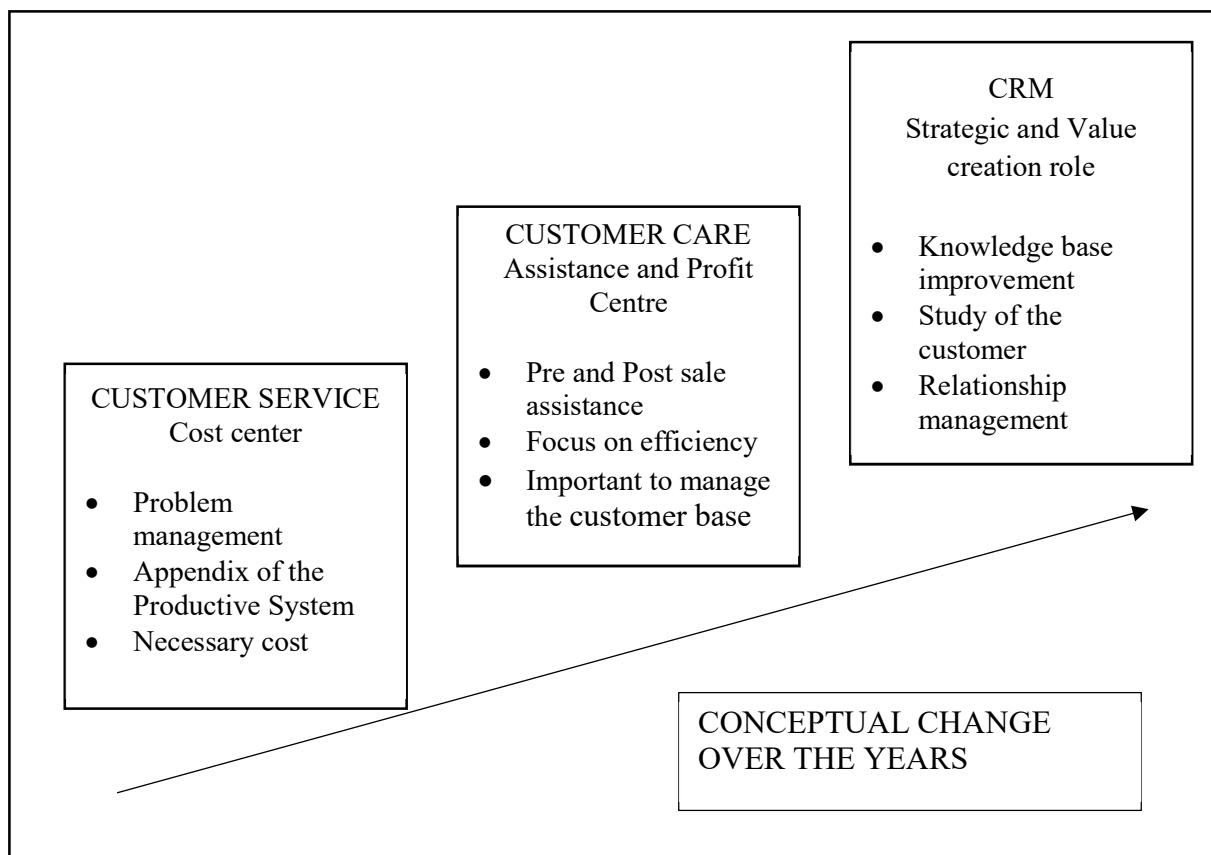
Figure 4 Conceptual change of Customer Service over the years. Source: Call &Contact Centers. Strategie di Customer Relationship Management nelle imprese pubbliche e private.[54]

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[53] Bagnara S. Donati E. Schael T., *Call & Contact Centers. Strategie di Customer Relationship Management nelle imprese pubbliche e private.*, Il sole 24 ore, 2002
[54] Bagnara S. Donati E. Schael T., *Call & Contact Centers. Strategie di Customer Relationship Management nelle imprese pubbliche e private.*, Il sole 24 ore, 2002

At the beginning the call and contact centre activities were considered an unavoidable cost centre, aimed at solving customers problems and requirements. Years after customer service systems where called "Customer Care", they resemble much more the concept of CRM, as it is considered a strategic element to deliver pre- and post-sale assistance to increase company's efficiency and manage the customer base. The customer care is not considered a cost center anymore, it is now conceived more as a revenue center which also implies unavoidable costs. In recent years the Customer Care is part of the Customer Relationship management as it is conceived as an important element of the company's offer but is also aimed at value creation. Nowadays it has a strategic role in every business as it creates value by increasing the customer base value, using the customers knowledge to identify customers' needs and satisfy them with tailored offers but also by implementing cross-selling and up-selling activities.

2.4 Customer Relationship Management architecture

CRM is primary a company strategy which must be endorsed by the entire organization, it is the way by which the company decides to relate with already acquired and future customers. Secondly it is also a technology and as said the technological component is essential to the creation of a properly working CRM systems. Under a technological point of view the CRM system can be divided into three strategical hierarchical levels:

Operational CRM

All the methodological and technological solutions designed to manage and automate the contacts the marketing, sale and customer care departments have with customers, it digitizes all transactions with the client throughout its lifecycle (Bracchi-Motta)[55] (Goodhoe, Wixom, Watson)[56]. The Digital Transformation has radically changed the customer journey and has favoured an integration of communication channels, in such situation having an Operational CRM which works properly is important. This is a module which is present in all companies which want to implement a CRM strategy, alone it could satisfy all requirements of SMEs[57]. Moreover, a lot of CRM vendors sell CRM software which cover only this area. It owes its importance to the fact that all information regarding the customer, whether they are derived from information systems or manually entered by employees who work in crucial customers' touchpoints, pass through this CRM level. Essentially it is a tool that helps the Marketing, Sales

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[55] Bracchi G. Motta G., *Le Strategie di Customer Realtionship Management*, Sviluppo & Organizzazione N. 202, 2004
[56] Goodhue D. Wixom B. Watson H., *Realizing Business Benefits through CRM: Hitting the right target in the right way*, MIS Quarterly Executive 2002
[57] Duse M. *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

and Customer Care department to take care of company's clients[58] providing support in the form of the following technologies:

- <u>Marketing automation technologies,</u> CRM module that use organizations' information about customers to automate marketing activities such as segmentation, customer data integration and campaign management. They help to save time on operations that previously were carried out manually but they also increase the efficiency and create the basis to new process development. This tool is particularly useful when dealing with Social Media Marketing, it helps to carry out personalized marketing campaign using Social Media and related Big Data generated by customers' actions. Marketing automation technologies are so useful as they help the company to plan, launch and monitor the evolution and the pace of the marketing campaign, analyse the customers behaviour and the response in real time and consequently change strategy and/or modify the campaign before it ends if the desired results are not obtained. This CRM module enables to personalize marketing campaigns, an element which is crucial for the success and for a proper Social Customer engagement.

- <u>Sales Force Automation technologies,</u> help to manage the sales activities and the entire sale network. Sales force automation (SFA) is an integrated application that automate and streamline sales activities such as order and quotation processing, contact management, inventory control, information sharing, forecasting, customer management, employee performance evaluation and sales analysis. The sale process is made up of many phases: customer identification, needs and wants analysis, offer submission and management and sale. The SFA creates rules which must be followed by everyone in the organization when carrying out a sale transaction. Everything about the transaction is recorded in the Operational CRM and the customer profile is enriched with more details. Marketing and Customer Care department can use this information next time they are in contact with the customer, thus creating tailored offers and delivering prompt answers. Another important aspect comes from the possibility to use this application also on mobile devices, in case of B2B relationships sales representative using SFA applications on mobile devices have the whole picture of the customer at their disposal, moreover they can update the profile right during the meeting, the data synchronisation will then make this new information available at every company's level. SFA is important to increase the organization's efficiency.

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[58] Rababah K. Mohd H. Ibrahim H., *Customer Relationship Management (CRM) Process from theory to practice: The Pre-implementation Plan of CRM System*, in International Journal of e-Education, E-Business, E-Management and E-Learning Vol.1, No.1, April 2011

- Service automation, it manages and automate all traditional customer care activities and introducing new ones. The traditional Contact Center deals with customer's specific issues assistance activities using mail, telephone, sms, instant messaging such as chats or even via fax, Call Centers instead deal with calls both inbound and outbound. ICT has brought about Automatic Call Distribution, Computer Technology Integration and Interactive Voice Response [59] technologies that implement a sort of collaboration between the operator and the customer, they help the client to filter the call and to connect him with the company's employee that can solve the problem, in a certain way it also resemble the self-service system. The Help desk, which gives diagnostics to the business staff, is empowered and can deliver much more detailed reports. Field service, is the assistance given by technician by the customer's facility, thanks to the Service Automation applications they have all the information available also on mobile devices. Last, but not for its importance, among the customer care services we have the web-based self-service which is implemented through the FAQ "Frequently Ask Questions" [60] page on company's website and which tries to give answers to the most common questions, moreover in some cases there is the web diagnostic service as well as the possibility to track installation online. Service automation applications enable the companies to carry out these activities efficiently transforming the customer care from a cost center to a profit one as explained by Bagnara S. in the book "Call & Contact Center" and illustrated above. The automation also implies the definition of standard rules employees must follow to deliver an efficient service using all CRM data.

Analytical CRM

Analytical CRM can be considered as the backbone and the mind of the CRM as it is the part of the system which build the Customer knowledge base and manage it by collecting information and carrying out different analysis on customers' data[61]. Thanks to the Customer Profiling activities customers' segments are identified and reports containing all information obtained are created. Analysis are usually created to profile customers, but important are also the ones run to investigate the profitability of campaigns, to personalize the transaction and the offer, to make predictive analysis, to pinpoint new market segments etc... The information

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[59] Greenberg P. "CRM Customer Relationship Management. La tecnologia aiuta a migliorare e rafforzare le relazioni con i client" 2001
[60] Greenberg P. "CRM Customer Relationship Management. La tecnologia aiuta a migliorare e rafforzare le relazioni con i client" 2001
[61] Goodhue D. Wixom B. Watson H., *Realizing Business Benefits through CRM: Hitting the right target in the right way*, MIS Quarterly Executive 2002

obtained are used by managers to plan actions and to implement them[62]. This process of analysis and reporting is commonly known as Business Intelligence, the term states not only the analysis activities, but also the technological tools and data used and the reports created.

The Analytical CRM is so important because it has different solutions to help the management to check the results of their strategical decisions and eventually to adjust them to reach the company's objectives, this is crucial to every CRM strategy.

This CRM level is similar to what we call "Database marketing"[63]: use customer information saved in a database to run analysis investigating on customer's need and habits in order to create tailored offers.

Its origins can be dated back to the '80s when Database marketing was introduced as a modern form of direct marketing.[64] Thanks to the technological evolution the database marketing changed and "Data warehouses" and "Data mart" were introduced. The former, as already described, is a repository of information coming from all company's information systems[65-66]. All data are available to every company department and most importantly it applies normalising and data cleansing processes so that it can pinpoint corrupted, wrong, duplicated information and correct and/or remove them immediately[67]. It is important to underline that some data does not come from internal Information Systems but have external origins such as market researches, industrial analysis, agency information, Social Media etc… Essential elements of a Data warehouse are the instruments it puts at the disposal of the companies to analyse information it contains, we are talking about the Data Mining[68] and OLAP.

Data Mining extracts implicit information hidden in the data, moreover it explores huge quantities of records to pinpoint customers' behavioural patterns and schemes (Greenberg 2000). The techniques most used are: Clustering, Near neighbourhoods, Neural Networks, Trees and Rule Inductions[69]. Instead OLAP (On-line Analytical processing) is a tool which use a lot of techniques to run an instantaneous multi-dimensional analysis on a huge amount of data and determine the correlation rate among these with respect to a parameter. The latter, that is Data Mart, is a subset of the Data warehouse to answer to a specific and determined need.

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[62] Rababah K. Mohd H. Ibrahim H., *Customer Relationship Management (CRM) Process from theory to practice: The Pre-implementation Plan of CRM System*, in International Journal of e-Education, E-Business, E-Management and E-Learning Vol.1, No.1, April 2011

[63] Duse M. *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

[64] Database marketing is a process that consists of extracting relevant information from commercial transactions to use them in the following marketing activities e in the further contact with customers. (Schmid J., Weber A., 1998) Source: Duse M. *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

[65] *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

[66] Rajola F., *Customer Relationship Management. Organizational and Technological Perspectives.*, Springer, 2003

[67] Duse M. *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

[68] Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R., "Big data computing and clouds: Trends and future directions", Journal of Parallel and Distributed Computing, 2014

[69] Rajola F., *Customer Relationship Management. Organizational and Technological Perspectives.*, Springer, 2003

Last, but not for its importance, there are the dashboards that the Analytical CRM put at the disposal of managers and that are one of the most relevant elements of the Business Intelligence.[70] Dashboards are used by managers to check trends and make the point of the situation just looking at them[71]. This CRM level is a knowledge management tool which is the result of a prompt and good implementation of instruments the ICT have brought about in all these years. Without all the technological instruments such as the Data Warehouse and the Data Mining this deep level of analysis would be impossible.

Collaborative CRM

It includes all integrated technologies designed to manage the contact with the client[72] in the different customers' touchpoints which usually were telephone, call center, fax… With the ICT, a lot of new contact channels have been created such as Social Media which will be deeply presented in the next chapter, and which includes blogs, forums, online communities, social networks and entertainment platforms. Customers interacting with all these platforms and interacting above all among them release a lot information, the so called Big Data, and the Collaborative CRM has the important role to collect and send them to the Operative CRM, it acts like an interface between customers touchpoints and CRM. For this reason, it is commonly called Strategic CRM. All information acquired are important because allow the Analytical CRM to create detailed customer profiles. Collaborative CRM which uses the Social Media to keep in contact with customers, to attracts prospects and incentivize leads is known as Social CRM to which the entire Chapter 3 is dedicated.

Analytical CRM involves all activities of back office, the operational CRM instead provides for both back and front office ones. If the three CRM levels (Operational, Analytical and Collaborative) are all implemented in an organization it will obtain a deep knowledge of customers thanks to the continuous improvement process of the CRM system. Moreover, each CRM level aims at solving specific problems: the Collaborative CRM addresses customer retention issues, the Operational CRM instead addresses processes and costs problems, the Analytical CRM on the other hand is useful above all in customer segmentation issues.

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[70] Duse M. *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

[71] Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R., "Big data computing and clouds: Trends and future directions", Journal of Parallel and Distributed Computing, 2014

[72] Rababah K. Mohd H. Ibrahim H., *Customer Relationship Management (CRM) Process from theory to practice: The Pre-implementation Plan of CRM System*, in International Journal of e-Education, E-Business, E-Management and E-Learning Vol.1, No.1, April 2011
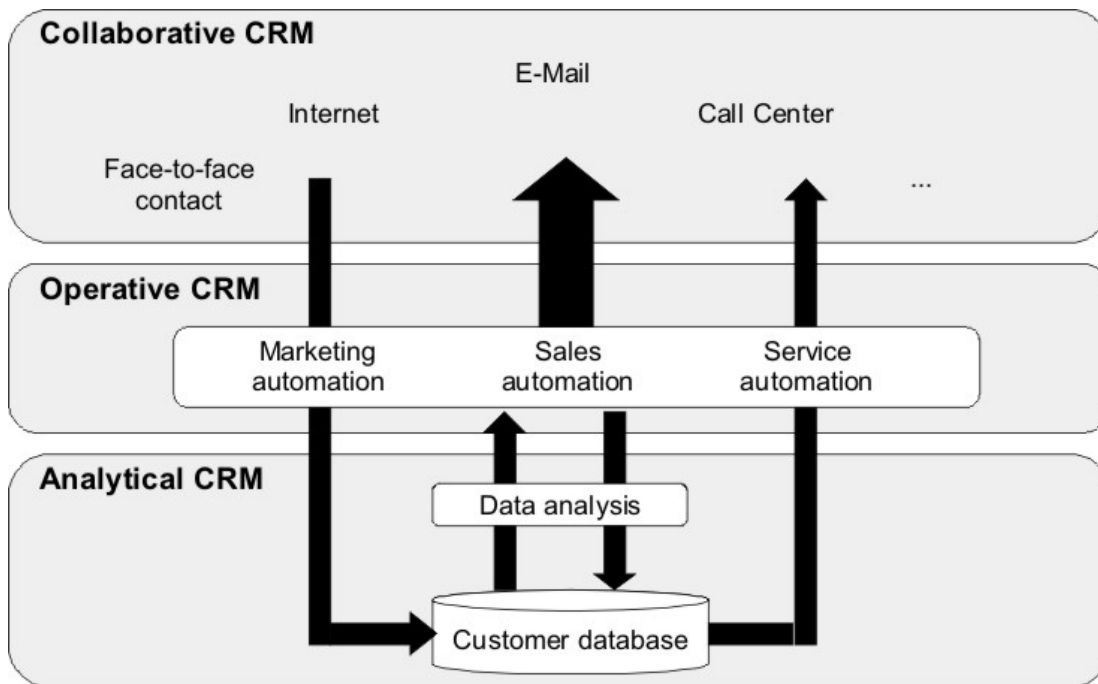
Figure 5 Architecture of a CRM system. Source: Fidis[73]

Companies implementing CRM systems usually start form the Operative CRM and the information obtained are used as Analytical CRM basis and to run Business Intelligence analysis, the obtained results are then used by the Operational CRM following the continuous improvement processes, the more information it has the more efficient the marketing, sales and customer care activities are.[74]

 Figure 5 gives an exhaustive example of how the three CRM levels are integrated together.

2.5 Customer Relationship Management implementation

An integration among Collaborative, Operative and Analytical CRM along with the continuous improvement process which consequently starts, allow a company to get to know its customers better than companies which do not use CRM at all or use only some of its parts. Investing in CRM is a step, sooner or later, all organizations have to think about, especially in the technological era the Digital Transformation has brought about. The market is now full of competitors and companies have to find a strategic way to acquire and retain the customers.

To establish long term valuable relationships with customers through a CRM system a company must study and plan a CRM strategy which involves the entire organization and most importantly it must be endorsed by everyone.

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[73] http://www.fidis.net/resources/fidis-deliverables/privacy-and-legal-social-content/d142-study-on-privacy-in-business-processes-by-identity-management/doc/9/single/
[74] Bracchi G. Motta G., *Le Strategie di Customer Relationship Management*, Sviluppo & Organizzazione N. 202, 2004

Not all companies are able to implement a CRM in such a way, sharing at the enterprise level the CRM strategy is not simple, new management skills, new processes, new organizational structures and above all a new culture are not easy to spread, even more difficult is to make people accept the changes. Gartner developed a framework called "Eight Building blocks of CRM" useful for companies that want to implement the CRM system and which helps them to plan it, to understand company's requirements and to set the perfect strategy as well as to pinpoint the ideal technology to install and the software to buy.

The Gartner's framework underlines the importance of the relationship within customers and company, a good CRM strategy should create a balance between customers' needs and requirements and the ones of the organization.
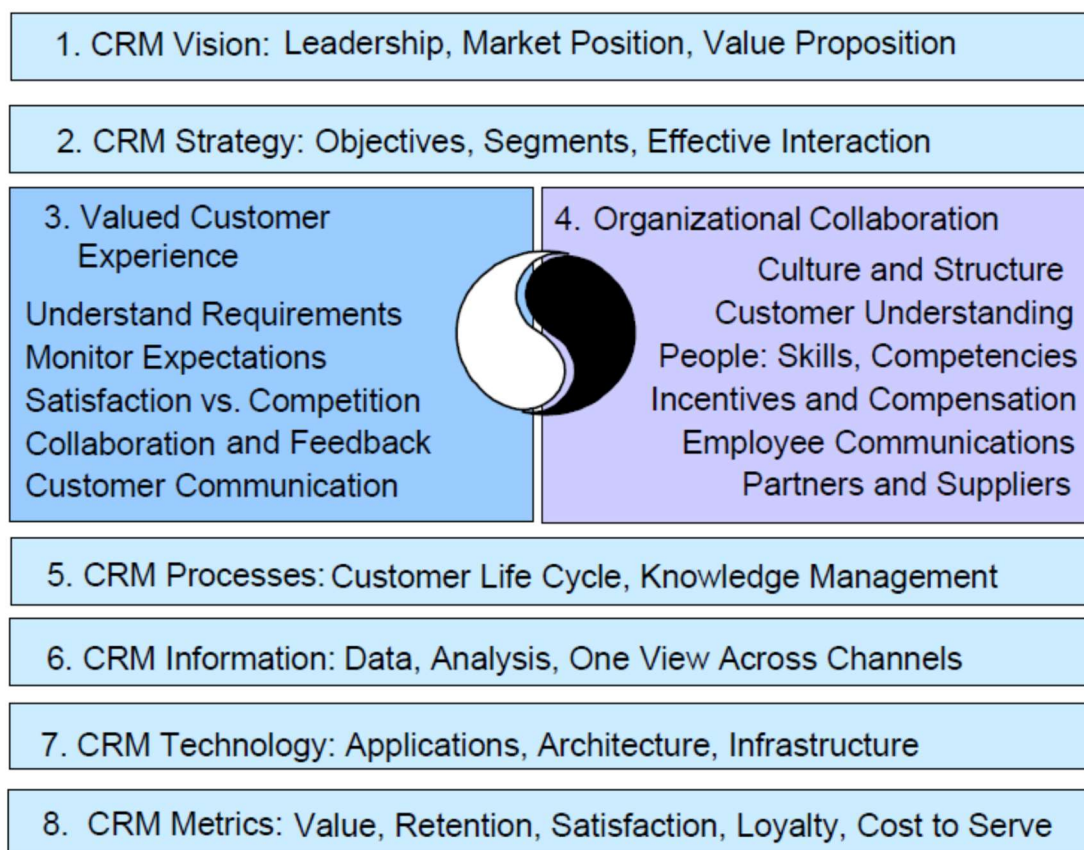

1. CRM Vision: Leadership, Market Position, Value Proposition

2. CRM Strategy: Objectives, Segments, Effective Interaction

3. Valued Customer Experience

Understand Requirements
Monitor Expectations
Satisfaction vs. Competition
Collaboration and Feedback
Customer Communication

4. Organizational Collaboration

Culture and Structure
Customer Understanding
People: Skills, Competencies
Incentives and Compensation
Employee Communications
Partners and Suppliers

5. CRM Processes: Customer Life Cycle, Knowledge Management

6. CRM Information: Data, Analysis, One View Across Channels

7. CRM Technology: Applications, Architecture, Infrastructure

8. CRM Metrics: Value, Retention, Satisfaction, Loyalty, Cost to Serve

Figure 6 Eight Building block of CRM. Source: Gartner Group.[75]

Vision

The CRM vision creates the basis of the CRM strategy, it explains how the company wants to look like at the eyes of the customers, this includes the market position the company wants to cover and the value proposition it wants to deliver. It is so important because it is the centre of all future company activities and in this sense, is what makes the company outstanding with

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[75] Radcliffe J., *Eight Building Blocks of CRM: a Framework for success*, Gartner Research 2001

respect to the competitors. The Vision express what customers expects to receive and what employees should deliver in term of customer experience.

Strategy

A strategy is not a list of activities a company should carry out in order to implement a CRM system, but it sets out the objectives of the company, that in the case of a CRM project are target, acquire, develop and retain valuable customers and to obtain their loyalty thus engaging them with the final purpose to create value for the company. A CRM strategy explain which actions the company will take to reach the objectives.

Valued Customer Experience

Customer experience is important as it influence the perception and the idea customers have about the entire organization, a CRM system must understand customer requirements and predict their needs, it should allow the company to communicate with the client and involve it in the development of new products. Basically, the main aim is to satisfy the customer, this is the only way through which the company can create a valuable long-term relationship.

Organizational Collaboration

To be customer-centric a company does not need to implement a CRM system only, on contrary having a CRM software not supported by a company strategy will make the entire CRM project fail. The organization must support the project implementing the required changes in the company's culture and structure.

Processes

The organizational structure has to change but also the business processes have to, fragmented processes will worsen the customer experience, they have to be re-designed in order to reflect customer vision and meet Customer Value Proposition. Usually the re-design activity is carried out after listening to customers' opinions.

Information & Technology

Customer information must be available at all companies' level so that employees have a complete customer insight whenever they need it, this implies a faster and effective communication with clients that will lead to higher satisfaction. A company should invest in technology instruments which allow it to integrate all data and to analyse them. Usually the three crucial issues a company has to deal with are the type of application, the architecture to adopt and how to integrate all data.

Metrics

The CRM strategy set the organizations objectives the company wants to reach with the CRM implementation, metrics are indicators set by the company when defining the CRM strategy which help to measure the success of the entire project. Every company can set the metrics it prefers as they depend on the objectives the company want to reach. Key Performance Indicators, this is how these metrics are called, are set in line with companies' objectives and related companies' actions. KPIs, in order to be really useful, have to satisfy the following four characteristics: be un-complex, relevant, timely and instantly useful.[76]

2.6 The world and the Italian position with respect to CRM

In May 2016 C-Direct Consulting[77] issued the results of a survey carried out to have an overview of CRM diffusion in Italy. The survey had a lot of success obtaining answers from 260 companies. The first important finding is that only the 44% of them has a strong consolidated CRM system implemented. As stated by Fontana E., one of the most important CRM specialist in Italy, this result confirms that in Italy companies do not have internal resources and competences to coordinate activities and processes that impact the relationship with clients, moreover, those companies that do not use CRM state they need more competences to implement such a system and those who already have one declares that more competences will make their performance even better. Under the organizational point of view CRM in Italy is still fighting difficulties.

Interesting and quite astonishing data are coming from the use of technology supporting CRM systems. In 2015 the 70% of companies interviewed were used to save data in many different databases while only the 27% was using a unique data warehouse. In 2016 percentages are completely changed, the 40% use a unique data warehouse while the 57% still save customer base information in different databases. This is important as it shows that Italian companies are moving toward the use of a unique database which is a prerequisite to the implementation of an efficient CRM system and allows the CRM application to work. Speaking about technological instruments it is important to underline that the 73% of the companies interviewed has a CRM platform a +13% with respect to the 2015. Of the remaining 27% the 17% is thinking about investing in a CRM application.

Italy has difficulties in implementing the CRM because the importance of the system has not already been understood by companies, this cultural problem is sustained by the following data:

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[76] Waiserberg D. Kaushik A., *Web Analytics 2.0: Empowering Customer Centricity,* n.a., 2009
[77] Fontana E*., Il CRM in Italia nel 2016*, CMI Customer Management Insight, 2016

In the 2015 56% of companies who took part to the survey were used to analyse data regularly, in the 2016 the percentage decreased to 49% while the percentage should increase as only through regular analysis the company can have a detailed and updated customer insight to use. A valuable information obtained from the research regards what opportunities the management is trying to exploit to efficiently manage the relationship with the customer and be competitive on the market. The answers are: first of all, CRM, followed by Customer Experience, SCRM, Digital Transformation, Marketing Automation and Big Data.

Mrs. Fontana affirms that in the United States about the 90% of companies use CRM, this data is not impossible if we look at the research conducted by BuyerZone and titled "The State of B2B Lead Generation 2013". This report shows that the overall use of CRM in USA increases of about 18% between 2012 and 2013 passing from a 56% to a 74%. Moreover, it shows that CRM is mostly used by companies with more than 11 workers, the implementation rate is about 91% whether among companies with less than 11 workers the rate is only 50%. It is important to underline that according to a Gartner research published in the 2016 the CRM world market totalled $26.3 billion in 2015, up 12.3% from the 2014 number that was $23.4, it is expected to reach $37 billion in 2017. A 2008 forecasted predicted CRM expenditure to be around $18 billion, figures have been even higher.

CRM 2.0 : Social CRM

3.1 **Digital Transformation**

Who has never heard about "Digital Transformation"? Just typing it on Google you will obtain 11.900.000 results in 0,51 seconds, quite an amazing number since it is a new concept introduced in the business world only in recent years. Most of the time the meaning of these two worlds is misunderstood and misinterpreted, above because no common accepted definition has been issued yet[78].

Digital is a new form of technology, described by the Cambridge Dictionary as "recording or storing of information as series of the number 1 and 0, to show that a signal is present or absent". Transformation instead implies a change, a modification of something that already exists.

In the book "Digital Futures, Digital Transformation. From Lean production to Acceluction" [79] Digital Transformation is defined as "a process that involves the diffusion of the Internet in both demand and supply sectors". Cap Gemini and MIT Sloan Management (2011) instead give the following Digital Transformation definition "the use of technology to radically improve performance or reach of enterprises".

The main misunderstanding when dealing with Digital Transformation comes from the meaning people give to it, the vast majority believe this concept identifies only the investments a company does in technology and consequently identifies its technological level. To this end is important to cite Gartner, according to its researches companies are allocating the 18%[80] of their budget in support of digitalization and this percentage is forecasted to be higher, about the 28%, in 2018. Digital Transformation of course means investing more in technology and automate the entire company, however this is not the only meaning. It is a process which

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[78] Kane G. C., *"Digital Maturity, not Digital Transformation"*, http://sloanreview.mit.edu/article/digital-maturity-not-digital-transformation/, 2017 (25th June 2017)
[79] Bounfour A., "Digital Futures, Digital Transformation. From Lean production to Acceluction", Springer 2016
[80] http://www.gartner.com/newsroom/id/3481117

involves the entire company, it is aimed at transforming how the business works thorough the integration of digital technologies such as Social Media, Mobile, Analytics and Cloud, in order to optimize operations, increase the harmony among them and above all to increase customer experience. A further definition describes Digital Transformation as the digitalization of the value stream. The MIT Sloan Management Review published an article in 2017[81] stating that all the definition cited above are incomplete. First of all, a company that has invested in digital tools or platform is not necessary a Digital Company as the most of times these technologies are left behind and not used by workers. Moreover, a lot of people identify Digital Companies as the ones that carry out business activities in different ways, but this is misleading too. In fact, evidence shows that there are a lot of companies that are "adopting new talented models" (MitSloan Management Review 2017) without implementing new technology. The best definition of Digital Transformation is related to the adoption of new business process to help the organization to compete in the today's Digital World. This has two main implications: Digital Transformation is the natural response of the company to the new digital trends, irrespective if they are initiated and wanted by the company or not, moreover the transformation does not imply only the use and implementation of new technologies, which at the end is only a small part of the process, but it implies also strategy changes, talent management, organizational structure and leadership[82]. The Digital Transformation involves customers, activities, processes, business model and technology. This phenomenon does not imply only the investment in new software and devices but above all it requires a change in people mind and the creation of a strong company-wide strategy supported by the entire organization"[83-84].

In 2015 the MIT Sloan Management Review in collaboration with Deloitte issued a report named "Strategy, not Technology, drives digital transformation", 4800 executives and managers in 129 countries were interviewed. According to the research 26% of companies are in an early-digitalization situation, 45% in a developing stage and 29% are already mature, where a mature company means that the organization has been transformed by digital technologies such as social, mobile analytics and cloud and that they are developed in an equal measure and integrated together. A mature organization is characterized by improved processed which create value, MIT Sloan Management review use the word "Maturity" rather than "Transformation" has the digitalization is not something that occurs overnight, in fact the re-organization and the change in strategy, process and mentality it requires implies company

[81] Kane G. C., *"Digital Maturity, not Digital Transformation"*, http://sloanreview.mit.edu/article/digital-maturity-not-digital-transformation/, 2017 (25th June 2017)
[82] Kane G. C., *"Digital Maturity, not Digital Transformation"*, http://sloanreview.mit.edu/article/digital-maturity-not-digital-transformation/, 2017 (25th June 2017)
[83] Fitzgerald M., Kruschwitz K., Bonnet D., Welch M. "Embracing Digital Technology. A new strategic imperative", MIT Sloan Management Review in collaboration with Capgemini consulting (2011)
[84] Singh A. Hess T., *"How Chief Digital Officers Promote the Digital Transformation of their Companies"* Mis Quarterly Executive, 2017

acknowledgement and indeed maturity. From the 2015 survey it emerged that what differs mature companies to the other is the presence of a clear strategy, 50% of organizations in an early digitalization stage affirm that the lack of strategy is the biggest barrier to the digital maturity, followed by too many priorities, lack of management understanding, insufficient tech skills and security concerns. Another big difference comes from the objectives of the digital strategies, in "early" companies, targets are operational objectives such as efficiency improvement and customer experience, instead "mature" organizations target strategic objectives such as improve innovation and the decision-making process that is transforming the business. A Digital strategy is essential to drive the Digital Revolution of a company, to prepare for the digitalization the companies has to develop "digital capabilities in which company's activities, people, culture and structure are in sync and aligned toward a set of goals"[85]. These capabilities include: effective Digital Culture, senior level management commitment, invest in employees, develop soft skills, and congruence among all these aspects. (Mit Sloan Management Review 2016).

This data clearly states what said till now: Digital Transformation is not only related to the technological investments, but has much to deal with strategy, processes, and knowledge.

To this end it is useful to cite the definition of Digital Transformation given by Altimeter (2014): "The re-alignment of, or new investment in, technology and business models to more effectively engage digital consumers at every touchpoint in the customer experience lifecycle"[86]. According to the group companies must approach at Digital Transformation as a way to revise the business model, vision and investment for a new digital economy and a renewed vision of the entire customer experience.

The Digital Transformation along with the world wide web and its applications has dramatically changed and revolutionized not only the economic systems and commercial players, but also the entire society and its individuals' everyday life.[87] Customers will obtain more transparency, less information asymmetries, new experiences, lower prices and new product and services, companies will instead gain efficiency and have the opportunity to develop new businesses. But Digital Transformation will have effects also on individuals and society, in the future the working day will not be 8-5 as we are used to now, there will be more self-employed, people working from home, greater work participation using crowdsourcing and crowd-working platform and machine will automate many jobs.

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[85] Kane G.C. Palmer D. Phillips A. Kiron D. Buckley N., *Aligning the Organisation for its Digital Future",* MITSloan Management Review, 2016
[86] Altimeter "The 2014 State of Digital Transformation" (2014)
[87] Reddy S. Reinartz W., *"Digital Transformation and Value Creation: see change ahead"*, Gfk Marketing Intelligence Review, 2017

Digital disruptors and Digital Start-Ups are changing traditional Business exploiting existing infrastructures, products, services and contents using new technologies[88] and thus creating new models (examples: Uber affects Taxi industry, AirBnB the hospitality one, Crowdfunding companies changes the Venture Capital industry). Companies that do not accept and implement the digital progress will be left outside the market by the advent of incumbents.[89] According to "Learning and Development in Times of Digital Transformation: Facilitating a Culture of Change and Innovation" (Vey K. Fandel-Mayer T. Zipp J. Schneider C. 2017) another important driver of innovation is the changing behaviour of customers. They are better informed, they communicate among them and above their expectations on personalized products and better customer experience increase rapidly. Organizations have to understand what values to customer and exploit the new technologies to create new Business Models that help them to deliver better customer experiences.

Increasing the quality of customer experience means satisfier customers and this lead to engagement rates. As seen before the entire organization has to collaborate to enable the organization to become a customer solution-driven business.

Digital Transformation has led to high competition and in this context Customer Relationship Management is of vital importance, technological innovation has brought about new devices, some of which are also wearable, "things" are connected to the internet and companies have the possibility to communicate and gather information about customer in many different ways. The advent of Social Media in particular has had a huge impact on the customer journey and companies 'activities, bringing a lot of cultural and organizational changes[90]. The entire chapter is dedicated to the discussion of the evolution of CRM into Social CRM, but before is important to understand what Internet, the web and Social Media, which are the cornerstone of Social CRM, are.

3.2 World Wide Web, Social Media and future implications

Internet was created in the '60s when the "Defense Advanced Research Projects Agency" (DARPA) created the ARPANET, the first network system used for military communications. It allowed a lot of computer to communicate in the same network. Soon the technology was spread inside prestigious universities and Internet started to be commonly used by professors and researchers, but we have to wait the '90s for the creation of what we call World Wide Web.

[88] Vey K. Fandel-Mayer T. Zipp J. Schneider C. *"Learning and Development in Times of Digital Transformation: Facilitating a Culture of Change and Innovation"*, International Journal of Advanced Corporate Learning, 2017
[89] Reddy S. Reinartz W., *"Digital Transformation and Value Creation: see change ahead"*, Gfk Marketing Intelligence Review, 2017
[90]

Usually the words Internet and web are used interchangeably however this is not correct as the former is the protocol, this means a communication model that sets standards on how information flows between networks, the latter is only a mean to access the online data in the form of hyperlinks and websites.

Tim Berners-Lee is the inventor of the World Wide Web which was created to enable the communication among departments of the CERN in Ginevra where he was a researcher. In 2004 Tim O'Reilly during a conference coined the word Web 2.0, the term identifies the evolution of the World Wide Web. Since that year an annual Web 2.0 conference is organized in order to analyse the development of the Web, of its applications and discuss about future possibilities.

The first version of World Wide Web, which is dated back to the '90s, is called Web 1.0 or "Static Web", it enabled users to visualize only hypertextual static documents and to download them, the drawback is that it was really limited as it did not allow the communication between users and network. Web 2.0 represents the overtaking of these limitations, in fact its fundamental principles are:

- community-based inputs,
- collaboration,
- content sharing.

The user covers now a central role, it has the possibility to communicate with other users, content providers and enterprises. Moreover, it has the instruments to create contents and share them, thus influencing the mass: these tools are the Social Media which are better explained later.

Another important concept that characterize the Web 2.0 is the Collective Intelligence which implies that at the increase of the number of users also the quality of the information service increases. This is the result of the Hyperlinking, that is the possibility to include other people's contents in new documents through a link and Page Rank that gives every page indexed in a search engine a value and establishes its relevance with respect to other internet pages. Those with higher value (Higher Page Rank) are the ones with the higher visualizations and are among the first results in the search engines. This system enables also smaller web-sites which produce high quality contents to receive the right importance. Another innovation of Web 2.0 is the "tag", a metadata which briefly describes the content of a web page, in the past there was the "taxonomy" where the classification was limited to the content creator, now we have the folksonomy where everybody can classify the page. Nowadays there are websites completely dedicated to the search of information through the use of metadata. The Web 2.0 has brought

about a lot of different innovation under the technological point of view of its applications. To sake of simplicity a list of common features of Web 2.0 applications is given[91]:

- <u>The web as a platform</u>, the web is not only a place to find and put information but also a place to share them. Web 2.0 applications can be combined together to serve the user needs, the integration is possible thanks to exchange of data through the APIs (Application Programming Interfaces).

- <u>Harnessing Collective Intelligence</u>, users increase contents value just visualizing them, this is expected to increase through the participative architecture of the application. It is important to reach also the longtail as, even if limited, they still have the power to influence.

- <u>Data as valuable as functionality</u>, most important internet applications are backboned by data, so a company need a database where it stores all this information. The company must also be able to analyse data and face the market requests.

- <u>Continuous improvement gradient</u>, in the web 2.0 a software is not a product but a service (Saas), a company that produces these types of applications do not have to release new versions salutary, but has to keep it always up to dated. Users should be seen as co-developer.

- <u>Frictionless Programming & data models,</u> the web 2.0 strategy implies the creation of added value by creating services from the mashup of two services already available.

- <u>Software that crosses boundaries,</u> a software is more used if it is available in many different devices.

- <u>Immersive, Social, Rich user experience</u>, Web 2.0 is characterized by dynamic pages, this is possible thanks to Reach Internet Applications (RIAs) which allow the user to enrich its experience using web applications similar to the desktop one. For every new action taken by the user the web page has not to be refreshed. Moreover Web 2.0 is used also to deliver Software as a Service, the biggest example is given by Salesforce and its CRM applications.

3.2.1 Social Media

The article titled "Users of the world, unite! The challenges and opportunities of Social Media" written by Andreas Kaplan and Michael Haenlein in 2010 is cited more than 10000 in Google Scholar and is widely known and used among Social Media researchers and passionate. The

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[91] Tim O'Reilly "What is web 2.0"

two academics wrote also another article titled "Social media: back to the roots and back to the future", in both works they defined the Social Media as:

> *... a group of internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of user-generated content. (Kaplan and Haenlein)*

The User Generated Content according to the two researchers, is the way in which users use the Social Media, more precisely it means the various forms of media contents that are created by end-users and available to everyone. The OECD (Organization for Economic Cooperation and Development) listed three characteristics the contents must have to be classified as UGC. In particular a content has to be published on a website which is available to everyone and so that is easy to access, otherwise on a social network which is accessible to a determined group of people, it must show it is has been created by the users using their creativity and ideas and must not be a copy of something published elsewhere and last it has to be produced outside professional routines and practices, so not created for commercial purposes.

What are the main implications of Social Media?

Users have not only the possibility but also the right to express their opinion, their thought, their impressions and their experiences with everyone, they can influence other users and their decision[92-93-94]. Companies, on their side, do not have the possibility to control information as they were used to do in the past. If for example a company is involved in a scandal, web users have the instruments to create different types of media content related to the event. If a blogger writes a new blog post about it and receive a lot of visualization its article will be in the first page of search engine results when typing the name of the company. This is possible thanks to the Page Rank system enabled by web 2.0 and gives an understanding on how companies cannot control information about them anymore. BBC Business Editor Tim Weber (2010) once said ''These days, one witty tweet, one clever blog post, one devastating video forwarded to hundreds of friends at the click of a mouse can snowball and kill a product or damage a company's share price.''

Kaplan and Heinlein (2010) created a systematic way to classify the different social media we can find on the web nowadays. The classification is carried out using theories related to the media research field (social presence and media richness) and other referred to the social

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[92] Malthouse Edward C. Haenlein M. Skiera B. Wege E. Zhang M. *Managing Customer Relationships in the Social Media Era: Introducing the Social CRM House*, Journal of Interactive Marketing, 2013

[93] Quinton S., *The digital era requires new knowledge to develop relevant CRM strategy: a cry for adopting social media research methods to elicit this new knowledge*, Oxford Brookers University, 2013

[94] Martinez-Lopez F.J. Anaya-Sanchez R. Aguilar-Illescas R., Molinillo S. *Using the social web for branding and marketing,* chapter 6, Springer 2016

process (self-presentation and self-disclosure) which are considered the most important element of the Social Media.

With respect to the Media Research field the social presence theory states that social media differ one another according to the social presence they create among two users that are communicating. The social presence is defined as the "acoustic, visual and physical contact that can be achieved". According to A. Kaplan and M. Heinlein it is influenced by the social intimacy and the immediacy of the instruments. The former represents the type of contact between the parties which can be interpersonal such face-to-face or mediated; the latter refers to the type of instrument used which can imply a synchronous communication such as during a chat, a web call or with deferred times such as using e-mails or blogs. Another dimension which influences the Media process is the media richness, the two academics states that the goal of communication is to reduce uncertainty and improve the resolutions of problems such as ambiguity. The social media richness identifies the amount of data that can be transferred in a given interval of time and their ability to solve ambiguities, some social media are more effective than others. The other dimension used to classify social media is the social process, in particular the two academics refer to the social presence dimension of the Social Media, self-presentation indicates the desire of users to control and to influence what people think of them and to build their own virtual image, this is due typically through the self-disclosure that is the activity by which a person inform strangers about personal information such as tastes and opinions and about personal facts.

Combining together the Media Research dimension to the Social Media Process one A. Kaplas and M. Heinlein created the social media classification reported in the table below and which is widely used in the sector.

| | | Social presence/ Media richness | | |
		Low	Medium	High
Self-presentation/ Self-disclosure	High	Blogs	Social networking sites (e.g., Facebook)	Virtual social worlds (e.g., Second Life)
	Low	Collaborative projects (e.g., Wikipedia)	Content communities (e.g., YouTube)	Virtual game worlds (e.g., World of Warcraft)

Figure 7 Social Media Classification. Source: Kaplan and Heinlein (2010)[95]

From the table, we understand which media are more used to present a personal image and the ones which instead imply a lot of interactions among users. Blogs for example are classified with high self-presentation and disclosure and in fact they are widely used as personal diary or

to promote the image of the person as influencer, but also to transfer to the entire web population which is the philosophy of a company. However, the degree of social presence and richness is really low as there is no direct communication such as a face-to-face conversation and an immediate answer by other parties, in the blogs interactions are executed only through comments. On contrary, virtual worlds allow continue conversation between users even if it is not really face-to-face but through avatars.

The classification created pinpointed the following six Social Media categories[96]:

- <u>Blogs,</u> personal spaces where people can write their own thoughts and share them with other web users, it can be integrated with other applications such as social network and video sharing applications. In this type of Social Media users can communicate with the blog owner only through comments, they do not have the possibility to create new conversations. Under a company perspective it can be used to influence people and spread companies' messages to employees and stakeholders. However, they are a double-edged sword as users who run a personal blog and have not had a good experience with the company and are not satisfied with its products can complaint using the web and thus spreading damaging news about the company.

- <u>Social Network,</u> it is an online community which enables users to create their own profile with their personal information, it connects people with the same interests or which are friend or colleagues in the real life. Moreover, it enables users to create content in different forms and share their information, they have the possibility to communicate and exchange opinions also through direct messages and e-mails. Companies use social network to gain visibility and reach more clients through the creation of a brand community, sometimes are also used as distributional channel when the web application directs the user to the company e-commerce. Social Media just described, are of vital importance to the marketing department of organizations.

- <u>Virtual social worlds,</u> an online platform that replicates a real world, people communicate through text messages and using their own avatar. It is considered an extension of the natural world. (e.g. Second Life, Habbo). In the virtual social world users have the possibility to create virtual content to share and sometimes even sell to other users. They cover an important position in the marketing activities of a company for example for the advertising, communication, research but also for the virtual sale.

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[96] Besides Kaplan A. Heinlein M. (2010) classification, also the book *Social commerce. Marketing, technology and Management,* written by Turban E. Strauss J. Lai L. (2016) in Chapter2 dives a detailed description of the following 6 Social Media categories.

- Virtual game worlds, it is like the social world but in this case users create their own avatar with the aim of playing online games and interacting with other players. (e.g. World of Warcraft). In these virtual worlds rules are stricter, so the possibility to spread personal information is lower as well as the level of interaction among users. For these reasons, they are still important for companies but less than the Virtual Social Worlds.

- Collaborative projects, allow everyone to collaborate in the creation of a media content, in fact it is considered the most important example of UGC. Creators can modify the media created whenever they want it. Social media belonging to this category are wikis and social bookmarking. Inside an organization they are widely used to create documents with the collaboration of different departments, as well as to develop new projects. Social Bookmarking applications are instead useful for a company to be up to date with all news and discussions related to the company.

- Content communities, web application that allow the user to upload and share multimedia materials that can be texts, videos or even PowerPoint presentation. Examples of these types of Social Media are YouTube and SlideShare. Visitors have the possibility to search the content they want simply by keywords. There is the possibility to create an account, give feedbacks to other content providers and subscribe to their accounts to be always updated. Content communities appeal a lot of users and for this reason they are an important contact channel for companies, the only drawback for companies is that often their copyright is violated.

Other practitioners have tried to classify the Social Media available in the actual Media landscape and introduced by Web 2.0. It is worth mentioning the "Social Media Starfish" ideated by Robert Scobler. He created a diagram with a starfish shape, each of the 12 extremities represents a different channel used by people to interact. In particular we have: Photos, Blogs, Events, White label social networks (web sites that allow a person to create a personal web-site or social network with its name), Collaborative Tools, Wikis, Audio, E-mail, Sms, Microblogs, Personal Social Networks and videos. For each category, the author gives an example of the most important actors.
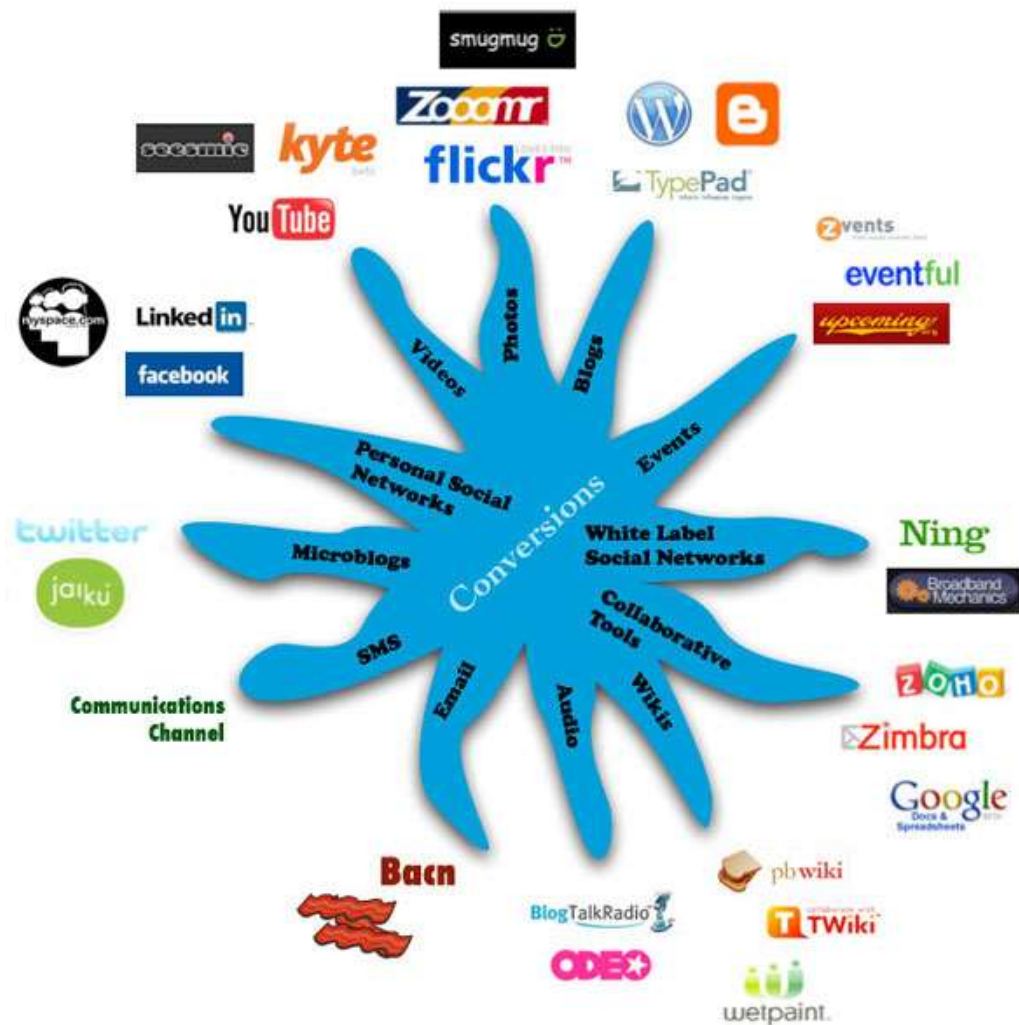
Figure 8 Social Media Starfish. Source: Scobleizer.com[97]

Since the 2007, year of Social Media Starfish publication, Social Media have changed a lot also thanks to the developments in technologies. Other academics and practitioners have tried to give classifications. One of the most recent is the "Social Media Landscape 2017" proposed by Frédéric Cavazza and which has reached its seventh publication. A dramatic change has occurred with respect to the 2015 version. Usually the classification was carried out dividing Social Media according to their relevance to these services: Publishing, Sharing, Discussing, Networking. The 2016 classification introduced other two dimensions that are messaging and collaborating services and which have been used also in the 2017 version.

[97] Scoble R., *Social Media Starfish,* 2007
www.scobleizer.com, (5th May 2017)

Figure 9 Social Media Landscape 2017. Source: FredCavazza.net[98]

At the centre of his classification there is Facebook, Google and Twitter because they are the most used. In particular Facebook and Google are offering a lot of different services users need such as platforms rich in contents for informative and entertainment purposes, services to facilitate communication and sharing activities. (Figure 10)

Figure 10 Facebook and Google Services. Source: FredCavazza.net[99]

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[98] Cavazza F., *Social Media Landscape,* 2016 www.fredcavazza.net, (5th May 2017)
[99] Cavazza F., *Social Media Landscape,* 2016 www.fredcavazza.net, (5th May 2017)

In the 2017 Social Media Landscape Mr. Cavazza states Facebook's supremacy and defines it as the dominant media of the 21st century and the company's report of the first quarter results of 2017 confirms this[100]. According to the report in March 2017 there were on average 1.28bn daily active users, instead the monthly active users were 1.94 billion, Facebook owns also other Social Media such as Instagram, which counted 600 million users[101] at the end of March 2017, and WhatsApp the most used instant messaging application. Google, according to Mr. Cavazza, owes its importance to its Gmail service and its important content community called YouTube, which has over a 1billionn users[102].

Around these dominant players there are other important Social Media which serve particular companies' and users' needs as they appeal a particular target or offer unique services. Mr Cavazza grouped these other Social Media in six categories according to their use[103-104]:

- Publishing, this category includes blogs like Wordpress and Blogger platforms, wikis, hybrid instruments which allow also to share like Tumblr or MySpace.

- Sharing, platforms that allow to share different media contents. It is worth mentioning YouTube, Pinterest, Instagram, Flickr and Vimeo.

- Messaging, includes social media that allow the mobile messaging as WhatsApp, classic messaging through e-mails like Gmail or even visual messaging.

- Discussing, includes platforms like Facebook, Groups which allow interactions among users, in this category there are all comment systems like Disqus and Collaborating FAQ systems like Quora.

- Collaborating, platforms that allow the collaboration of more people like Dropbox or Google documents and professional messaging service.

- Networking, it includes different social networks which could be used for professional reasons like LinkedIn, to organize events like EventBrite or even to date new people like Meetup or Okcupid.

After having analysed these six categories it is easier to understand why Facebook, Google and Twitter are put at the centre, it is almost impossible to classify them inside only one of the above categories, in fact they offer a wide range of services which cover all or most of them.

The ones presented are not the only Social Media classification available as practitioners are always studying the phenomenon an example is the Conversion Prism[105] created by Brian Solis

[100] *Facebook reports First Quarter 2017 results,* Facebook 2017
[101] business.instagram.com/blog/welcoming-1-million-advertisers/
[102] https://www.youtube.com/yt/press/statistics.html
[103] Cavazza F., *Social Media Landscape,* www.fredcavazza.net, 2016
[104] Cavazza F., *Social Media Landscape,* www.fredcavazza.net, 2017
[105] Solis B., JESS3 "Conversion Prism" https://conversationprism.com/, 2017

and JESS3 which is now at the fourth version and is inspired by the Social Media Starfish. However, the ones above explained are the most known and cited classifications.

Social Media panorama is always changing as massive amounts of data are created and shared daily. Visual.ly website[106] gives a beautiful example of these changes, it shows how many information are created on Social Media in the exact moment you are looking at it.

The first screenshot is taken after 4 seconds, in this small amount of data there are 74076 likes on Instagram about 18432 searches on google and about $6408 of Ad Revenue. Even greater are the numbers of Facebook which counts 219904 new posts and 208784 likes. Astonishing is also the numbers of e-mail sent.

Figure 11 Amount of Data created using Social Media. Source: Visual.ly website[107]

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[106] https://visual.ly/community/infographic/how/internet-real-time
[107] Source: https://visual.ly/community/infographic/how/internet-real-time

The situation after 10 seconds we are in the page is the following:

Figure 12 Amount of Data created using Social Media. Source: Visual.ly website[108]

Facebook's numbers see a sharp increase, as well as Instagram and YouTube. Astonishing is the number of messages sent using WhatsApp, which is 2199070.

Hereafter we have the situation after 15 seconds.

Figure 13 Amount of Data created using Social Media. Source: Visual.ly website[109]

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[108] Source: https://visual.ly/community/infographic/how/internet-real-time
[109] Source: https://visual.ly/community/infographic/how/internet-real-time

It is important to understand classifications as each Social Media has distinctive characteristics and satisfy different users' needs. This is particularly true for companies, especially the ones that have to choose carefully in which Social Media to invest their resources and time. In this delicate decision phase, organizations must compare their objectives such us for example the target group, the type of message they want to communicate and the type of interaction required with the characteristics of each social media. To this end is important to cite the Social Media Honeycomb created by Kietzmann and issued in 2011. In this important framework, the researcher pinpointed the seven most distinguish and valuable Social Media elements, and for each of these determined the implications under the point of view of both the user and the organization. None of the seven blocks is mutually exclusive and each Social Media activity can be described by some or even all of the seven functionalities, the framework is useful for companies that want to understand and monitor the work and the possibilities of various Social Media so that they can set a congruent strategy that catches prospects and customers attention and really engage them.
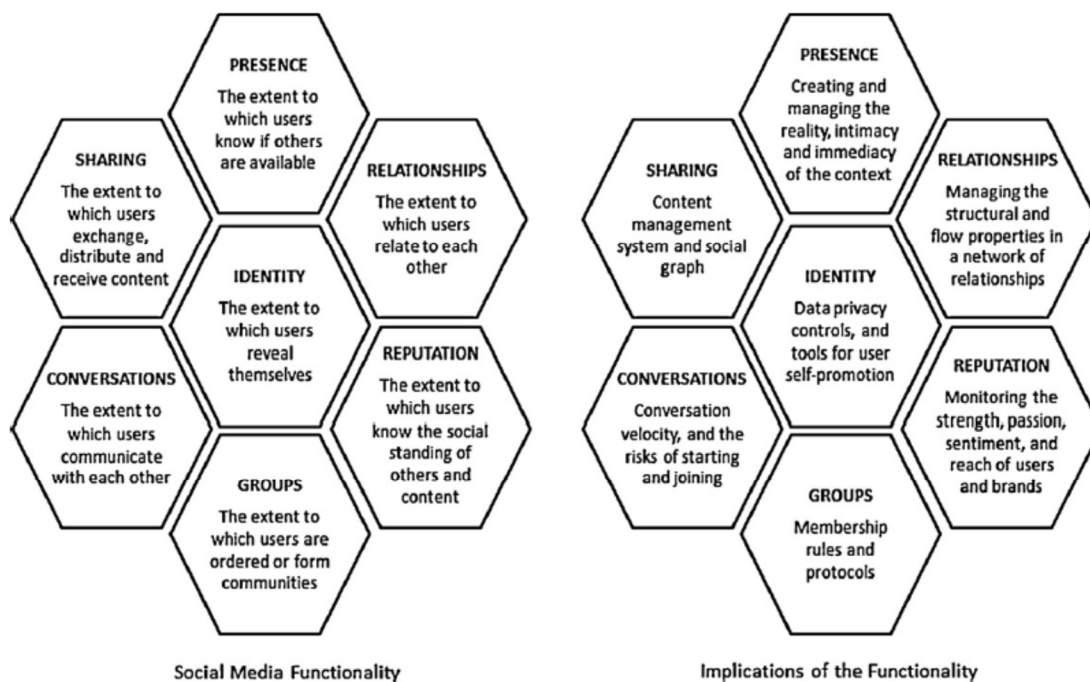

Figure 14 The Honeycomb of Social Media. Source: Kietzmann [110]

The seven blocks are the following:

- <u>Identity</u>, it refers to what Kaplan and Heinlein defines "Self-presentation" and "Self-disclosure" and identify the different type of information users share with the social environment, they can be personal data but also thoughts, needs and wants. Companies

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[110] Kietzmann J. H. Hermkens K. McCarthy I. P., Silvestre B.S. Social media? Get serious! Understanding the functional building blocks of social media, Business Horizon, 2011

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should set a secure privacy policy to protect the identity and the information of a person, moreover they should arrange tools to allow users to promote themselves inside the community.

- Conversation, it identifies the extent to which users communicate between them in the social environment, it implies that companies have to pay a lot of attention on the social environment they are playing and which are the users in order to set a strategy congruent with the objectives and able to exploit the volume and the velocity of the conversations.

- Sharing, how many media contents users share, exchange and receive using the Social Media, this implies that companies should identify what users have in common and make them interact among it, or even create a community around a new product of the company making people communicate. It is however important to arrange tools and policies to protect users' contents and use other users can make of them.

- Presence, it refers to the possibility to see if another user is available and accessible in a precise moment of the day and its extent, this also includes the possibility to see where he is[111]. If the company knows that this functionality is desired by users it should set a social media strategy that contemplated the use of Social Media that offer these functionalities.

- Relationship, represents the extent to which users can relate with other ones inside the platform. This implies that a company that wants to engage customers has to understand how to maintain or even build relationships and set up rules if needed.

- Reputation, it identifies the way users can classify themselves and other users inside the Social Media according to a classification. An example can be the number of followers in Instagram, the number of re-tweets or even the number of views of a video. This implies that a company has to set a Social Media strategy that uses metrics to define the position of a user against the one of the others and thus define its level of influence. Moreover, a company should also instruct users about the metrics chosen and that count for the organization.

- Groups, it represents the extent to which users can create communities and sub-communities. A company that foster users to create groups should also provide rules and protocols to manage the entire relationship. They are of crucial importance as act as research communities and provide relevant knowledge on specific topics and therefore important data.[112]

[111] Martinez-Lopez F.J. Anaya-Sanchez R. Aguilar-Illescas R., Molinillo S. *Using the social web for branding and marketing,* chapter 6, Springer 2016

[112] Quinton S., *The digital era requires new knowledge to develop relevant CRM strategy: a cry for adopting social media research methods to elicit this new knowledge*, Oxford Brookers University, 2013

3.2.2 Digital and Social Media Global overview

"We are social" is an agency which works in the Social Media and communication, it issues an annual report about the digital situation in the world. In the report called "Digital in 2017 Global Overview" it emerges that the global population is about 7.476 billion, the 50% of which is an internet user, the 37% is also active Social Media user. The great majority of the population which is active social media user access these applications through mobile. In only one year the number of people using Social Media actively is increased of 30%.

The 29% of African population has access to the Internet and only 14% of them use Social Media but in 2016 there was an increase of 32% with respect to the previous year. In the Americas the situation is, as expected, quite different. The 71% is active internet users and the 60% is also active Social Media user, important is also the percentage of people using mobile applications, about the 53%. Even if percentages are high they are increasing a lot with respect of the beginning of the 2016. In Asia and Pacific, where the majority of population lives (4.153 billion inhabitants), only 1.909 billion are active internet users that is the 46%, of them only 36% is also active Social Media user, quite interesting is the percentage related to the active mobile social media user that is 35% of the entire population. This last data is important because it shows an increase of 35% respect to the 2015. Also Digital in Middle East in increasing a lot especially in the use of mobile. In fact, the 60% of the population is active internet user, the 38% is active social media user and the 34% is active social media user, thanks to the mobile technology, this percentage acknowledged a sharp increase, about the 44% more than the previous year. Europe has, as for the Americas, important big numbers. The 76% of the population is active internet user, the 49% is also active in the social media and 40% uses the mobile to exploit Social Media applications.
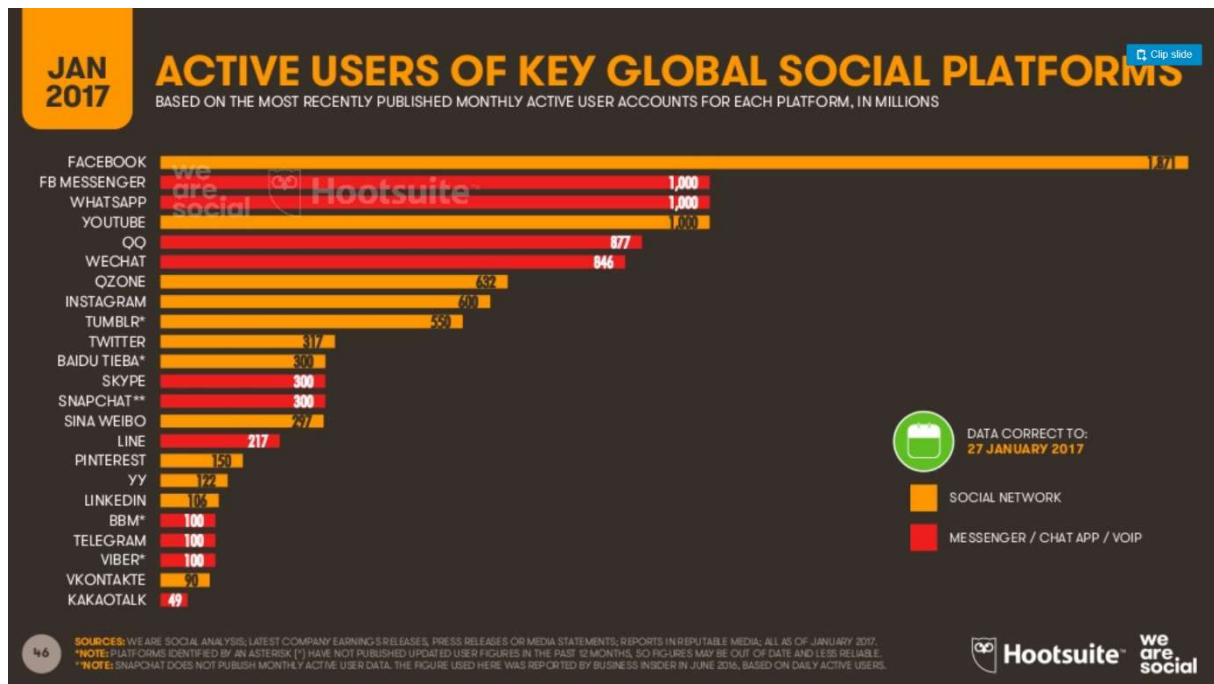
Figure 15 Active User per Social Media Platform. Source: We are Social[113]

The above snapshot taken from the "We are social" Digital in 2017 Global Overview shows which are most important Social platform globally, the classification is carried out taking in consideration the number of active users. The first three places are taken by Facebook, Facebook Messengers and WhatsApp, these last two are owned by Facebook. These data confirm what emerges from the "Social Media Landscape 2017" discussed above: Facebook is the most important Social Media of the 21st century. The classification of Mr. Cavazza is proved also by looking at the fourth classified that is YouTube that belongs to Google which is put in the centre of the Social Media Landscape like Facebook. Twitter, instead, obtains the 10th position but this is consistent with the trend indicated by Frédéric Cavazza: a lot of people think Twitter is almost dead but in reality, it is used by a lot of professionals, VIPs and journalists, moreover it is a platform that is not integrated with other ones and does not offer all the services of Facebook and Google. Things are expected to change in the future, Twitter has launched a lite version of its platform for serving the emerging markets where there are slow mobile networks and this could make it gain a lot of users.[114]

It is important to underline that the 87% of Facebook users access the platform via the mobile application, this is important as the trend of the Web is towards the Mobile and Internet of Things.

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[113] We are social, Hootsuite, *2017 Digital in 2017 Global Overview,* 2017
www.wearesocial.com (10th May 2017)
[114] https://venturebeat.com/2017/04/05/twitter-releases-lite-version-for-emerging-markets/

Recently Accenture held a seminar in Padua, the agenda was "Let's talk about social media – sfide ed opportunità per lo sviluppo del business"[115] . The relator confirmed that 37% of total world population is active social media User, moreover she explained the most important Social Media in the panorama which are exactly the ones show in the Figure 14. What emerged is that companies have to understand which are the most important platform for their business in order to improve the Customer Experience.

3.2.3   The future of the web, Social Media and related technologies

Tim Berners-Lee, the man who created the World Wide Web term is also the one who coined the word Web 3.0, if the Web 2.0 is the overpassing of Web 1.0 the Web 3.0 is the future extension of the Web we are now using. The evolution of the web is towards the "Semantic Web" because in the future there will probably be some metadata and information that will describe contents according to their semantic meaning, the format used will search engines to interrogate data and interpret them to give the desire result to the user. This will avoid the multiple researches we have to carry on when looking for a particular information, a machine will do it for us.

To better understand this concept, it is useful to make the example brought by Tim Berners-Lee in his article called "The Semantic Web"[116]. Lucy and Pete have to find the nearest clinic that has the possibility to supply the therapies the doctor required to cure their mother. At the doctor office…

> *… Lucy instructed her Semantic Web agent through her handheld Web browser. The agent promptly retrieved information about Mom's prescribed treatment from the doctor's agent, looked up several lists of providers, and checked for the ones in-plan for Mom's insurance within a 20-mile radius of her home and with a rating of excellent or very good on trusted rating services. It then began trying to find a match between available appointment times (supplied by the agents of individual providers through their Web sites) and Pete's and Lucy's busy schedules. (The emphasized keywords indicate terms whose semantics, or meaning, were defined for the agent through the Semantic Web.) In a few minutes, the agent presented them with a plan.*

Tim Berners-Lee affirms that the major results will be obtained when agents will be willing to cooperate and also the ones who were not sharing their information start to share their knowledge and data. Although these information and definition, a lot of people are sceptic about the Web 3.0 implementation and functioning. However recent development shows that a step towards this innovation has already be done.

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[115] Let's talk about Social Media. Sfide e opportunità per lo sviluppo del Business. Accenture Digital, Padova, 12th April 2017
[116]Berners-Lee T. Hendler J. Lassila O., *The semantic Web,* www.scientificamerican.com, 2001

According to Gartner Group, Artificial Intelligence and Machine Learning will start an evolution process in 2017 that will bring them to be able to learn and act autonomously by 2020. The research foresees the creation of Intelligent Apps and Intelligent Things as 2017 trend. The former will focus on advanced analytics, AI-powered business processes and interfaces, the latter will deliver the power of AI everywhere, according to a recent analysis of Boston Consulting Group the expenditure on IoT technologies, products and services will reach € 250 billion by 2020.[117] Gartner Group identifies also new trends in the Digital that involves the increasing importance of Virtual and Augmented reality, other important trends are instead related to the Mesh that is the dynamic connection of people, processes, things and services supporting the digital system. According to the research mesh will evolve and will significantly change the user's experience, one of the trend pinpointed regards the Conversational Systems, in the near future computer will hear and adapt to the user's needs and no more the opposite.

Traditional media were aimed at increasing the reach[118] while social media enable companies also to engage the consumers, which means to make it buy the product. However, it is important for companies to integrate both the traditional and new media instruments to create better experiences that influence consumers and create a lot of attention.

Mobile is an already well-established technology and companies have to continue to invest on it as the future is on mobile, even more people access the internet using mobile devices so it is important to develop technologies and web sites in optic "mobile first". This "portable" technology plays an important role also for companies, as seen in the previous chapter when dealing with Operational CRM and the sales automation, a lot of software vendors are selling in cloud software and this allow organization to use them 24/7 in every part of the world.

3.3 The Customer Journey 2.0 and the Social CRM

At the light of what explained it does not sound surprising that new technologies and Social Media have completely changed the way consumers behave and above all the Customer Journey[119]. The decisional and operational process the consumer carries out before, during and after the purchase. The new customer journey is multichannel as it integrates the new touchpoints coming from the Social Media and the Web to the traditional ones[120 - 121].

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[117] Hunke N., Yusuf Z., Rüßmann M., Schmieg F., Bhatia A., *"Winning in IOT: It's all about the Business Processes"* (2017) https://www.bcgperspectives.com/content/articles/hardware-software-energy-environment-winning-in-iot-all-about-winning-processes/ (26th June 2017)

[118] Estimated number of the potential customers it is possible to reach through an advertising medium or a promotional campaign. (www.businessdictionary.com)

[119] Greenberg P., *The impact of CRM 2.0 on customer insight,* Journal of Business & Industrial Marketing, Vol. 25 num. 6 pp 410-419, 2010

[120] Askool S. Nakata K., *A conceptual model for acceptance of social CRM systems based on a scoping study*, London, Springer, 2010

[121] Magnaghi M., SOCIAL CRM – *Email, Social Media e Web 2.0 : creare nuove relazioni con i clienti*, Milano, HOEPLI, 2014

In the past, the journey was simple and linear, the client was first reached through the traditional media such as television, newspapers, catalogues which main aim was to stimulate them to buy the product, then if interested the customer could visit the shop and try to collect as much information as possible through magazines articles or questioning friends that had already tried the product[122]. If the opinion was positive he could close the journey by buying the product in the physical shop. Today instead it is different, thanks to the internet and social media people can collect information whenever they need it and above all they have the possibility to compare products reading other peoples' opinions and experiences. Moreover, there is the possibility to compare the item with the ones of competitors or search online if there are e-commerce which sell the item at a lower price.

Figure 16 The traditional model of Marketing by Google. Source: Google[123]

The Traditional and the Mental Model of Marketing proposed by Google[124] clearly expresses this idea.

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[122] Court D. Elzinga D. Mulder S. Vetvik O. J . *"The consumer decision journey"*
http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-consumer-decision-journey 2009
[123] https://www.thinkwithgoogle.com/collections/zero-moment-truth.html
[124] https://www.thinkwithgoogle.com/collections/zero-moment-truth.html

Figure 17 The new Mental Model of Marketing by Google. Source: Google[125]

First of all, there must be an important input that is the need or the want of the customer to have a new product, this is the Stimulus phase which can be fostered by the company through different typed of advertisements or can come from the client itself. Soon after the customer start to collect information, in the traditional mental model of marketing this phase is not so articulated but nowadays with the presence of Social Media, people both at home or even inside the shop use search engines to find other people experiences and opinions, this is the Zero Moment of Truth. The third phase which is equal to the second one in the traditional Model is called the First Moment of Truth so the exact moment when the consumer decides to buy, this stage is followed by the concrete purchase. In the past, this was concluded in the shop but nowadays people have the possibility to touch the product in a physical shop and then buy it online or even to check if there are other shops (competitors) in the proximity and that offer a lower price. Once the consumer has tried the product there is the Second Moment of Truth which indicates the moment in which the client value the purchase and the item and choses if he is satisfied or not and share his opinion. In the past, the communication was limited to relatives or friends but nowadays, thanks to Social Media, consumers have the instruments and the power to share their opinions with the entire world thus influencing the purchase of someone

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[125] https://www.thinkwithgoogle.com/collections/zero-moment-truth.html

that maybe lives right in the opposite side of the globe. It is important to underline that each SMOT constitutes the ZMOT of another person.

The Mental Marketing Model just described give an important understand on how the Customer Journey is changed, people has the possibility to read a lot of opinions, to ask questions, to compare similar products and to choose where it is more convenient to buy. This trend has led users to create their own communities, in case of problem they will not contact the company for sure, probably they will ask other consumers[126] if they have faced the same issue and in case how did they solve it. Consumers are communicating and companies are let outside[127-128], people are more conscious of their importance and are harder to please.

As said in chapter one, the customer is empowered (Greenberg 2010), he has at his disposal a lot of different tools which can really harness a company, for this reason all organizations are paying a lot of attention on the behaviour of customers online and try to augment customer satisfaction[129]. Moreover, in the modern customer journey, consumers enter in contact with the company through different touchpoints[130], in each of these they release important personal information, companies must find a way to catch and exploit this data and integrate them along with the natural conversation carried out via the web, in this way they will be able to satisfy consumers and this will end in the creation of a competitive advantage. The customer is now a Social Customer that relies on peers' opinions and that is always connected who expect to have information available on demand, he wants companies and peers to be transparent and expects authenticity in the opinions expressed online[131].

As stated by Greenberg the Social Customer gets a feeling with the company and once it becomes loyal he will also become an advocate. To reach and engage the Social Customer a company has to implement a proper strategy which deals with Social Media in order to acquire, manage and use the greatest amount of data possible so that to deliver the desired customer experience: we are dealing with the Social CRM Strategy[132].

The Social CRM, also defined CRM 2.0 by Paul Greenberg[133], is considered the extension of the CRM system described in the second chapter[134], it uses all data, also called Big Data, that social media put at its disposal to not only reach the customer but also to engage it and create

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[126] Duse M., *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011

[127] Wang R. Owyang J., *Social CRM: The New Rules of Relationship Management,* Altimeter, 2010

[128] Court D. Elzinga D. Mulder S. Vetvik O. J . *"The consumer decision journey"* http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-consumer-decision-journey 2009

[129] *Guide to Understanding Social CRM*, Chess Media Group 2010

[130] Malthouse Edward C. Haenlein M. Skiera B. Wege E. Zhang M. *Managing Customer Relationships in the Social Media Era: Introducing the Social CRM House*, Journal of Interactive Marketing, 2013.

[131] Greenberg P., *The impact of CRM 2.0 on customer insight,* Journal of Business & Industrial Marketing, Vol. 25 num. 6 pp 410-419, 2010

[132] Greenberg P., *The impact of CRM 2.0 on customer insight,* Journal of Business & Industrial Marketing, Vol. 25 num. 6 pp 410-419, 2010

[133] Because it is based on Web 2.0 technologies. Source: Greenberg P., *CRM Customer Relationship Management. La tecnologia aiuta a migliorare e rafforzare la relazione con i clienti.* ,Apogeo, 2001

[134] *Guide to Understanding Social CRM*, Chess Media Group 2010

advocacy. Social CRM is the way by which companies adapt to the Social Consumer and his requirements (Greenberg 2009), it is an approach which aims at engaging the customer and put him not only at the centre of company's activities as in the traditional CRM but try to integrate him inside the organization as this is the only way to enter in customer conversations[135-136]. Paul Greenberg also defines the SCRM as "the company response to the customer's control of the conversation" (2009), the company and the client co-create[137] the customer knowledge, in exchange of something that the client finds valuable he is willing to share some personal information and this foster the customer insight of the company[138]. A SCRM being an extension of the traditional CRM, is structured and works how described and detailed in chapter two, it is aimed at acquiring, developing and maintaining a relationship with consumer through traditional direct touchpoints with the addition of Web and Social Media[139].

Customer Insight is what CRM relies on, all activities are carried out to acquire this important knowledge or are carried out after a careful analysis on customer information and subsequent analysis[140].

A Social Media strategy becomes fundamental to deliver a valuable customer experience[141] that creates loyalty and advocacy among customers, the strategy focuses on people, technology associated with the different customers' touchpoints as well as on the process to choose which are the most useful Social Media for the organization[142]. This will benefit both the organization and the community[143-144].

3.3.1 Social CRM implementation

In chapter 2 we have listed the 8 phases that characterized the CRM process, according to Altimeter in the report "Social CRM: The New Rules of Relationship Management" (2010) when dealing with the Social CRM process most important activates a company has to carry out can be summarized in with the following "5Ms"[145]:

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[135] Askool S. Nakata K., *A conceptual model for acceptance of social CRM systems based on a scoping study*, London, Springer, 2010
[136] *Guide to Understanding Social CRM*, Chess Media Group 2010
[137] Quinton S., *The digital era requires new knowledge to develop relevant CRM strategy: a cry for adopting social media research methods to elicit this new knowledge*, Oxford Brookers University, 2013
[138] Greenberg P., *The impact of CRM 2.0 on customer insight,* Journal of Business & Industrial Marketing, Vol. 25 num. 6 pp 410-419, 2010
[139] 139 Malthouse Edward C. Haenlein M. Skiera B. Wege E. Zhang M. *Managing Customer Relationships in the Social Media Era: Introducing the Social CRM House*, Journal of Interactive Marketing, 2013.
[140] Duse M., *Il CRM Strategico. Come migliorare la competitività aziendale fidelizzando e centralizzando il cliente*, Milano, Franco Angeli, 2011
[141] *Guide to Understanding Social CRM*, Chess Media Group 2010
[142] Greenberg P., *The impact of CRM 2.0 on customer insight,* Journal of Business & Industrial Marketing, Vol. 25 num. 6 pp 410-419, 2010
[143] Woodcock N., *Social CRM as a business strategy in Journal od Database Marketing and Customer Strategy Management*, London, Macmillan Publishers, Vol. 18, 1, pp. 50-64, 2011
[144] Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R., "Big data computing and clouds: Trends and future directions", Journal of Parallel and Distributed Computing, 2014
[145] Wang R. Owyang J., *Social CRM: The New Rules of Relationship Management,* Altimeter, 2010

Monitoring and Mapping

These are the most important activities which create the basis for a Social CRM system. In the monitoring phase, the company has to listen what customers say about the organization in all Social Media, paying a lot of attention to filter the information properly and so choosing the right keywords avoiding being too strict or the right opposite, otherwise the company will lose opportunities to catch important customers' insights. In the Mapping phase, instead the organization has to link the information already available inside the CRM system to the new customers insight obtained from the social profiles.

The two phases together are really important for a Digital Organization because as Deming E. and Drucker P. once said: "You can't manage what you can't measure"[146].

In traditional CRM systems information are obtained usually via direct contact, through sales, call center, loyalty program, e-mails and corporate's websites and the importance of these data and their presence in the Data Warehouse has already been stated in chapter two.

When dealing with Social CRM, that is the extension of the traditional CRM system, what companies have to do is to integrate personal information coming from the social media with the data already inside the company's CRM and obtained through traditional channels. This will lead to a deeper customer knowledge which enable manager to improve the decision making and performance[147] and above all to reach high personalization level.

As stated at the beginning of chapter two, companies are regressed to the one to one marketing where personalization is important. Personalization means matching the services, products, marketing communication/contents to individuals based on their preferences (Turbane E. Strauss J. Lai J. 2016). And this is possible only using data. It is however important to distinguish among internal and external data. Internal ones are obtained directly through the website, registration forms, landing pages, promotional activities, contests, through the Social login, cookies and many others ways in which the person gives the organization the right to elaborate the data in order to understand customer behaviour and profile it[148]. In this case information is also used to set contact actions targeted to each customer.

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[146] McAfee A. Brynjolfsson E, *Big Data: The management revolution,* Harvard Business Review, October 2012
[147] McAfee A. Brynjolfsson E, *Big Data: The management revolution,* Harvard Business Review, October 2012
[148] Rajola F., *Customer Relationship Management. Organizational and Technological Perspectives.,* Springer, 2003

With respect to the external data Mr. Magnaghi, an Italian expert on Digital and Media, in his book titled "Social CRM: Email, Social Media e Web 2.0: creare nuove relazioni con i clienti" identify the following analysis a company can carry out:

- o Market Analysis, the analysis is carried out at a macro level, a lot of people are interviewed and the ones who use the data are not the ones who have conducted the interview. The aim is to point out market trends.

- o Quantitative Analysis, carried out in the case a company needs more information about a phenomenon of the market. The company required external agencies to interview a determined amount of people with the characteristics the company specifies, such as age, occupation, family composition, revenues etc…

- o Qualitative Analysis, traditionally this type of analysis is conducted through Focus Group or ethnography. The former is a small group of people reunited inside a room with an external supervisor, sometimes the group is created online and the supervisor act as moderator of the chat. People is given a topic and they have to talk about it, the supervisor collects directly the information and direct the dialogue. If he wants more information can ask questions. The latter instead involves the valuation and analysis of the behaviour of a person, a researcher must constantly follow and observe the subject of the analysis and try to verify what he needs for the research purposes. This is however too costly. Thanks to Social Media, companies have at their disposal new instrument to investigate customers, leads and prospects behaviour. The Social Intelligence is the most important example, it is also known as Sentiment Analysis, it consists of the social listening activities activated around specific keywords, topics, a brand, a person, a company etc… Data obtained are analysed through the sentiment analysis software that is able to understand if the sentiment is positive or negative. Sometimes these systems have the possibility to set an alert every time a negative content appears so that the Social Customer Care and Marketing departments can intervene and avoid image damages. Thanks to the Social Listening and the consequent Sentiment Analysis, organization are able to understand the context in which their customers', leads' and prospects' opinions and experiences are created and identify their needs. It is really useful as it is not influenced, people are spontaneous. The only drawback is that not always the sample represents the reality.

In case of external data, instead, the company does not own the right to treat them in order to pinpoint a person and his preferences, data is collected through different plugin and have the

form of pictures, comments, likes, sensor measures etc…[149] To obtain this data can be really difficult above all because the majority of Social Media protect users' personal information, what companies are now doing is to make customers deliver the desired data and allow organization to map it. This is achievable through the Social Login, this is attractive to users because it enables them to save time not having to fill in the registration forms but using this service they allow the company to obtain all personal information given to the Social Media when the profile was created along with a lot of other indirect information that regards relationships network, tastes, ideas and are created when a new friendship request is accepted or a like put on a page or on a content. Other ways used by companies to obtain the right to use the information comes from the forms customers, prospects and leads have to fill in in order to receive a freebie, that could be an e-book, a discount or even a sample. Even more important are cookies, the "Digital Footprint" of internet users, they are small files sent by a website to the user's computer and help the website to recognize him, his preferences and his history online.[150] Companies that are able to map the customer and its journey obtain a powerful customer insight that constitute an important competitive advantage.

Besides Internal and External Data, data is also subjected to another categorization, we can distinguish it between unstructured and structured data, the former does not conform to a specific data model (Gartner 2013)[151] such as a number, but are human-generated and people-oriented, they have an uncommon form such as pictures, audio and texts (Altimeter 2015).

Companies have to stay up to date as new techniques to acquire insights are created as soon as new technologies become widely used. An example is the Social ethnography technique, introduced thanks to the mobile technology, it is an application that requires people to carry out different activities in order to obtain a reward, to use this app however a personal account is required and data collected through the missions and the registration forms enables companies to carry out social-demographic analysis. In this case data are not external but becomes internal and the company can use it for different purposes. Another example is given by Google Analytics that enabled an organization or even a website owner to analyse the traffic and its quality such as the duration, the bounce rate, conversion rates and what content made the visitor to subscribe, leave his personal data or even to buy. Google Universal goes more in detail as access personal information of visitors and create segments, data obtained are the result of many other analysis and make a widely use of cookies installed in the computer of the person. Thanks to the activities carried out on the Web and the cookies downloaded Google is able to classify

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[149] Magnaghi M., SOCIAL CRM – *Email, Social Media e Web 2.0 : creare nuove relazioni con i clienti*, Milano, HOEPLI, 2014
[150] Turban E. Strauss J. Lai L., *Social commerce. Marketing, technology and Management,* Chapters 1-2-3-4-5, Springer 2016
[151] Darin Stewart, *Big Content: The Unstructured Side of Big Data*, Gartner Group, May 1, 2013,

a person in some specific categories. Social networks, Facebook pages, Instagram and others are improving their analytics too, they some analysis instruments integrated.

Customer insight, data, information are three words we have used until now, but in today's society they are all synonymous of Big Data.

The name "Big" comes from the characteristics of these data[152-153-154-155], that Meta Group, now known as Gartner Group, pinpointed in the following 3Vs[156]:

- o Volume, refers to the amount of data type (Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R 2014). There is a lot of big data that companies collect in their informative systems and that come from social media, from sensors put on machines, from mobile phones etc… The variety of Big Data, as explained hereafter in increasing and this implies higher Big Data volume. The quantity of data is so big to require capacious databases but as underlined in the report "What to do with all these Big Data? Fostering Insight and Trust in the Digital Age" (Altimeter 2015) also powerful technologies both for the storage and the analysis, as well as expertise in data science and critical thinking are required. Cisco[157] in June 2017 issued a report related to internet traffic, in 2016 it reached 1.2 ZetaByte, by 2021 it will reach 3.3 ZetaByte. Moreover, Global Internet traffic in 2021 will be 127 times higher rather than the one in 2015. Quite astonishing is the amount of hour Cisco revealed it would take an individual to watch the amount of video that will cross IP networks every month in 2021: 5 million years. Every second a million of video content will cross the network.

- o Variety, represents the data type (Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R 2014) Big Data comes in different formats. It can be structured, so have a numerical form, or be unstructured. They have different forms as can be a text message, an e-mail, a social network status update, GPS signals from mobile phones, readings from sensors. Moreover, the declining costs of computing elements and the consequences of digital transformation are making Big data cheaper to obtain, and as a consequence volume and also variety increase.[158]

- o Velocity, refers to the rate at which data is produced type (Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R 2014). Big Data changes quickly, companies should

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[152] Magnaghi M., SOCIAL CRM – *Email, Social Media e Web 2.0 : creare nuove relazioni con i clienti*, Milano, HOEPLI, 2014

[153] Etlinger S. Lieb R., *What to do with all these Big Data? Fostering Insight and* Trust *in the Digital Age,* Altimeter, 2015

[154] McAfee A. *Brynjolfsson E, "Big Data: The management revolution", Harvard Business Review, October 2012*

[155] Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R., "Big data computing and clouds: Trends and future directions", Journal of Parallel and Distributed Computing, 2014

[156] Laney D., *3D Data Management: Controlling Data Volume, Velocity and Variety*, Meta Group, 2001

[157] *Cisco Visual Networking Index: Forecast and Methodology, 2016–2021*, CISCO 2017

[158] McAfee A. *Brynjolfsson E, "Big Data: The management revolution", Harvard Business Review, October 2012*

understand which is the most important information for their business in order to set which data must be always under control and thus be periodically updated. Moreover, the availability of real-time, or near real-time information is according to the Harvard Business Review (2012) important to gain advantage over competitors.

Later on IBM group introduced also the following two Vs[159]:

- o <u>Veracity</u>, that refers to the trustworthiness of data type (Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R 2014), the extent to which companies can rely on data depends on their source.

- o <u>Value</u>, refers to the monetary worth companies can derive from Big Data type (Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R 2014). From data analysis is possible to obtain more insights which are really useful for different purposes such as increase the quality of communication or of the sale, and increase the customer satisfaction that at the same implies more value for the company. As stated by IBM, it is important to obtain high quality data to obtain value.

Companies contain in their data warehouse, as seen above, huge amount of data and once the customer information is acquired, analysed and integrated the customer profile is constructed and this can be used to match a product, service, marketing communication or advertisements with that customer, lead or prospect.[160-161]However, this is a time-consuming process that has to be automate with the use of technology, and for this reason not a lot of companies are able to exploit Big Data potential.

Technological requirements, such as the structured storage, framework for a proficient use and also new infrastructures (Altimeter 2015) are in some cases too big. However using Big Data managers can take strategic decisions based on evidence rather than on intuition[162], so in today's competitive environment they are becoming fundamental and his an investment sooner or later all companies have to do.

Paul Greenberg in his article titled "The impact of CRM 2.0 on customer insight"[163] identified five elements that enable a company to obtain a valuable customer insight, and the majority of them are related to the monitor and mapping phases just described:

[159] Jain A., *The 5 Vs of Big Data,* IBM https://www.ibm.com/blogs/watson-health/the-5-vs-of-big-data/, 17 September 2016
[160] Turban E. Strauss J. Lai L., *Social commerce. Marketing, technology and Management,* Chapters 1-2-4-5, Springer 2016
[161] Companies are still havin difficult to integrate information coming from different sources, however producing targeted, relevant and data based content is important for all organizations. The top digital sources of data are Social Media and Web Analytics. Source: Salesforce CommerceCloud, *Trattenere i millenials. Relazioni e Fedeltà*, 2016
[162] McAfee A. *Brynjolfsson E, "Big Data: The management revolution", Harvard Business Review, October 2012*
[163] Greenberg P., *The impact of CRM 2.0 on customer insight,* Journal of Business & Industrial Marketing, Vol. 25 num. 6 pp 410-419, 2010

- Big Data, so not the traditional transactional data related to the purchases, returns, visits to the e-commerce, response to direct e-mail marketing, but external data coming from the web and Social Media.

- Sentiment Analysis, it consists of the social listening activities activated around specific keywords, topics, a brand, a person, a company etc…It looks at customers attitude and figure out if it is positive, negative or neutral. The sentiment analysis is particularly useful when dealing with new marketing campaigns or changes inside the companies.

- Social Media Monitoring, it implies the monitoring of topics, influencers, customer engagement, and reach, but also to track customer service on a daily basis and 24 hours a day.

- Profiles, it is important to concentrate all the information obtained using traditional touchpoints, with the one inside CRM obtained via the transactions with the one obtained via Social Media. The concentration of all this information in one profile will help the company to understand what the customer wants and needs and above all will disclose which are the best way to reach, engage and satisfy him.

- Customer Experience Maps, it is not uncommon to misinterpret the way customers think, mapping the customer experience this mistake and limitation can be overcame. The mapping process analyse the interaction of the customer with the company in different environments, this enable the organization to collect information related to the customer's expectation and what he thinks.

Management

It deals with the Social CRM strategy the company has to set, so all the rules and processes which enables the data collected in the Monitoring and Mapping activities to be efficiently used inside the company in real-time. In the Web 2.0 where users communicate among them and where their opinion are readable by everyone is important to be quick. In case of a bad comment, or in case a customer shows an annoyance the customer care has to be informed immediately in order to solve the problem and limit the brand image damages.

Middleware

An efficient Social CRM system needs middleware technologies such as Data integration systems, business process management and other to connect the social world to the enterprise continuously. Data must flow between systems, data has to be continuously analysed and results displayed in dashboards so that Marketing, Sales and Customer Care employees are always updated.

Measurement

When defining the Social CRM strategy companies have to identify the CSFs and the relative KPIs and other metrics against to which compare the company's results, they have to be aligned with the objectives and scopes of the company. [164] Usually they are related to the working of Social Media. To improve is important to always compare the situation with the benchmarks set. Social CRM introduced dynamic standard set of metrics that help to measure the emotional tone and the level of influence of conversations of customers. [165]

The 5Ms describe which are the essential components to the implementation of a Social CRM system which creates what Chess Media Group in its guide titled "Guide to Understanding Social CRM" defines experience continuum.
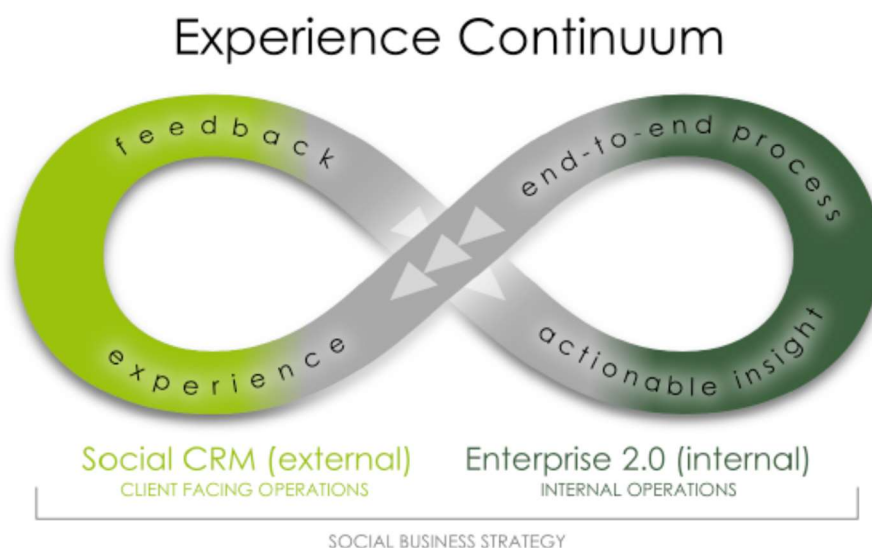

Figure 18 Experience Continuum. Source: Chess Media Group.[166]

A Social CRM system, such as the traditional CRM presented in the previous chapter, obtains the feedback from customers and from Social Media, these data is then integrated with the one the company already has, information obtained is elaborated, analysed and integrated in the business processes in order to deliver a better customer experience. Then, the customer releases new feedbacks and the process starts again. The picture above is divided into Social CRM and Enterprise 2.0 which is an enterprise which has acknowledged the importance of the new technologies and changed its business model to implement the collaboration and involvement of both internal and external networks, another definition says Enterprise 2.0 is a social software

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[164] Blanchard O., *Social Media ROI. Sfruttare le tecnologie Social e Viral per fare profitto in azienda*, HOEPLI, 2011
[165] Greenberg P., *The impact of CRM 2.0 on customer insight,* Journal of Business & Industrial Marketing, Vol. 25 num. 6 pp 410-419, 2010
[166] "Guide to Understanding Social Media", Chess Media Group (2010)

platform that helps employees, customers and partners to share, collaborate, innovate, and communicate[167]. it is a company has undergone the Digital Transformation process.

3.3.2 Traditional CRM and Social CRM in comparison

It is important to underline and above understand in what Traditional CRM and Social CRM differ and above organisations have to keep in mind that SCRM is not a substitute of the traditional one but just an integration which tries to overcome traditional system weaknesses and that is able to manage the relationship with the Social Customer[168]. A SCRM is nowadays essential for companies which want to outstand and gain a competitive advantage[169-170]. Figure 18 published in the "Guide to Understanding Social Media" cited above can help us to identify the main aspects of the evolution of CRM in Social CRM.
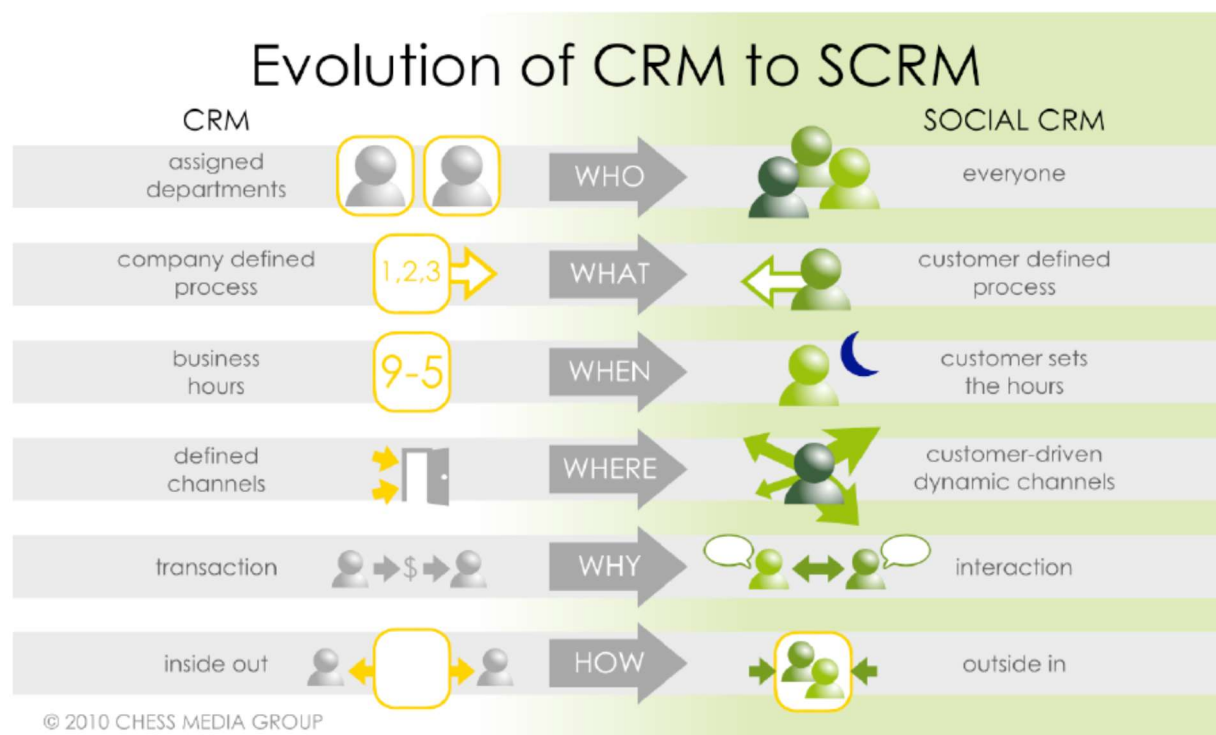

Figure 19 Evolution of CRM to SCRM. Source: Chess Media Group[171]

First of all in the classical CRM system every department has a function which affects the customer experience, the main aim is to make the client, lead or prospect to buy the product and conquer is loyalty. In the Social CRM, instead there is no such limitations and barriers among departments, an example could better explain this huge difference. In the past in case of

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167 Turban E. Strauss J. Lai L., *Social commerce. Marketing, technology and Management,* Chapters 1-2-3-4-5, Springer 2016
168 *Guide to Understanding Social CRM*, Chess Media Group 2010
169 Greenberg P., *The impact of CRM 2.0 on customer insight,* Journal of Business & Industrial Marketing, Vol. 25 num. 6 pp 410-419, 2010
170 Woodcock N., *Social CRM as a business strategy in Journal od Database Marketing and Customer Strategy Management*, London, Macmillan Publishers, Vol. 18, 1, pp. 50-64, 2011
171 "Guide to Understanding Social Media", Chess Media Group (2010)

a complaint, which was not shared through Social Media as they did not exist or were not so spread, the only department involved was the Customer care. Nowadays, instead, it involves also the sales and above all the marketing department.
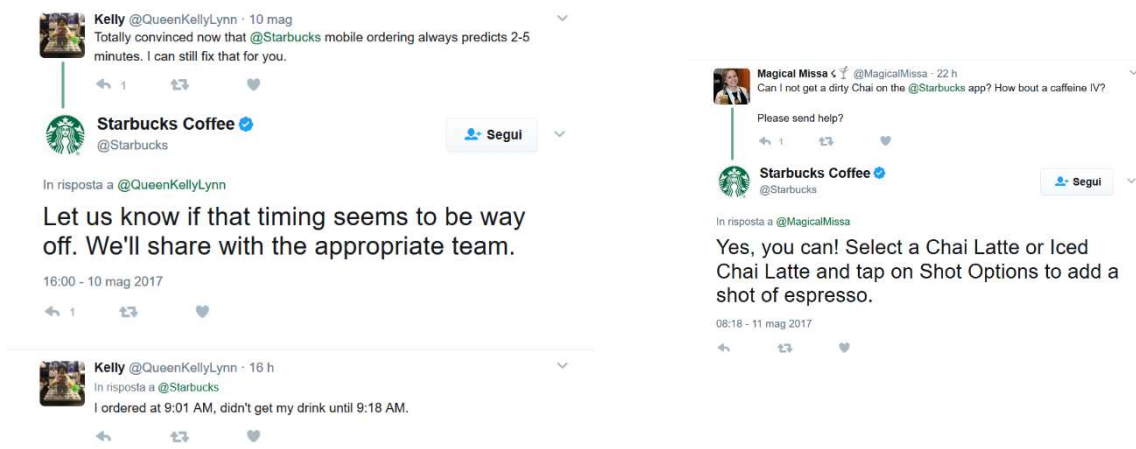

Figure 19 Two examples of Social Care and Social Media Marketing. Source: Starbuck's Twitter[172]

The two examples show how the Customer Care activity is mixed with the one of Marketing. Another big difference is that in the past it was the company to decide the processes related to the production and sales instead now are clients that instruct the company on what they want, where they want it and above all how[173]. This can be underlined by the fact that the customer wants to receive assistance 24/7 and companies are providing solutions such as customer care run by bots, especially on their websites. Moreover, with traditional CRM the sales channels were always the same, thanks to the Social Media in Social CRM are customers that describe the new fashions and companies have to adapt their commercial activities. In this sense SCRM is more customer centric as it involves the customer in the process. Traditional CRM was based on an inside-out thinking, where the company decides for customers and clients are at the centre of the activity because the company needs their information to create what customer want and the main aim is to arrive at a transaction. Social CRM is instead more related to engage the customer, involve him in the entire process and communicate with him also to create advocacy. This is the major difference among the two systems, a complete ideological change that has global consequence for the entire organization.[174]Social Media enable a company to carry out the acquisition, stimulating and retaining phases described in the second chapter in an entirely new fashion. In the acquisition phase leads and prospects are pinpointed identifying their preferred use of social media platforms, level of usage and participation. To retain customers

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[172] Twitter on 10th May 2017
[173] Quinton S., *The digital era requires new knowledge to develop relevant CRM strategy: a cry for adopting social media research methods to elicit this new knowledge*, Oxford Brookers University, 2013
[174] *Guide to Understanding Social CRM*, Chess Media Group 2010

instead a critical role is played by Sentiment analysis.[175] These things were unthinkable decades ago.

3.4 <u>Social CRM is not only about Social Media Marketing</u>

Right like for the Traditional CRM system, Social CRM most of the time is thought as a Marketing instrument not considering its important role in the sale and customer care departments as well as on the e-commerce management. For sure the Marketing activities acquire even a more important role in the Social CRM as it implies that marketers carry out their communication, engagement and advertising activities[176] also using the Social Media an instrument that is really widespread and for this reason has high reach[177] and high engagement possibilities.

However, according to Gartner 50% of organizations still do not understand the impact of Social Media on CRM, they do not have proof that Social use increase lead generation, solve customer problems more efficiently and improve conversion rates. [178] For this reason, ICT leaders should collaborate with CRM specialist to take technological investment decisions that support the top use cases of Social.
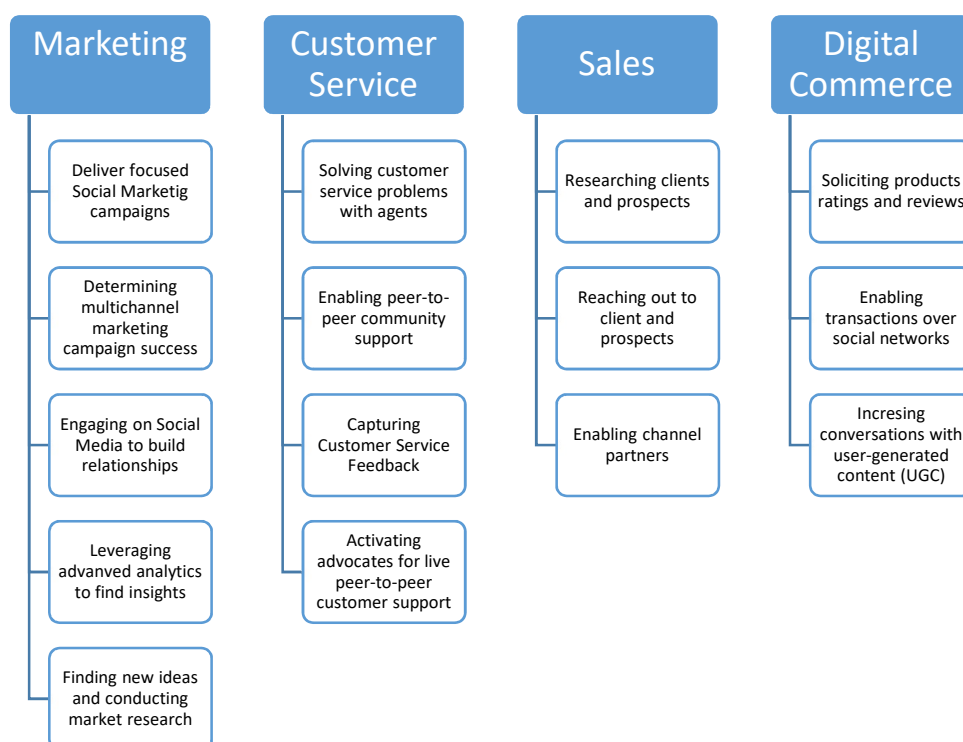

Figure 20 Social Media uses for CRM. Source: Personal elaboration of Gartner's table.

[175] Quinton S., *The digital era requires new knowledge to develop relevant CRM strategy: a cry for adopting social media research methods to elicit this new knowledge*, Oxford Brookers University, 2013
[176] Turban E. Strauss J. Lai L., *Social commerce. Marketing, technology and Management,* Chapters 1-2-3-4-5, Springer 2016
[177] Estimated number of the potential customers it is possible to reach through a an advertising medium or a promotional campaign. (www.businessdictionary.com)
[178] Sussin J., *Top use cases and Benefits of Social for CRM 2017,* Gartner 2017
https://www.gartner.com/doc/reprints?id=1-3W5H8FR&ct=170322&st=sb (30th June 2016)

The group identified 15 uses of CRM that have had positive impact on business that applied them.

First of all, Marketing specialist should align Social Media activities with Customer-Buyer Journey metrics. The marketing department has to plan and carry out multi-channel Social Media campaign, companies have to set up analytics and metrics that help them to identify if they are having success and its extent, moreover it should monitor if it is generating new leads and sales and this can be achieved using click-through metrics, A/B testing[179] or cookies. Social Media are fundamental to identify target market characteristics in order to plan better targeted actions, moreover Social Media are an effective source of ideas and UGC that can be used for future campaigns, thus reducing also internal costs.

The Social Customer service is another company's function that benefit a lot from Social Media, nowadays is part of the customer engagement strategy in fact it allows faster responses and consequently increased customer satisfaction. Social Media enable also the Peer-to-Peer community support and the possibility for organizations to obtain feedbacks, all these possibilities have also determined a reduction in traditional customer service costs.

With respect to the sales departments, vendors can use Social Media and Analytics to identify prospects and new way to contact them, gathering up information to Social Media and external sources they can build new profiles and acquire useful prospect insights. Social Media have an important influence also on Digital Commerce, in particular products review posted by users have the power to increase conversion rate among customers. An important use digital commerce make of Social Media is the Social Sale, even more companies have the possibility to buy products directly via a Social Network.

As already stated, Social Media enable companies to collect a lot of additional information which are useful at a company level[180]. The basic idea is that through Social Media the company has to attract people that have never shown interest in the brand, it has to transform prospects in leads, leads in consumer and consumer in ambassadors, Social Media are also becoming an instrument to deliver customer assistance. All these actions lead to an increase of customer experience quality that is the main aim of Social CRM. Mike Di Lorenzo the NHL marketing director once said "Social Networks aren't about Web sites. They're about experiences" and "These experiences arise when marketers are able to incorporate reach, intimacy, and engagement into the company's overall integrated marketing communications strategy through the interconnectedness of online social media combined with traditional media"[181].

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[179] Controlled experiment that implies the submission of two different contents about the same things to test which is the once that maximize the output.
[180] Assunção M. Calheiros R. Bianchi S. Netto M. Buyya R., "Big data computing and clouds: Trends and future directions", Journal of Parallel and Distributed Computing, 2014
[181] Richard H., Rohm A., Crittenden V.L., *We're all connected: The power of the social media ecosystem,* in Business Horizons, 2011

Traditional media were aimed at increasing the reach while social media enable companies also to engage the consumer, which means to make it buy the product and to involve him in the companies' activities[182]. However, it is important for companies to integrate both the traditional and new media instruments to create better experiences that influence consumers and create a lot of attention and influence.

What emerges from the Gartner's analysis is that with Social Media Marketing companies have different instruments that act as customers' touchpoints, and are of fundamental importance to collect as much information as possible about the person, but they also act as a vehicle to send a message to customers, leads and prospects for advertising and engagement purposes[183].

Summing up what described till now we can define the major objectives related to the management with the relationship with customers that tries to accomplish are:

- Brand awareness, make people aware not only on the brand name but also on its philosophy and its products. The maximum objective is to become the first brand at which people think when the purchase path starts.

- Customer Engagement, establishing a strong and enduring relationship between brand and consumers based on the effort of the brand to activate consumers through interactions, reward and shared value.[184]

- World of Mouth, refers to oral communication that passes from person to person. In marketing it is important as the WOM is what enables contents to become viral.[185]

- Consumer Advocacy, it is a step forward the engagement and the world of mouth, it implies to make customers completely addicted to the company's brand and products that becomes the first promoters.

To reach the above objectives a company must have a strong Social Media Strategy and people inside the company which aim is to implement it. Community Management is now a fundamental functionality that all companies that are active in Social Media and want to exploit its potential must have.

3.4.1 Community and Social Media Management

Companies are nowadays making a massive use of Social Media, as stated above they are used to promote new products, to solve customers' issues, to create awareness about a brand, to gather information about a customer etc… But Social Media are not a one way instrument, they

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[182] Richard H., Rohm A., Crittenden V.L., *We're all connected: The power of the social media ecosystem,* in Business Horizons, 2011
[183] Turban E. Strauss J. Lai L., *Social commerce. Marketing, technology and Management,* Chapters 1-2-3-4-5, Springer 2016
[184] Riley F. D., Singh J., Blankson C., *The routledge Companion to Contemporary Brand Management*, Routledge Taylor & Francis Group, 2016
[185] Turban E. Strauss J. Lai L., *Social commerce. Marketing, technology and Management,* Chapters 1-2-3-4-5, Springer 2016

can be used also by customers and prospects who have the possibility to communicate directly with the organization and to communicate among them sharing information and opinion about a company. Social Media can be a double-edged sword and therefore companies are forced to carry out activities to positively manage them, with this purpose Community and Social Media management functionalities and software[186] have been introduced in companies' processes.

When dealing with the Community Management the most important activities are related to: community design, establish community rules and practices as well as community roles, responsibilities and plans to react PR crisis, community promotion, community content creation, management of users evaluating the most active ones and conduct periodic evaluations and measurement to see if there is room for improvement and if objectives have been reached.[187] Community design[188] is important because a charming homepage, community blocks and captivating landing pages that communicate the purpose of the community, give indication of different content areas and shortcuts to reach them quickly. The importance of a well-designed community is given by the 90-9-1 rule: in a 30-day-period, 90% of people visiting the community do not participate, 9% participate and maybe for the first time and only a 1% belongs to the frequent participants, a charming page will stimulate them to return back in the future. Being communities an instrument at disposal of users, it is important to empower them to contribute but also to listen and exploit their ideas for the creations on new informative articles, to solve problems or even to improve the entire community. Fundamental for the management of a community is also the role definitions[189]. At the top we have the community manger that set the vision and the lines of the community, he is the one who set the guidelines, announces new features and welcome new users and visitors, then other employees who have to work with the community receive special access rights, moderators and administrators for example are the one who can post, edit, bas according to the Community Guidelines set by the manager, the analyst instead has access to users' information but can not post, other employees such as product managers, support agents or PRs could have access to the community too. In fact, a strong Community Management serves customers also by bringing together representatives by different departments in order to deliver correct and on-point messages.[190]

A well-managed community has rules that governate the life inside the community defining what is the behaviour expected by a visitor (guidelines), by company's staff (policies) and defend users and their data (term of use and privacy policy)[191]. In the society we are living now,

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[186] Goldenberg B., *Social CRM in Action. Business discover the value of Social Communities*, Customer Relationship Management Magazine, 2015

[187] Lithium, *Lithium Community Manager Certification,* 2013

[188] Lithium, *Lithium Community Manager Certification,* 2013

[189] Lithium, *Lithium Community Manager Certification,* 2013

[190] Oracle, *The grand guide to community Management,* 2012

[191] Lithium, *Lithium Community Manager Certification,* 2013

characterized by Digital Transformation where at every online action corresponds data creation, also governments have acknowledged the importance of customers' information safeguard: Privacy Policy and Cookie Policy are a must for all European websites. Guidelines, Policies, Term of Use, Privacy and Cookie Policy should be constantly revised and updated when an arise of a new issue require it or when there is also a minimal change inside the community. Communities are important both for the company that use them to collect customer insight to integrate inside CRM systems[192], to get inspiration for future products and contents[193] but also to give assistance to customers and make them collaborate and share information, these facts make a community important and useful also for the user. However, the usefulness exists only if the community is active enough, according to Lithium it means there are 10-15 new posts per day and every new post receives an answer within 1000-1200 minutes. An active community, that has reached the so-called critical mass will benefit from search engines traffic, otherwise it is necessary to promote it. Promotion can be carried out putting "persistent" links in visible parts (above the fold and no scroll down zones) of well trafficked company's website pages, or can be carried out via e-mail, social web using for example Social Networks. Other techniques could be launching contests, giveaways and promoting events[194]. What a community manager has to keep in mind is that the audience acquired should be targeted, otherwise it will have only a large number of subscribers but no one of them actually active. Linked to the promotion activities we have the management of the community off-domain, it is a recent phenomenon but it has to be kept in consideration by the ones who are in charge of Community Management as off-domain activities are increasing and could bring both opportunities and benefits for companies. Of course, the way can not act as they were inside the community because they do not have moderators' rights.

Being a community based on users' interactions a good community management should provide rewards and acknowledgements for the superusers, the ones who participate the most to the community's life, according to Lithium they can be categorized as follow[195]:

- <u>Advocate/fan</u>, recommends the company's products and defend it against criticism,
- <u>Community Leader</u>, help to solve issues inside the community and help the community manager providing feedbacks and suggestions,
- <u>Discussion Leaders</u>, the ones who start a lot of conversations
- <u>Experts</u>, provide information to all user and develop competencies in determined areas,

[192] Goldenberg B., *Social CRM in Action. Business discover the value of Social Communities*, Customer Relationship Management Magazine, 2015
[193] Oracle, *The grand guide to community Management,* 2012
[194] Lithium, *Lithium Community Manager Certification,* 2013
[195] Lithium, *Lithium Community Manager Certification,* 2013

- <u>Lead User</u>, finds and suggests new ways to use the company's products and provide feedbacks on them,
- <u>Volunteer Moderator</u>, he notifies to moderator that a conversation need their interventions, promotes a good behaviour and the respect of community's guidelines inside the community.

Provide the community's superusers with users' ranks, rewards and special permissions is important to stimulate also other users to actively participate and emulate them. Data shows that advocacy and superfan programs increase engagement and business value.[196]

Given the importance of communities a good Community Management provides a good communication plan for members which includes welcome message and announcement messages boards, anniversaries greetings, introduce yourself and feedback boards. Every Community can personalize them and introduce other boards that make users to participate and communicate. Of vital importance is the community plan that implies the creation and planning of the community calendar taking in consideration of cyclical and one-time events, in this way the community will be aligned to what is happening inside the company, moreover a PR and crisis plan has to be studied in order to intervene when issues that could damage the company's reputation or even legal issues arise. With such plans, the community will work perfectly and will bring a lot of benefits to the company[197].

Last, but not for its importance, the community manager has always to measure what happening inside the community using both qualitative and quantitative analysis, moreover a report should be produced regularly and submitted to major stakeholders. Important is also to conduct periodic analysis and competitor analysis in order to understand in which direction the community is going and its performance against other communities.

As stated above there is a lot of confusion with respect to the figure of the Community Manager and the Social Media Manger, at the light of what see about the Community Management it is possible to affirm that the Community Manager is in charge of creating relationships, engaging new users and bring back old users that are inactive since a while[198]. Another important objective pursued thanks to Community Management is managing and increasing the brand reputation. The main aim is not to sell, but sometimes it also lead to increase in sale, if the community manager publish a new article related to a new product, or an old products and new way to use it with the aim to engage users and make them interact, it could also incentivize

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[196] Lithium, *State of Community Management,* 2014
[197] Lithium, *Lithium Community Manager Certification,* 2013
[198] DeMers J., *Why community Management is different from Social Media Marketing,* Forbes (2017)
https://www.forbes.com/sites/jaysondemers/2015/02/12/why-community-management-is-different-from-social-media-marketing/2/#36a5793f53d9 (29th June 2017)

purchases as a secondary effect[199]. He is the face of the company that act as a vehicle between user and the brand as he is the one who carries out the listening and monitoring activities.

The Social Media Manger has instead a more directive role, he plans the digital calendar, writes copies, supervise the content creation and study brand development strategies. In some small companies, Social Media Manager and Community Manager roles are carried out by one single person, it is important to underline that they are not mutually exclusive and one needs the other to perform better its tasks.[200]

A recent report issued by Lithium talk about the "Total Community", according to the company nowadays companies do not compete only on price and quality but above all on customer experience, 89% of brands will compete on this aspect (Gartner 2015). Moreover, according to Brain & Company a customer is 4x more likely to switch to competitors if the problem is service related rather than product and price.[201] What Lithium suggests is the "Total community", make every person that has knowledge, interest and opinion irrespective if it is an employee, a vendor, an influencer to feel as it is the company's only customer, the organization has to be responsive[202]. This will increase the quality of their experience and subsequently incentivize the Word-of-Mouth and their activity inside the community. Data shows that community members spend 10x more than non-community members. The Total Community affects also the internal organization of a company as it increases the awareness of customers

3.4.2   Paid, Earned and Owned Instruments for promotional purposes

Social Media Platforms already described and the related instruments can be divided into three groups according to the costs the organization has to bare in order to use them (Richard H., Rohm A., Crittenden V.L.,2011 - Turban E. Strauss J. Lai L 2016).

Paid instruments

These instruments are used by the companies to acquire an advertising spaces in websites that are not owned or run by the company and that have an enormous traffic, such as editors websites, social networks, apps, search engines home pages or inside web e-mail or newsletter and direct Email sent to users' lists belonging to the editor[203]. In this case instruments used can

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[199] DeMers J., *Why community Management is different from Social Media Marketing,* Forbes (2017)
https://www.forbes.com/sites/jaysondemers/2015/02/12/why-community-management-is-different-from-social-media-marketing/2/#36a5793f53d9 (29th June 2017)
[200] Lithium, *Lithium Community Manager Certification,* 2013
[201] Factors that incentivize the advocacy among millennials are: delivery time and product availability. Source: Salesforce CommerceCloud, *Trattenere i millenials. Relazioni e Fedeltà*, 2016
[202] 45% of U.S. consumers will abandon an online transaction if questions and concerns are not addressed in a prompt way. Source: Lithium, *Total community. Learn how to connect, engage and understand your audience across the digital landscape.*
https://www.lithium.com/download?p=/pdfs/whitepapers/Lithium-Total-Community_e4YT5KDr.pdf (28th June 2017)
[203] Turban E. Strauss J. Lai L., *Social commerce. Marketing, technology and Management,* Chapters 1-2-3-4-5, Springer 2016

be Display Advertising in case of an advertisement consisting of a picture, a promoted video if the promotion is conducted thorough an audio-video media and last Keyword if the advertisement is carried out intercepting the searches using search engines. Usually people use the term Display Advertising also when referring to Promoted Video and Keywords. The processes behind Display Advertising are called retargeting and Programmatic Advertising. The former is used when a user visits a company's website visualizing some products and without completing the purchasing process. When visiting the website small text codes are installed in the user's pc, if he leaves without completing the purchase the advertising spaces on other websites will read this text and will place the advertising of the product or website before visited in order to stimulate the user to complete the purchase. The latter, instead, consists of data brokers that are the owners of big websites and apps that put at the disposal of media agency the users' information they have in order to match, following an auction model, the empty advertising spaces they have in their websites with advertisements that reflect the tastes and characteristics of the user. The Programmatic Advertising relies on extremely performing artificial intelligence software and on dynamics big data, which means that big data are updated with the history of the online activities of the user. The same process is carried out directly by the big players such as Google, Facebook, Twitter or Instagram that use the available information for the same purposes[204].

Another instrument that belongs to this category is the Sponsorship, where the editor has to create ad hoc contents, that could be a text, a video or even a picture, based on a determined product or around a specific argument. In this case we are not dealing with Display Advertising but with a phenomenon called Native Advertising which is similar to the Display advertising as it consists of a banner, button, picture or even a text which are put in websites, the difference is that it is not invasive and do not stop the navigation of the user. Native Advertising blends the advertising with the content of the website thus catching the interest of the visitor, the aim is also to engage him According to the report "Native Advertising: definizioni, dinamiche di mercato e trend di sviluppo" issued by Osservatorio Internet Media of Politecnico di Milano[205] native advertising must have three characteristics: form coherence, content coherence and desirability. The advertisement must be interesting for the person so it is important to collect data about the user, match them with other data that cookies put at the disposal of the server and thus profiling the advertisements to display, moreover it has to fit the website so it has not to be perceived as and invasive advertising and has not to stop the user surfing the website, but has to catch genuinely its interest.

[204] Magnaghi M., SOCIAL CRM – *Email, Social Media e Web 2.0 : creare nuove relazioni con i clienti*, Milano, HOEPLI, 2014
[205] Valsecchi M. Lamperti A., *Native Advertising: definizione, dinamiche di mercato e trend di sviluppo*, Osservatorio Internet Media 2016

Being these instruments "Paid" it is worth mentioning how the cost is calculated[206]:

- Cost per Impression, the cost the advertiser has to bare in order to have its advertisement delivered to 1000 people. It is the most used when dealing with Display Advertising campaigns carried out by companies that are pursuing Awareness objectives.

- Cost per Contact, it identifies how much a contact costs and is calculated dividing the cost of the advertisement by the number of contact received. It is also called Cost per Thousand as it gives the cost for a thousand contacts.

- Cost per GRP, Gross Rating Point identifies the pression created by an advertising campaign on its target group that is the percentage of the total target reached. The cost per GRP is used to taste the inexpensiveness of an advertisement.

- Cost per click, every time a person click on the advertisement the advertiser has to pay a predetermined amount of money to the advertising space owner.

- Cost per Lead, it is the cost paid to the advertising space owner by the advertiser every time a new lead is generated which means that a person clicked on the advertisement and has fill in a form to receive a service or information.

- Cost per Action, every time a person carries out the activity required by the advertisement such as the newsletter subscription or a purchase a predetermined amount of money is paid to the website owner where the advertising was displayed.

Every marketing campaign has different objectives and while the first three cost calculation methods are used for campaigns aimed at creating awareness, the last three are ideal for companies that want to induce users to carry out determined actions.

Owned instruments

Instruments typically owned by the company, such as the website, an app, the social profile inside a Social Network, the direct email. Usually these instruments are the ones used to induce people to deliver their information or to advertise new products to people who are already customers or lead[207]s. Most of the times, people clicking on a banner belonging to the Paid Instruments will arrive on a webpage that is owned by the organization that among professionals is called landing page, it has to be charming in order to stimulate visitors to release the required information or even to buy[208].

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[206] Turban E. Strauss J. Lai L., *Social commerce. Marketing, technology and Management,* Chapters 1-2-3-4-5, Springer 2016
[207] Magnaghi M., SOCIAL CRM – *Email, Social Media e Web 2.0 : creare nuove relazioni con i clienti*, Milano, HOEPLI, 2014
[208] Turban E. Strauss J. Lai L., *Social commerce. Marketing, technology and Management,* Chapters 1-2-3-4-5, Springer 2016

Earned instruments

Everything that is not directly controlled and influenced by the company, is the case of personal blogs, forums, YouTube videos, Instagram pictures, Facebook comments, Twitter Tweets etc… Earned instruments must be always controlled by the marketing department of an organization to detect if there is a negative sentiment, or risks in order to contain issues that could seriously harness a company. They are strictly connected to the Word-of-Mouth content.

It is clear that an organization has to integrate traditional with new marketing instruments, in particular the second ones constitute important touch point that could make the difference. Moreover, a company should not focus only on one type of instrument but mix and match them to obtain to highest reach and also to engage the highest number of consumers. As explained by Marco Magnaghi in his book "Social CRM. Email, Social Media e Web 2.0: creare nuove relazioni con i clienti", Facebook is a success instrument for a lot of companies as it enables to a conjunctive use of Paid, Owned and Earned Instruments. An organization can increase the awareness about its brand using paid insertions, communicate with fans using the Social page and earn from people activities such as likes and shares.

3.4.3   Social Media Metrics

Social Media can create substantial benefits for companies however not all of their functionalities are costless, for this reason companies have to set a Social Media Strategy and consequently a Social Media Marketing Plan based on those Social that create the biggest advantages and help them to reach their objectives. For companies, it is important to understand where consumers and target groups are more active in order to plan marketing activities, but they also have to be aware about the evolution of the different activities carried out and campaigns in place so that they can change the Social Media Strategy if things are not going as forecasted, that means that results are worse than the benchmarks pinpointed. A framework companies have at their disposal to analyse the different Social Media and select the most useful ones is the Social Media Honeycomb, that helps them to pinpoint those Platform that better suit the organization', customers' and target groups' requirements and needs.

Another important hint comes from Murdough in his article titled "Social Media Measurement it's not impossible".
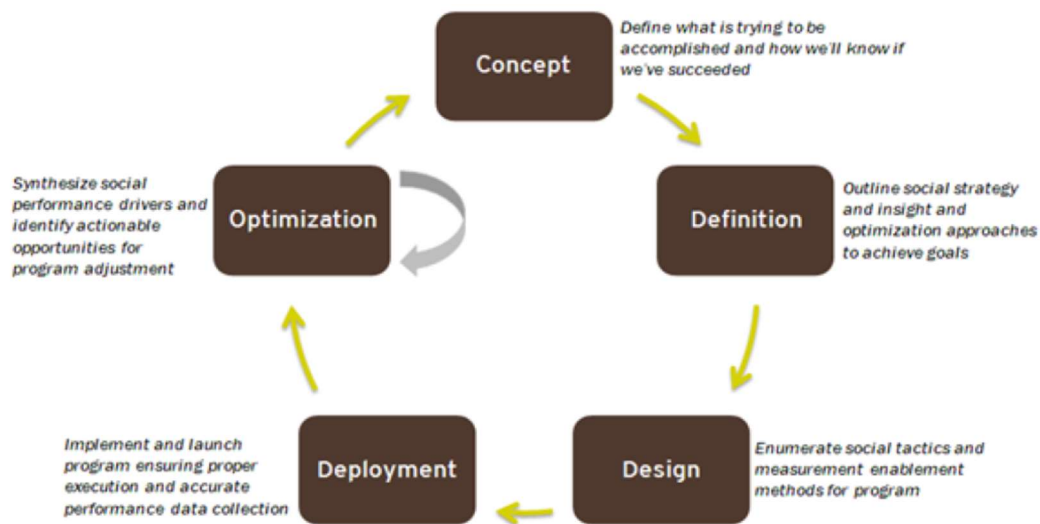
Figure 21 Social Media Measurament Process. Source: Murdough[209]

This framework guides a manager in the Social Media Measurement Process. The first phase is the Concept Phase in which company's objectives must be set along with KPIs and related benchmarks. In the second phase, called Definition, the company defines which Social Media to use to reach the objectives previously pinpointed. The Design phase is the one in which all the tactics and most appropriate venues are laid out, this implies the definition of data sources and data methodologies as well as technologies used to collect, store, and report this information. The Deployment phase is a sort of check, where the organization has to control that what is obtained from Social Media is what was planned in previous phases. The last one is the Optimization phase, where all the results of previous steps are collected in order to obtain reports and insights on Social Media that have to be compared with the benchmarks defined previously, moreover in this phase companies have the possibility to see if there is room for improvements.

Another important framework is made available by Altimeter in the report named "A framework for Social Analytics"[210].

Figure 22 A framework for Social Analytics. Source: Altimeter[211]

[209] Murdough C., "Social Media Measurament: It's not impossible", Journal of Interactive Advertising (2009)
[210] Etlinger S., Li C., *A Framework for Social Analytics. Including Six Use Cases for Social Media Measurement,* Altimeter, 2011
[211] Etlinger S., Li C., *A Framework for Social Analytics. Including Six Use Cases for Social Media Measurement,* Altimeter, 2011

According to this framework the first things companies have to do is to align their strategy to the objectives, so that it can figure out which are the insights required. As a second step to measure Social Media, Altimeter suggests defining the metrics. The last two steps are related to the Organization and Technology, in these phases the company has to understand if it has all the resources, knowledge and if there are any barriers to measure Social Media and which technological tools is should use based on the previous three steps.

It is definitely possible to understand how important Social Media Metrics are, in fact they help companies to monitor the evolution and the response to their online activities. Moreover, measurement is one of the five steps defined as essential by Gartner Group for a perfect implementation and working of a Social CRM.

The literature and the practice are reach in frameworks that lists Social Media Metrics and explain how to calculate them and above all when they are useful.

A report issued by MIT Sloan Management Review titled " Can you measure the ROI of Social Media Marketing?" lists important KPI based on the type of Social Media application considered and for each makes an ulterior partition taking in consideration the objectives persecuted by the company that can be, as already seen in the previous pages, Brand Awareness, Customer Engagement or World of Mouth.

Important are also the findings of Mr. Murdough in the already cited report titled "Social Media Measurement: It's not impossible" the author pinpoints three different performance dimensions that have to be measured in order to evaluate the impact of Social Media on consumers, these dimensions are the reach, so the number of people that can be reached using Social Media, Discussions, so understand the type of discussions users are having on the web and the related sentiment and lastly we have Outcomes, so measure the results in order to understand the direction the company is taking. Another important framework is proposed by Altimeter in the report "A framework for Social Media Analytics" where 6 critical success factors are listed. In particular, they are Brand Health, Marketing Optimization, Revenue Generation, Operational Efficiency, Customer Experience and innovation, and for each of them it gives an insight on the most important metrics to measure them.

Other important contributions come directly from the Social Media world. Kallas, for example, issued a list of 48 KPI which was updated the 1st June 2017[212], he grouped the metrics into the following five categories: distribution potential, interactions with fans and influencers, influence, action-results and ROI and Internal Social Media KPIs.

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[212] https://www.dreamgrow.com/48-social-media-kpis-key-performance-indicators/

A lot of these works are however a rearrangement of Social Media Metrics already issued by other researches and companies. It is now clear how many discussions there are around the Social Media Metrics topic, to this end it is important to cite an excellent work made by Gian Maria Fazi in its Master's Degree Thesis discussed at the "Politecnico di Milano" in 2012 and titled "I Social Media nelle imprese: un modello di misurazione delle prestazioni".

In this work he summarized, synthetized and organized a lot of Social Media Metrics frameworks coming from both Academic and non-academic sources. He carried out this meticulous analysis using the input/activity/output model according to which organizations results depend on the added value their products have which is calculated as the difference between the value of a product/service and the resources used and this added value depends on the activities carried out. Efficiency, Efficacy and Resources status are those indicators that help to value and measure in a quantitative way the quality of these activities and of the resulting outputs.

Efficiency indicators express the relationship among products created (output) and the resources used, Efficacy ones instead deal with the ability of an organization to produce products and services that satisfy customer expectative. Resources status implies the use of indicator that define the quantity, quality and the innovation degrees of company's resources. Moreover, from the analysis of the different frameworks, Mr. Fazi pinpointed two main activities companies carry out with the Social Media, they are Brand Management and Customer Management.

The result of his work are two tables containing the most important KPI, they are grouped according to the performance dimension (efficiency, efficacy and state of resources) and factors that are Brand Awareness, Brand Engagement, World of Mouth and Advocacy for the Brand Management Metrics and Customer Service, Customer Experience and Call to action when dealing with Customer Management Metrics.

Brand Management Metrics

Brand management means to create awareness about a brand, involving the customers and stimulating it to promote the company through the World of Mouth. The classification Mr. Fazi produced is the following:

PERFORMANCE DIMENSION	FACTOR	KPI	METRICS
EFFICACY	Brand Awareness	Social Reach	#views/ #unique visits / #fans
		Sentiment	% positive, negative, neutral
		Share of Voice	Brand mentions/Total mentions
	Brand Engagement	Audience engagement	(#comments + likes + subscribers)/# of views
		Conversion reach	# of active members/social reach
		Action index	# of fan contents/# of brand contents
		Strength of referrals	# of direct and indirect recommendations by users
		Customer loyalty	sum of # of repeated interaction per user/total users
	World of Mouth	Wom index	# of posts, shares, referrals about the brand # of embedding, incoming links, references, publishing on social networks, likes
		Strength of referrals	# of direct and indirect recommendations by users
		Conversation reach	# of active members/social reach
	Advocacy	Active advocates	# of advocates # of active advocates (in a certain period)/ total advocates
		Advocacy impact	# of advocacy driver conversions/ total conversions
RESOURCES STATUS	Social Media	Social Media type	
		Social Media quantity	
		Total investments	
		Specific investments	Related to Brand Awaraness/ Engagement, or WoM or Advocacy.
EFFICIENCY	Brand Awareness	Cost per Social Reach	Specific investments/ social reach
	Brand Engagement	Cost per audience engaged	Specific investments/ audience engagement
	World of Mouth	Cost of World of Mouth	Specific investments/ wom index
	Advocacy	Cost of active advocates	Specific investments/ active advocates

Table 3: Brand Management Metrics. Source: Mr. Fazi Reworked version[213]

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[213] G. M. Fazi Master's Degree Thesis "I Social Media nelle imprese: un modello di misurazione delle prestazioni", Politecnico di Milano 2012

Customer Management Metrics

Customer management is the focus of the entire thesis, the role and the customer and its importance as gravitational center of all companies' activities has been abundantly discussed. Customer Management basically aims at create a one-to-one relationship with the customer, this implies a deep knowledge of his needs, wants and tastes and his involvement in companies activities. The aim is to make the consumer become loyal and stimulate his advocacy. Using Social Media, the customer management is much more easier and the customer is much more involved, results that would not be possible without Social Media. For these reasons, it is important to measure their effects on Customer Management. Mr. Fazi pinpointed in his work the following twenty-eight KPI and related metrics:

PERFORMANCE DIMENSION	FACTOR	KPI	METRICS
EFFICACY	Customer Service	Issues solved	# of issues solved
		Issue resolution rate	# of issue solved/# of service inquiries
		Issue resolution time	total inquiry response time/ # of service inquiries
		Satisfaction score	average customer feedback value, average sentiment of feedbacks
		Social Service Level	# of issue solved within certain time/ total issues solved
		Crisis identified	# of crisis identified
		Crisis solved	# of crisis solved/ # of crisis identified
	Customer Experience (Customer involvement)	User innovative ideas	# of innovative ideas user-generated
		Idea impact	# of likes, sharing and comments per idea
		Idea acceleration	# of ideas about a topic at start date/ # of ideas about a topic at end date
		Co-creative efforts	# of co-creative attempts
	Call to Action (Purchase action)	Social Sales	direct revenue from social media
		Social Sales impact	social sales/total sales
		Repeat Purchase value	value of repeated purchases due to social engagement/total value of purchases
		Lead generation	# of lead generated
		Direct action	# of direct actions taken
RESOURCES STATUS	Social Media	Social Media type	
		Social Media quantity	
		Total investments	
		Specific investments	Related to Customer Service, Customer Experience or Call to Action.
		Social Reach	#views/ #unique visits / #fans

Table 4: Customer Management Metrics. Mr. Fazi Reworked version[214]

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[214] G. M. Fazi Master's Degree Thesis "I Social Media nelle imprese: un modello di misurazione delle prestazioni", Politecnico di Milano 2012

EFFICIENCY	Customer Service	Cost per issue	# of issue requests/ Specific investments
		Cost per issue solved	# of issue solved/ Specific investments
	Customer Experience	Co-creation cost	co-creative effort/ Specific investments
		Cost per idea	user innovative ideas/ Specific investments
	Call to Action	Value per fan	social sales/social reach
		Social ROI	social sales/specific investments
		Cost per lead	lead generation/ Specific investments
		Cost of direct action	direct action/ Specific investments

Table 4bis: Customer Management Metrics. Mr. Fazi Reworked version[215]

These were the most important Social Media Metrics companies have to take in consideration when dealing with Social Media activities. The two tables have some similarities but they are substantially different has they are created to pursue different objectives. However, a company can create new KPI and metrics based on what are its objectives it wants to measure.

3.4.4   Social Media Ability of Italian companies

The IULM observatory on Social Media on January 2016 issued a report called "La SocialMediAbility delle Aziende Italiane", the analysis was carried out interviewing 720 companies. The aim of the research was to analyse the ability of Italian organizations to use Social Media for marketing, communication and relationship management purposes. The 34% of companies interviewed are big the other 66% are small or medium. The 75% has a company website, in particular he 95,4% of big companies declared their web presence and only the 66,8% of small ones. Interesting is the percentage of companies having at least one Social Media activated, about the 73%, moreover the majority of these companies belong to the Fashion, Furniture and Banking system followed by the ones active in the Food and Hospitality.

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[215] G. M. Fazi Master's Degree Thesis "I Social Media nelle imprese: un modello di misurazione delle prestazioni", Politecnico di Milano 2012

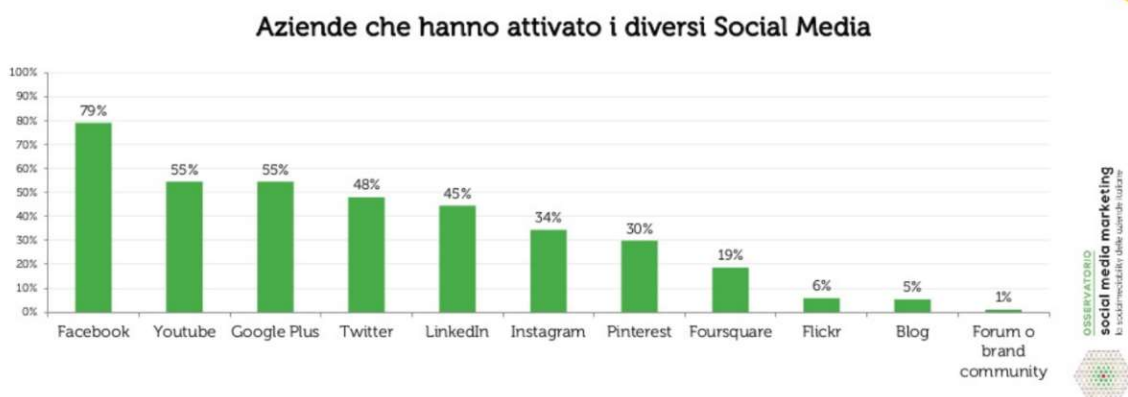**SOCIAL MEDIA UTILIZZATI DALLE AZIENDE**
Sul totale del campione

Aziende che hanno attivato i diversi Social Media

Figure 23 Most important Social Media in Italy. Source: SocialMediaAbility delle Aziende Italiane.[216]

What emerges is that the trend is positive, this means that Italian companies are acknowledging the importance Social Media have in the company strategy. The 82% of companies that have a web site affirm to have put the link of their Social Media, this is interesting as the visitor who is interested in the company has the possibility to contact it also via the Social Media and visiting it they are subjected to the company advertisements and communications. This trend saw a sharp increase between 2013 and 2015, passing from 41% to 82%.

The Social Media most used in the Italian panorama is the most important Social Network in the world: Facebook. This data is consistent with the "Social Media Landscape 2017" of Frédéric Cavazza and with the analysis carried out by We Are Social. Italian companies prefer to reach and communicate with consumers, leads and prospects via Facebook, but also YouTube and Google Plus (which are a Google propriety) are important. Only 5% of companies use Blogs and only the 1% Forums or Brand communities.

From the analysis and the comparison with previous years, Blogs and Forums were mostly used in 2011 and 2013 but in 2015 there has been a sharp decrease. The Social Media Observatory created a SocialMediAbility Index which take in consideration the positioning, the management, the efficiency, which is expressed in term of reachness (the ability of the organization to reach a large number of Social Media Users) and the General Engagement, and as last criteria we have the Caring so the ability of Italian companies to help consumers via the Social Media.

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[216] "SocialMediAbility delle Aziende Italiane", Osservatorio Social Media, IULM (2016)

Figure 24 SocialMediAbility 2015. Source: SocialMediaAbility delle Aziende Italiane.[217]

The picture above shoes the 2015 Index that is 2.7 calculated taking in consideration only the Positioning, the Efficiency and Management Criteria, it almost more than doubled with respect the first time it was calculated, in fact in 2011 it was only 1.16. In the right-hand side of the picture we can see a different index, only 2.5, this is lower as it take in consideration also the ability in Social Caring and split the Efficiency criteria in General Engagement and Reachness. There is no possibility to compare this index with the past as 2015 is the year the new criteria have been introduced. The positive trend implies that Italian companies are transforming and the direction taken is towards the Social Media world, however the components of the index can be expressed in range that goes from 1 to 10, the low numbers of Italian organizations implies that a lot of work has to be done.

The Italian Media market that includes TV, Newspapers and magazines, Radio and SMS, had a € 15.3 billion value in 2015. The 53% comes from the Television which includes pay-per-view services and advertising, a 29% derives from the Newspapers and Magazines which suffered a 5% loss with respect to the previous year, Internet Media instead contributed for the 15%. Of this percentage, the 95% comes from the online advertising, the remaining 5% derives from the sale of paid contents[218]. Internet advertising offers five different formats, they are:

- Display Advertising, paid advertising slots put in websites and mobile applications, they usually have the form of banners or buttons.

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[217] "SocialMediAbility delle Aziende Italiane", Osservatorio Social Media, IULM (2016)
[218] "Internet Media: Lo scenario di mercato, i trend in atto e le opportunità per le media company", Osservatorio del Politecnico di Milano (2016)

- Search Advertising, advertising put in the page showing the results of search engine. Usually the keywords used for the search help the machine to understand which type of advertisement could interest the user.
- Classified Advertising, small advertisements put in dedicated sections both on newspapers or on websites offering the trade of product or services. Usually the advertisements are divided by commodity-related sectors or typology.
- E-mail Advertising, advertisements put inside newsletters.
- Native Advertising, From the analysis carried out by the Osservatorio Internet Media of Politecnico di Milano the Display Advertising and Native Advertising are the most used by Italian companies, moreover the majority of advertisements is visualized via PC (75%), followed by smartphones (21%) and tablets (4%). Moreover, the expenditures in Native Advertising are expected to double in the next three years as it is efficient but less invasive then other types of online advertising.

It is now clear, online advertising relies on data and above all on big data which enable the organization and the media company to understand the interests of a visitor and to display the perfect advertisements. The Analytics market in Italy has a value of € 905 million (2016)[219], investments in Bid Data have increased of 44% with respect to 2015 even if the Business Intelligence represents the most important part. The majority of the expenditures in analytics are held by Big Companies (87%) instead the SME represents only the 13%. According to the report "Big data: guardare al cambiamento, liberare il valore" issued by Politecnico di Milano, the 39% of CIO forecast to invest in Business Intelligence, Big Data and Analytics in the 2017. It is important because it implies that Italian companies are investing in digital transformation, however from the research emerges that new competences and organizational structures are required, the "Data Scientist" is an important figure inside the company and in 2016 their enrolment has increased of 57%. It is interesting and motivating that Italian organizations are investing more on technologies to become "Big Data Enterprise", this means that companies have understood the way market has changed and that they have to adapt, however only the 8% of the companies has reached a good maturity level, the 66% is in an intermediate phase while a 26% has just started the transformation process.

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[219] Big Data: guardare al cambiamento, liberare il valore.

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Chapter 4

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Fidelity House case

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It is now clear that a company to be competitive on the market should invest on customers because they are the ones who effectively bring money to the organization and involving them in companies' processes implies a better knowledge of their needs and wants. This knowledge enables the company to deliver a tailored value proposition which ends increasing customer satisfaction and thus creating customers' engagement and advocacy. To this end, CRM systems have been developed, however to succeed in their implantation a company must follow a defined strategy.

This is particularly true in the technological era of the 21st century, digital transformation has brought about a lot of innovation and companies have to adapt and exploit the new opportunities. CRM has been improved with the use of Social Media, the implantation strategy is combined with digital strategies to obtain the biggest results. The biggest advantage of Social CRM is the deeper customer knowledge it creates, and this is due to the use of the previously explained Big Data. Being able to collect and analyse this information make a company gain a strong competitive advantage.

To stress the importance of having a Digital Strategy to collect Big Data, and to underline their importance as source of value for a company that underwent Digital Transformation, this chapter is dedicated to the discussion of Fidelity House case history. It is an Italian online community created by a Paduan company and that has been able to create an entire business worthing € 1.6 million[220].

4.1 <u>Case study analysis method</u>

The study of the case was carried out in two different steps.

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[220] Data at 31st December 2016

In the first one, the Fidelity House product was studied visiting the community website[221], the owner company's website[222] and the CEO interviews published in its own YouTube channel. Information were then acquired also reading articles available on Italian Online Magazines such as Engage.it, DailyOnline.it, 360com.it, DailyNet-Il quotidiano del marketing in rete, Today.it, IlGazzettino.it, Programmatic-italia.com, advertiser.it, triboomedia.com, pubblicitaitalia.it, mediakey.tv that are cited also in the Horizon Group web site.

As second step, the CEO of the Horizon S.r.l. Mr. Francesco Fasanaro, who is the creator of Fidelity House, was interviewed. The aim of the study was to understand the idea and the processes behind Fidelity House, to this end a total number of seven questions were submitted. The questionnaire was created taking in consideration the Business Model Canvas and the nine building blocks detailed in the first chapter. In this way, it was possible to understand completely how the company creates value, which are the most important resources and activities as well as the relationships it has with customers and partners. Developing the questions based on the Business Model has been important to avoid omitting valuable information.

4.2 Fidelity House: What it is and the Community Management

Fidelity House is an online community created back in the 2011 by Franscesco Fasanaro, founder and owner of Horizon Group S.r.l. an already established Paduan digital agency.

Figure 25 Fidelity House header and structure of the community in the five vertical portals. Source: FidelityHouse website.[223]

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[221] https://www.fidelityhouse.eu/
[222] http://www.horizongroup.it/
[223] https://www.fidelityhouse.eu/

The community carries out both BtB and BtC activities. Fidelity House in fact works with other companies in the sense that it sells advertising spaces and consequently its customers knowledge to companies that want to reach a determined customer segment, but being a community, Fidelity House is created to be used by world wide web users and to this extent works also with "customers".

When carrying out BtB activities Fidelity House is called "Content Social Network", in the BtC case instead it is recognized as the "Community of Passions", the name has been studied ad hoc to communicate to everyone the company's mission that is "to unite real people around common interests".

The community is organized around a horizontal portal that relies on the domain fidelityhouse.eu and that is accessible only to logged users. Here they have the possibility to share they passions creating text, image and video contents, moreover they are incentivized to communicate among them. The horizontal portal works just like described in the "Community Management" paragraph in the previous chapter.

Around the horizontal portal five vertical ones branch off, they are:

- <u>Fidelity News,</u> a daily online newspaper where contributors are not exclusively journalists.
- <u>Fidelity Donna,</u> launched in 2016, dedicated to the Female world, inside topics such as Fashion, Beauty, Healthcare, Love, Motherhoods, House are treated.
- <u>Fidelity Uomo,</u> launched in 2016, just like Fidelity Donna is dedicated to the Female world, Fidelity Uomo is entirely concentrated on Men's world. Some of the arguments treated are: Fashion, Beauty, Healthcare, Women, Love, Cars, Technology.
- <u>Fidelity Cucina,</u> the portal is concentrated on recipes and video-recipes created and uploaded by food-aholic users. This is the portal which gave rise to the exponential success of recent years. After its big success Horizon Group S.r.l. introduced also the Fidelity Donna and Fidelity Uomo portals.
- <u>Fidelity Viaggi,</u> launched in 2017, it deals with travel journals and suggestions of passionates.
- <u>Fidelity Foto,</u> aggregator of all pictures content uploaded by community's users.
- <u>Fidelity Video,</u> aggregator of all video content uploaded by community's users.

As seen in previous chapter, a good Community Management provides rewards and acknowledgements for the superusers, people that participate more than anyone else to the community life.

Fidelity House awards and at the same time incentivize people to subscribe and actively participate in the community, rewarding every action taken by users, such as a new post, a like, a new friendship or a share, with a determined number of "FIs", that is the virtual coin used by the Community. The total Fi accumulated can then be exchanged on a scale of 1:10.000 where 10.000 FIs are equivalent to € 1,00. The minimum threshold to convert FIs is 500.000, this amount can then be exchanged for vouchers of the following Shops and E-Commerce: Alitalia, Alpitour, Amazon, Bennet, Brums, Chicco, Coin, Decathlon, GameStop, Groupon, Kiabi, LaFeltrinelli, Mondadori, NaturaSì, Privalia, Salmoiraghi&Viganò, Tigotà, Trony, Volagratis and Zalando.

The reward scheme is the following:

- 10 FIs for unique visit of user's post and until 10.000 views, 20 FIs for a Premium User
- 15 FIs for unique visit of user's receipt, 25 FIs for a Premium User
- 15 FIs for unique post related to a user's travel, 25 FIs if it contains at least two stop-overs,
- 3 FIs for unique view of a user's picture
- 10 FIs for unique view of a user's video

Fidelity House can afford to reward active users with shop vouchers thanks to the revenues coming from the Display Advertising hosted inside the community website, and that would not be possible without users and their contents.

The today's community structure and organization is only a recent upgrade, in fact during the years it has undergone different restyling and innovation, a valid example is given by the introduction of the seven vertical portals throughout the years.

The actual version is the 4.0 and is optimized also for mobile devices, moreover the access is now easier and quicker. In the 2016 another important event has hit the history of the community, the Fidelity House app was launched: the development is in still in progress, in fact not all tools and functionalities available in the desktop version of the portal are available in the App yet.

Fidelity House community provides to users timely-updated terms of use and community guidelines, along with privacy and cookies policy in compliance with what established by the European Privacy Guarantor.

4.3 Fidelity House Business Model

Fidelity House is an online free pressing community which Business Model is defined by the Horizon Group's CEO as a mix of the American crowdsourcing journalism and the Information Social Media Oriented. Mr. Fasanaro has been able to promote for the first time in the Italian Panorama the multimedia crowdsourcing model, that is a meritocratic online community where the content creation and the Sharing are public and belong to the community.

Referring to the first chapter of this work, the Business Model of Fidelity House can be described as:

- the Incentive schemes model - Transpalented Real World by Bamburry
- Information Barter model – Native internet Business Model by Bamburry
- Virtual community by Timmers
- Alliance B-web by Tapscott, Lowy and Ticoll
- Infrastructure providers/communities of commerce by Hartman and Sifonis
- Vertical Portals, Information and New Service providers by Applegate
- Virtual community by Weil and Vitale
- Advertising model and some characteristics of the infomediary Model in the form of Advertising Networks and of the Affliate Model by Rappa
- Advertising by Affuah and Tucci
- B2C Portal and Content Provider by Laudon, K.G. and Guercio C.

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
Partnership with Media Agencies Users	Platform maintenance Use of a software for customer profiling activities	**BtC:** to unite users around common interests, allowing them to gain through actions carried out inside the community. **BtB:** To deliver customers's advertiments to customers segments carefully profiled.	**BtC:** community/ Social Media FIs exchangeable in Vouchers **BtB:** quality of profiling activity	Italian Web users Companies
	Key Resources User's data User generated content Crowdsourcing		**Channels** Social Media, above all Facebook	
Cost Structure Maintenance and Software costs Vouchers costs coming from the exchage of FIs			**Revenue Streams** Premium Campaigns revenues (CPT) Performance Campaigns revenues (CPC, CPL)	

Figure 25: Fidelity House Business Model Canvas. Source: Personal Elaboration

However, to describe the Business Model of Fidelity House in this chapter's analysis it was decided to use the Business Model Canvas as it is the most known and used and it is studied to describe both traditional and innovative Business Models in a practical and visual way articulated through the 9 Building Blocks. What emerged from the interview and the analysis of information obtained is hold in the following picture.

4.3.1 Value Proposition

The company's value proposition can be split into two parts, the first is aimed at the customers that belong to the BtC channels and it is to "unite people with common interests and allow them to gain through interactions and content creation". The second part of the company's value proposition approached BtB channel users and it is "to put at disposal of companies accurately profiled customers segments to which deliver the perfect advertisements."

4.3.2 The advertising Revenue Stream

Fidelity House incentivizes users to actively participate inside the community by providing them FIs, a virtual coin that they can convert into shop vouchers. As already explained Horizon Group S.r.l. is able to deliver such monetary rewards thanks to the advertising revenues.

If it seems impossible to base an entire business based only on advertising income realized on an online community, it is even more unbelievable that the company obtain € 1.6 billion of revenues throughout the 2016, and at the 31st March 2017 the revenue were already € 680.000. To understand how the company achieved such great number it is important to understand the underlying business process.

Revenues come from the advertising displayed to the community's users and visitors.

In the 2014 Horizon Group S.r.l. has prorogated until 2020 the agreement with Triboo Media for the Advertising inside Fidelity House portal. Triboo Media is a famous Italian Advertising Agency born by the aggregation of TAG Adv, Leornardo ADV and MOBOO Adv. The agreement among the two companies has pinpointed Fidelity House as strategic partner of the famous Italian advertising agency, and according to the community's CEO this is an amazing result considering that the publishers portfolio at the disposal of Triboo Media counts more than 250 websites.

Fidelity House has a wide products portfolio and a lot of advertising spaces to sell, which enable it to collaborate with different advertising agencies to promote different products. Having the seven vertical portals is a strategic decision that enables the organization to host advertisement of products belonging to complete different mereological sectors and aimed at different targets.

The most important partner and re-seller of the community advertising spaces to the different Media centers is indeed Triboo Media. Media centers were mentioned as Media Agencies in the third chapter when dealing with Programmatic Advertising.[224] They are real companies to which organizations delegate the marketing and advertising planning both on-line and off-line. In the USA, their activity is defined "Advertising Media Planning and Buying" because their objective it the one to optimize and plan the customer's advertising according to a determined budget. Triboo Media is not a Media center but an Advertising Agency which aim is to sell the Fidelity House product and its empty advertising spaces to these important media centers.

The importance of advertising as source of revenues for Fidelity House is stated not only by the income numbers also by the strategic decision of Horizon Group S.r.l. to launch Lead House in the 2016.

It is a technological platform that offers "Native Performance Based Advertising" inside the Fidelity House community. This introduction is consistent with the findings of the Politecnico di Milano according to which Native advertising is gaining importance in the Italian Panorama.[225] Advertising created by Lead House are studied and created by Horizon Adv, that is the creative unit of Horizon Group S.r.l.

The peculiarity of Native Advertisements is that they are ideated to fit the website completely, camouflaging themselves with the other user contents, however without omitting that it is a sponsored content in compliance with the hidden advertising regulation.

What makes these types of advertising powerful is that they do not interrupt the user's activity inside the community, not being invasive and not bothering the user make these advertisements to catch his attention and interest.

Figure 25 Example of a Native Advertising Campaign carried out for Paul Cliff
inside the network Fidelity Uomo. Source: Horizon Group website.[226]

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[224] Sort of auction to match website users' tastes with advertising banners to place in the website empty advertising spaces. (pp. 96-94)
[225] Valsecchi M. Lamperti A., *Native Advertising: definizione, dinamiche di mercato e trend di sviluppo*, Osservatorio Internet Media 2016
[226] http://leadhouse.horizongroup.it/

Figure 27 Example of a Native Advertising Campaign carried out for Morato Pane S.p.A. inside the network Fidelity Cucina. Source: Horizon Group website.[227]
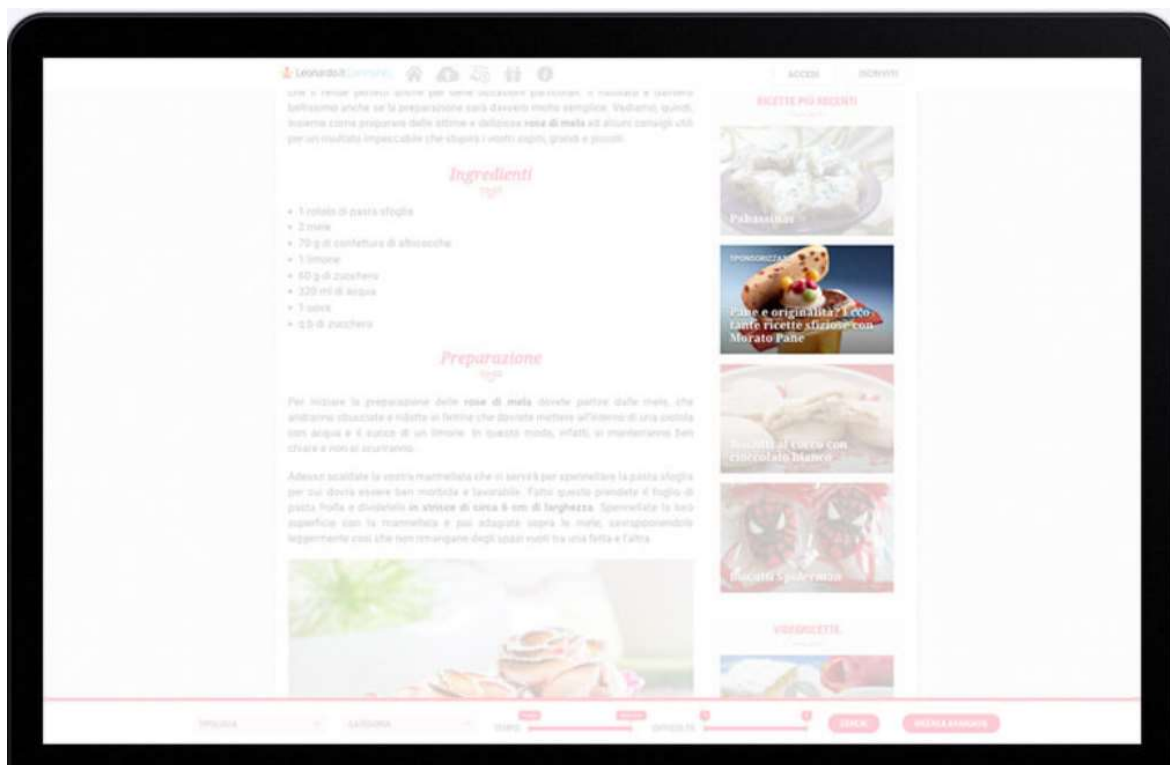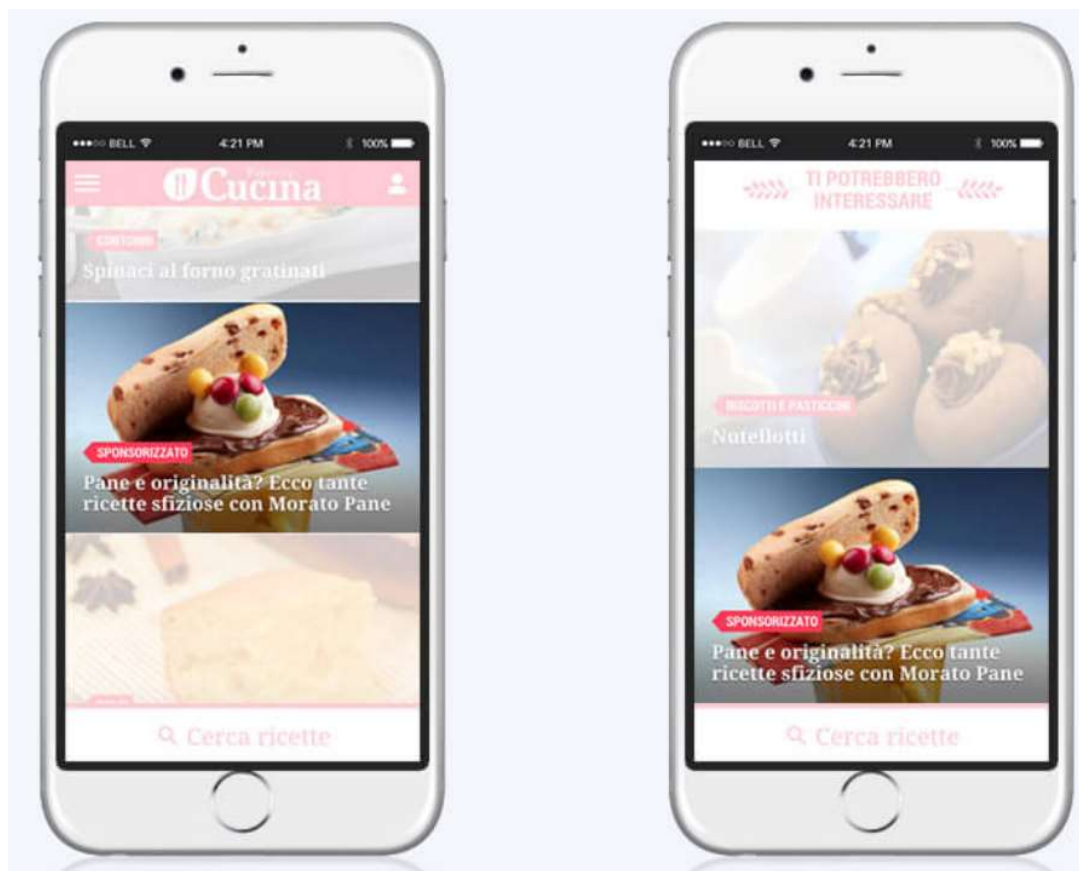

Figure 28 Example of a Native Advertising Campaign carried out for Morato Pane S.p.A. inside the network Fidelity Cucina. Source:Horizon Group website[228]

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[227] http://leadhouse.horizongroup.it/

[228] http://leadhouse.horizongroup.it/

Lead House enabled Fidelity House to begin a collaboration with "Morato Pane" and "Meno ventidue" on the Fidelity Cucina Portal and another one with "Paul Cliff" on the Fidelity Uomo portal. At the end of 2016 "Morato Pane" decided to prolong the collaboration with Fidelity House and Lead House for the launch of the American line that includes all bread products that can be used to create typical American dishes. Mr. Ferrari, Morato Pane's CMO affirms that Lead House offers a really quality service and above all it has addressed to their website really qualified traffic.

For the launch of the new line Fidelity House and Morato Pane are planning to exploit Fidelity Cucina Facebook page that counts more than 1 million followers and to create ad hoc sponsored posts and video recipes to make go viral. They will catch the attention of people and this will enable Morato Pane to advertise its new products line.

Companies are satisfied by Lead House services because of the quality of the views and segmentation and also for the big result obtained.

As seen in chapter three, companies that want to promote their products, their social pages, their communities or simply promote their name have at their disposal Owned, Earned and Paid media instruments. Fidelity House business is based on the selling activities of advertising spaces, basically is based on Paid Media instruments. In chapter three, all cost techniques related to these instruments have been illustrated, some of them are used also by Fidelity House to bill who is advertising.

The most used ones are CPC (Cost per Click) and CPL (Cost per Lead) from which the name Lead House was inspired.

The majority of Display Advertising inside the Fidelity House portals belong to Premium Campaigns, the ones which proceeds is granted as the cost is calculated as CPT (Cost per thousand impressions), which means that Horizon Group S.r.l. cashes in a determined amount of money every 1000 banner delivered. This is quite outstanding considering the network delivers more than 4.000.000.000 banners each year.

The product and the technology of LeadHouse, instead, allow the group to manage, optimize and above all deliver also the unsold, that is the Performance Campaigns, inside Fidelity House

	Premium Campaign	**Performance Campaign**
Cost calculation	CPT (Cost per Thousands of Impressions)	CPC (Cost per click) – CPL (Cost per Lead)
Interaction with Users	None. What matters is the number of impressions, that is the number of time the banner is delivered.	The user must click the banner in case of CPC, in the second case it also has to complete a required action such as subscribe to a mailing list.
Visibility	High. To receive the compensation the banner has to be delivered to a lot of people, to this reasons the banner is usually put in the upper part of the website.	Usually put in the scroll-down zone of the website.

Table 5: Advertising Costs calculation techniques applied by Fidelity House. Source: Personal Elaboration.

4.3.3 Key resources

The key resource for Fidelity House is the Big Data database that contains all information acquired related to the community users, and collected through the activities carried out in the website, the user generated contents and the different Social Media.

Fidelity House bases its activities entirely on the users to the extent that the founder, Mr. Fasanaro, defines it as a "Public company" which contents are public. Essential for the perfect working of the network is the platform on which Fidelity House is based and the Software used to store and analyse users' data in order to profile them, create customers segments and sell them to Advertising agencies.

4.3.4 Cost structure

The most relevant costs for Horizon Group S.r.l. are linked to the maintenance of the Fidelity House Platform and of the Software used to cluster users. This will be discussed in detailed later.

4.3.5 Key Partners

The most important partners for Fidelity House are the Media Agencies and of course the users and their contents.

4.3.6 Key Activities

The Key activities of Fidelity House products are for sure the customer profiling and the maintenance of the Platform and Software that allow to do it.

4.3.7 Customer Relationships

The Horizon Group's product is able to maintain the relationship with the users thanks to the rewarding scheme described above, while it maintains the strong relationship with media agencies thanks to the huge quantities of Big Data it has in the database and the enormous number of community users and visitors which attracts companies that want to deliver their advertising banners to as many people as possible.

4.3.8 Customer Channels

From the interview to Mr. Fasanaro, it emerged that the most important instrument used to acquire the customers has been Facebook, its exemplary use has made the company to be mentioned as a Successful case study in Facebook for Business the reason will be explained later on this chapter. Other Social Media used by the company are Pinterest, Instagram and YouTube.

4.3.9 Customer segmentation

It has already been stated that the community is created to deal with both web users and companies. With respect to the first category the CEO of the company affirms that the Fidelity House product appeals to people belonging to different ages and with different interests. The community is in fact divided into many vertical portals that deal with many different topics, this has been an intelligent and strategic decision as enabled Horizon Group to reach a lot of people.

The network is divided into 4 vertical portals: Fidelity News, Fidelity Donna, Fidelity Uomo and Fidelity Cucina, this diversification has been introduced after the big success of Fidelity Cucina, and following the great results of these experiments in the 2017 Fidelity House has launched also Fidelity Viaggi. Fidelity House attracts people of all ages and thus has at his disposal different users'clusters however according to the CEO Mr. Francesco Fasanaro, the most important and active segment belongs to the vertical portal Fidelity Cucina and is made up of women between 35 and 55.

4.4 <u>Users profiling and advertising submission process</u>

Horizon Group make a huge use of Google Analytics and information it gives about community's visitors, but the instrument on which Horizon Group bases the majority of its profiling activities is a software. Among the Horizon Group workers, it is called "Sanctum" and is a software in cloud, designed and created directly by the company to satisfy all its

requirements. This software is linked to the admin of Fidelity House and tracks all information about community's and vertical portals' visitors and this is of vital importance for Fidelity House because all data obtained are fundamental for the core activity of the community that as seen before in the Fidelity House Business Model are profiling users in segments and "sell" them to advertising agencies.

Using a filter system and intelligent technical demand is it possible to query the database using the in-cloud software and obtain all information required.

A practical example could be more exhaustive:

The software can be used to calculate how many pages of the community have been viewed by a target of women aged 20 to 30, living in Rovigo and interested in the brand Ferrari.

Customer profiling is executed using this powerful software according to the following process: as soon as Horizon Group S.r.l. receives a request by a Media Center that wants to plan an advertising campaign inside the community Fidelity House, a query is created and the output, that is a user cluster, is immediately presented to the client, who can accept and complete the purchase and the marketing campaign planning activity. The software links the cluster pinpointed by the software to the advertising space bought by the client. When the "selected" users visit the community in their newsfeed appears the advertisement.

Mr. Fasanaro states that he created the "Community of Passions" with the objective to cluster in a funny and not invasive way millions of web users in order to subjugate them to non-invasive and above all tailored advertising, creating a sort of one-to-one marketing. This will lead the company to earn and at the same time engage the user, that will come back and make the company increase its revenues. It is a sort of Customer Relationship Management applied to an online community.

When dealing with customer profiling it is important to distinguish between logged and non-logged user, because different is the quantity and quality of information the software has at its disposal and consequently is also different the type of revenue the company can generate.

Also in this case the following practical example could be useful.

A web user enters in the Fidelity Cucina vertical portal and looks for a receipt, the advertising spaces detect the presence of a new user and query his/her browser to understand if the user is logged or not. If he is logged and the software has already linked him/her to a determined advertisement as described above the process stops, otherwise the system proceeds in the Programmatic Advertising process already mentioned in the third chapter and detailed hereafter.

There are two possible situations:

A. The user is not logged: the software has at its disposal a smaller package of information and create a bid request at a lower economic value to the open marketing advertising system.

B. The user is logged and is not linked to any advertisement yet. The software has at his disposal a bigger package of information that contains first part data and create a bid request with a higher economic value to the open marketing advertising system.

The bid requests announce to the media centers that Fidelity House has a determined impression in a determined field and with a determined economic value, high or low depending if the scenario is A or B. Usually 9 times over 10 the request obtains a bid response that means that the impression is bought.

At this point the AdServer enter the game, they are server related to Media Centers that manage and contain all advertising banners. As soon as the bid response is received the software pick up from these servers the advertising banner of the company that has bought the impression and place it on the page the user is visiting inside the community. The most astonishing fact is that all this process is executed in only 21 nanoseconds.

4.5 Fidelity House: Measurement process

During this work, the importance of measurement has been stated in many occasions, measuring allow an organization to understand the direction in which it is going but also if it is reaching or not its objectives. When dealing with Social Media a company can use Web Analytics to measure for example the number of visitors, the bounce rate, how much time they stayed in the website.[229] If a company wants to go much more in details it can use the Brand Management and the Customer Management metrics described in the third chapter.

Fidelity House business is analysed in both ways. The web analytics are managed directly using Google Analytics, a free tool offered by Google which is able to track information of both logged and non-logged users. The Fidelity House community is hosted in the domain fidelityhouse.eu and can be used only by logged users as seen at the beginning of the chapter, vertical portals instead collect all Community User Generated Content according to the topic and are available to everyone. This distinction has no implications for advertising revenues as Premium Campaign advertisements, that as already seen are the most used, are always delivered.

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[229]Magnaghi M., SOCIAL CRM – *Email, Social Media e Web 2.0 : creare nuove relazioni con i clienti*, Milano, HOEPLI, 2014

Mr. Fasanaro explains that from the data collected from Google Analytics only the 3% of users are logged and so registered, while the remaining 97% is non-logged. Moreover, reading the Community regulation for the period 15/06/2016-15/06/2017 is it possible to read a clause saying that "the company foresees to distribute vouchers equal to € 1000,00 excluded Vat for this period", the same amount is put in the new Community regulation valid from 15/06/2017 to 14/06/2018. This data clearly states that the number of people logged and active is really small, but despite this the company obtained € 1,6 million of revenues in 2016 a 30% more with respect to the previous year. Another important insight comes from the 2017 first quarter results the company obtained € 680.000 revenues, a + 197,7% with respect the same period of the previous year.

Figure 26: Some important data about Fidelity House. Source: Horizon Group website.[230]

4.5.1 Web Analytics and Social Media Metrics

Social Reach (#views, #unique visits, #impressions)

The Horizon Group S.r.l. CEO affirms that in 2016 Fidelity House reached 460 million-page views and 4.1 billion impressions.

In the only month of January 2017 Fidelity House instead reached 20 millions users and 78 millions page views. The average on May 2017 is more than 20 million unique page views and

[230] http://www.horizongroup.it/

more than 100 million page views. These numbers are quite amazing since they have already outperformed the ones of 2016. These results make the Paduan Community one of the top 50 most-visited website in the Italian Panorama, this is quite astonishing and rewarding for Mr. Fasanaro especially if considering that the other websites of this Top-50 classifications belong to multinationals companies.

Conversion Reach (# of active members/social reach)

For the "Community of Passions" active members are the ones who are registered in the Fidelity House community, the ones that have access to the horizontal portal. According to Mr. Fasanro the active members are about 500.000 every 30 days. A ratio of about 2.5% that is consistent with the finding of Google Analytics according to which only 3% of users log.

Action Index (# of fan contents/# of brand contents)

This metric is really important as it expresses the power of Word-of-Mouth, how much users contribute to the diffusion of the contents.

Mr. Fasanaro states that 70%-75% of contents inside the vertical portals are created and shared directly by the users, only a 25% is developed and studied by content writers. The majority of their creation are related to Lead House products or to promotional campaigns the organization want to carry out on Social Media.

Wom Index (#of embedding, #incoming links, #references, #publishing on social networks, #likes/referral about the brand/ posts)

From the 2017 Horizon Group S.r.l. has started to promote the Fidelity House product not only using Social Media but also collaborating with Sphera Holding S.r.l., a network that delivers spots on major radio stations in Friuli-Venezia Giulia and Veneto. Mr Fasanaro affirms that the registration to the community have increased.

An 80% of users comes from Facebook instead the remaining 20% comes from other Social Media like Pinterest, Instagram, YouTube or through Search Engines.

Cost per Social Reach (Specific investments/social reach)

This index is used to measure the performance of a campaign or Platform.

The cost per Social Reach in case of Fidelity House varies a lot depending on which vertical portal it is linked. The cost per Social Reach in case of Fidelity Cucina is smaller because the vertical portal has already a high reach and there are a lot of contributors. Mr Fasanaro says that the cost per reach in the case of Fidelity Cucina varies around €3-5.

When dealing with Fidelity Viaggi instead the cost is much higher (€ 7-10) because the research of people with this interest is more difficult and because the portal has just been launched.

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Horizon Group CEO affirms that this metric is really subjective as it depends on what you want to measure and put at the numerator. The cost to reach people and to make them open an article varies a lot, if for example a Fidelity House vertical portal's article is opened thanks to a link put in the Facebook page the cost is equal to zero, because the cost to reach that person has already been sustained when that person was reached and engaged.

Cost per audience engaged (Specific investments/audience engagement)
This metric, as the precedent one, varies a lot depending on the circumstances. Users engaged and arrive from search engines have a cost equal to zero for Horizon Group.
The engagement cost inside the Fidelity House community is calculated as an average between the Cost-Per-Click deriving by campaign aimed at engaging users and the above describes zero costs. If takin in consideration also the people reached and engaged at a zero cost when calculating this metric the cost would be around € 0,20. If not taking them in consideration the cost would be around € 3,00 as for the social reach.

Value per Fan (social sales/social reach)
It is around €0.04-0.05 and € 0.07-0.08, this is the average Fidelity House earns for every time a user is exposed to advertising banners. Mr. Fasanaro explained that values can also be higher but for privacy reasons we had not the possibility to go much in deep.

4.6 <u>Fidelity House: Successful case on Facebook</u>

The community of passions tries to communicate and deliver its value proposition using of course traditional media such as the radio, but above all using Social Networks, especially Facebook. This platform has enabled Horizon Group S.r.l. to obtain 8 million unique video views in 2015, a ROI on advertising campaign of 1,4x and generate a traffic to advertiser websites of about 94% and for this reasons it has been introduced in the "Success case history" of Facebook.
According to Mr. Fasanaro this is an important award as Horizon Group is the second Italian company to win this important recognition issued by Facebook for Business in the category entertainment and media. This has been possible thanks to the masterful work executed with Fidelity Cucina to introduce in the Italian market the Tasty philosophy, that is an important American social food reality. Other companies have tried to bring this "Social food model" in the Italian panorama, but none of them succeeded. In particular they did not obtain the virality Horizon Group instead received, an example: the Fidelity Cucina Facebook page counted 1.200.000 followers in January 2017 and hit 1.658.000 followers in June 2017. This has been

fundamental to receive this important award by Facebook for business, as an important prerequisite is to be able to generate a determined unknown (this information is not made available by the Californian company) amount of traffic to an external website with a determined cost per user; and Horizon Group S.r.l. has been able to achieve this with the Portal and Facebook Page of Fidelity Cucina. The Paduan company uses primarily Facebook to deliver traffic to the community because it has a high reach and advanced and precise targeting technique. Moreover, Horizon Group has been able to use its knowledge and employees have interpreted and understood the algorithms used by Facebook to display information and make a content viral. This important insight has been of vital importance for the company creating huge development opportunities. However, this important insight has not been obtained also in other Social Media where the company is active, such as Instagram, Pinterest and YouTube, for these reason the presence and the influence of Fidelity House in these Socials is not as impressive as the one on Facebook. This is probably due to the fact that Horizon Group has not understood the algorithm behind other social media as well as they understood the Facebook one. Alessandro Benini, head of Marketer in Horizon Group S.r.l. affirms that the advertising campaigns carried out via Facebook are tailored on users and the main aim is to enrich their online experience and offer them relevant contents that are not perceived as invasive. According to him this is another important reason that has enabled Fidelity House to achieve such satisfying results and constant growing.

4.7 <u>Fidelity House: future plans</u>

Horizon Group S.r.l. CEO, Mr. Francesco Fasanaro affirms that the future plans of the company are related to product and revenues objectives.

In particular plans are to invest more on Fidelity Donna and to make this vertical portal to reach the same results obtained with Fidelity Cucina. Objectives are to increase the number of followers to reach 4 millions against the today 2 millions, in the major Fidelity House pages, that are Fidelity News, Fidelity Cucina and Fidelity Donna. Moreover, the vertical channel of Fidelity Viaggi has just been introduced and the company wants to boost its importance throughtout the 2017.

Another important challenge of the 2017 was to open a FlashMob division that would of course be possible to monetize. It was successfully launched the 8th March during the Women's day, in particular a FlashMob was organized in front of Palazzo Moroni in Padua and the event was titled "Un minuto di rumore contro anni di silenzio" that translates into "One minute of caos against years of silence" and the main aim was to protest and stop the violence against women.

The aim of the FlashMob division is to create events that can be registered and make viral through the Fidelity House community and social pages. The objective is to make people become aware of different social problematics. The basic idea is to create storytelling and make people associate the Fidelity House brand with ethic and social contents, so that users feel true emotions as soon as they see or hear about the Horizon Group's community.

With respect to the revenues objectives, the company targets to obtain revenues between € 2,5-3 million for the 2017, this goals seems feasible since the company earned a total profit of € 680.000 in the first term of this year.

Conclusion

At this point it is easy to understand the considerable importance customers' and leads' information have inside a company. The organization able to track, acquire, record and analyse this data is the one that will gain a competitive advantage over other market participants. The benefits this information give are innumerable, but the most important one is of course: getting to know the customer. An organization with a strong knowledge on its customers portfolio and on its leads and prospect can deliver tailored offers creating a one-to-one relationship, reach them in the channel they prefer as well as many other activities that will transform already existing customers in loyal ones and will end up engaging leads and prospects. Fidelity House is an excellent example as it has created an entire business around its customer knowledge and its masterful use. Without it Horizon Group would not be able to deliver the advertising banners to the right targeted groups. Moreover, the quality of data it has at its disposal and subsequent customer profiling activities are one of the characteristics that have made companies to choose Horizon Group services.

It is possible to affirm what claimed at the beginning of this work: today's Digital era is client and information-centric. They are the only means companies have to deliver the personalization levels customer's pretend.

For these reason Customer Relationship Management systems received so much attention and importance in last decades. Even the small family business in the countryside carries out activities to manage relationships with customers.

As widely discussed in chapter three, the 21st century began with a technological revolution: innovation and digital transformation hit the entire world. People life changed completely with the introduction of Web 2.0 following the 1.0 version, the development and the rapid diffusion of Social Media have influenced and modified the customer journey. Companies are aware of the critical role customers have for the entire business and are trying to involve them. The increasing debates around business models and above all e-business models that started in the '90s, clearly state the consciousness raising of companies. In fact, as seen in chapter one, *"…the Business Model is fundamental because it explains how the company creates value for its*

customers…", the main aim of a Business Model is to define the value proposition and how to deliver it, starting from this point other aspects of the organization such as the core activities, strategic partners, distribution channels etc… are defined. The fact the public debate on Business Model definition became more intense in the '90s, and that '90s is the decade of creation of first CRM system is a strong clue on how relevant customers are for any organization, and on the fact companies are aware of it.

E-Businesses are no more an extraordinary backlash of traditional businesses but are a strong and established reality, as seen in this work almost every company carries at least some activities and some of them even exclusively online. This is important as the web enables companies to collect much more information to use in personalizing services, products and communication and in general help to deliver a better customer experience, a feature on which 89% of brands will compete in the future (Gartner 2015).

Fidelity House owes its success of recent years exactly to its ability deliver a valuable customer experience to all community's visitors. The name "Community of Passions" make people think about a place where they can share what they like, moreover they do not have the impression to be subjected to aggressive advertising as the community make largely use of Native Advertising and in the other cases banners are put in strategic positions that do not stop the visitor from their activities. Moreover, the possibility to be content creator and to obtain reward for active participation make people to feel part of Fidelity House.

What emerges from chapter three and from the case analysis is that Social Media plays a key role in reaching people, collecting information about them and in helping companies to deviate traffic in their website.

Fidelity House case however clearly demonstrated that being social does not mean only to have a company's/ product's page on major Social Media but as explained in chapter three it requires also to have a proper Social Media strategy that supports the Digital one. A company must in fact set the way by which it intends to collect data, manage the brand identity and marketing campaign online but it must also be prepared to face unexpected events that could seriously harness the organization image, a good digital strategy in place will prevent this. Horizon Group S.r.l. concentrated all its efforts on developing a strategy to manage its presence on Facebook, this has led the company to win the Facebook success case for businesses and above all to deliver a lot of traffic to the community. About the 80% of the visitors comes in fact from Facebook, the remaining 20% comes instead from other Social Media and from Search Engines. Horizon Group did not develop a proper strategy also for the other Social Pages of Fidelity House, such as the one on Pinterest and Instagram and the low results obtained prove its absence and consequently the necessity of developing a Strategy in the wake of Facebook's one.

Fidelity House case gives an important example on how companies that manage well data can create a profitable business. The Paduan company's one is increasing year by year, at the end of 2016 the community counted for 460 million-page views, the average for the month of May 2017 is 78 million, this means that the 17% of what was obtained in 2016 has been reached just in one month. Moreover, first quarter results outdo the ones of the same period of 2016 by 197,7%. This clearly demonstrate the importance and the efficiency of Fidelity House Digital Strategy. The Metric related to the cost of Social Reach and Audience Engaged and their subjectivity in the computation are a strong clue on how a good strategy that backbones the Digital activity of an organization can dramatically reduce the cost of reaching and engaging users thanks to the powerful effect of Word-of-Mouth.

Being Fidelity House a "Social-content community", Horizon group should invest more on its social Activity on Instagram, the content community per excellence which, as seen in chapter three, counted 600 million users at the end of March 2017. Developing an Instagram Strategy and understand the underling algorithm would give a boost to the number of Fidelity House community visitors and members.

With respect to the Digital World in general and the Big Data on which it relies on, particular attention should be paid in next years on users' privacy, a step in this direction was already taken in the past with the e-privacy policy and in 2009 with the EU Directive 2009/136/CE with respect to cookies, receipted in Italy with a provision in the 2014. Being personal and non-personal information at the base of Social Customer Relationship Management, and being internet at everybody fingertips, and being the Social Activity part of everybody's everyday life users' identity and personal information should be safeguarded.

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