

SOCIAL MEDIA AND CUSTOMER DIALOG MANAGEMENT AT STARBUCKS^{1,2}

John Gallagher
Boston College (U.S.)

Sam Ransbotham
Boston College (U.S.)

Executive Summary

While listening to and learning from customers has long been recognized as important, social media are fundamentally changing interaction between firms and customers. To help understand this changing interaction, we conceptualize customer dialog management in a Megaphone, Magnet, and Monitor (3-M) framework, with the Megaphone representing firm-to-customer communication, the Magnet customer-to-firm, communication and the Monitor customer-to-customer interaction. This framework provides a structure for understanding the opportunities and risks presented by social media. We describe an in-depth case study of Starbucks, a firm widely regarded as a leader in corporate use of social media. Using the 3-M framework, we identify the challenges social media introduce and offer case-based examples of how to manage these challenges. Based on our analysis, we provide guidelines that can assist firms in navigating the evolving environment of social-media-based customer dialog.

A FRAMEWORK FOR ANALYZING SOCIAL-MEDIA-BASED CUSTOMER DIALOG

Social media currently account for nearly a quarter of user online time, ranking well ahead of gaming (10%) and e-mail (8%).³ As a result, social media are fundamentally changing interactions between firms and their customers. Customers now gather information via communication paths that did not exist just a few years ago. Often armed with mobile devices, they issue praise or scorn the moment an issue arises. Through the Internet, customer influence extends beyond geographically proximate contacts, amplifies other customers' actions, shapes product success, and molds markets.⁴ Praise can shine like a beacon of a firm's excellence; scorn can be indelible graffiti etched into the Internet.

While firms have long recognized the importance of listening to and communicating with customers, they are struggling to navigate the emerging complex, consumer-empowered environment. Historically, firm and customer interactions focused on two direct relationships (firm-to-customer and customer-to-firm)⁵ and one indirect relationship (customer-to-customer).⁶ Social media not only intensifies these existing relationships but also creates new options and new variations on conventional options.

However, knowing what to do and how to do it is less clear—particularly as platforms, technologies, and social norms remain in flux. The study reported here

*MISQE is
Sponsored by*



**KELLEY SCHOOL
OF BUSINESS**
INDIANA UNIVERSITY



¹ Ann Majchrzak and Blake Ives are the accepting Senior Editors for this article.

² The authors wish to thank Chris Bruzzo, Vice President of Brand, Content and Online at Starbucks, and Alexandra Wheeler, Director of Digital Strategy at Starbucks, for their time and insights. Any errors are entirely the responsibility of the authors.

³ *What Americans Do Online: Social Media and Games Dominate Activity*, Nielsen Corp., Aug. 2, 2010.

⁴ For an early discussion on the growing importance of customer opinions, see Dye, R. "The Buzz on Buzz," *Harvard Business Review*, Nov-Dec 2000, pp. 139-146. Examples of how social media have positively and negatively influenced firms is provided in Qualman, E. *Socialnomics*, Wiley, 2009.

⁵ Goodman, P., Fichman, M., Lerch, F., and Snyder, P. "Customer-Firm Relationships, Involvement, and Customer Satisfaction," *Academy of Management Journal* (38:5), 1995, pp. 1310-1324.

⁶ Mahajan, V., Muller, E., and Kerin, R. "Introduction Strategy for New Products with Positive and Negative Word-of-Mouth," *Management Science* (30:12), 1984, pp. 1389-1404.

examines current social media developments to provide guidance on organizational participation. Based on our study, we describe the **Megaphone, Magnet, and Monitor (3-M) framework** for analyzing social-media-based customer dialog. Our framework focuses on the effect of social media on the three important flows of customer communication—from the **firm to customers (functioning as a Megaphone)**, from **customers to the firm (functioning as a Magnet)**, and **from customer to customer (functioning as a Monitor)**. We then illustrate the framework in the context of several noteworthy social media efforts by Starbucks, a firm recently rated top for social media engagement among 100 leading brands⁷ and considered by many to be at the forefront of effective social media use.⁸ By exposing issues through this framework, we extrapolate specific guidelines so that other firms can learn from the early experience of Starbucks. While the demographics and behavior patterns of Starbucks' customers align well with social media, its efforts provide useful insights for firms in different industries or those in similar industries that have not yet pursued a broad set of social media initiatives.

UNDERSTANDING FIRM AND CUSTOMER DIALOG

Firms (and academics) have spent huge amounts of time and money trying to understand and enhance customer relationships. In this section, we first illustrate the nature of traditional firm and customer dialog, then identify the changes brought about by the emergence of social media. In the next section, we present the 3-M framework for understanding social-media-based dialog.

Firm and Customer Interaction Using Traditional Media

Before the emergence of social media, a firm interacted directly with customers either individually or in mass communications. Individual dialog included, for example, communication as part of a retail purchase or at a customer service desk. These interactions occurred via synchronous phone calls or face-to-face encounters or via asynchronous media such as e-mail or postal mail. Either the

firm or the customer initiated these dialogs. Mass communications included, for example, printed or broadcast advertising and were typically by the firm. Only rarely have individual customers or activist groups voiced concerns via full-page newspaper ads or other mass media.⁹ Regardless of the medium, customers had limited ability to observe or influence other customers' relationships with a firm.

A firm also had an indirect relationship with customers through customer-to-customer interaction about the firm. After a bad or good experience, customers influenced those they directly contacted. Except for occasional cases such as published letters to the editor or reports to consumer advocates, these interactions were limited in scope and largely hidden from other customers. The time needed to voice feedback via traditional communication paths, and perceptions of limited impact, worked to dampen feedback volume. Promotions such as referral discounts attempted to influence customer-customer dialog;¹⁰ however, until firms observed purchase behavior, customer-customer interaction remained hidden, and they had little opportunity to monitor or influence these interactions.

Changes Brought About by the Emergence of Social Media

Modern **social media technologies** offer communication paths that **enable an individual to consume, produce, and redistribute content**. As such, social media offer two important options:

1. They greatly enrich traditional customer and firm interaction
2. They enable the firm and customers to monitor what other customers are saying about the firm.¹¹

Summarizing an analogy by Clay Shirky, "with social media, it is as if every book comes with a printing press, every phone with a broadcast tower."¹²

9 Cost and impact dictates that large firms are almost exclusively the targets of negative mass-media campaigns. Examples include critical ads placed in *USA Today* by the activist organization Greenpeace targeting Monsanto, and the book *Fast Food Nation* and the film "Supersize Me" criticizing McDonald's.

10 Ryu, G. and Feick, L. "A Penny for Your Thoughts: Referral Reward Programs and Referral Likelihood," *Journal of Marketing* (7:11), 2007, pp. 84-94.

11 For a general discussion of the changes due to social media, see Kane, G., Fichman, R., Gallaughier, J., and Glaser, J. "Community Relations 2.0," *Harvard Business Review*, November 2009.

12 Shirky, C. "How Social Media Can Make History," conference presentation delivered at TED@State, June 2009. Available at http://www.ted.com/talks/lang/eng/clay_shirky_how_cellphones_twitter_facebook_can_make_history.html.

7 ENGAGEMENTdb Report, Altimeter Group and WetPaint, July 2009, available at <http://www.engagementdb.com/Report>, which ranks the Top 100 of *BusinessWeek's* Best Global Brands according to breadth and depth of social media engagement.

8 Based on the 2009 Social Media Index Ranking in Brandau, M. "Social Media's Top Restaurant Players," *Restaurant News*, July 8, 2009.

First, social media increase the ability of firms to interact in firm-customer dialog, strengthening firm-to-customer and customer-to-firm communications. There are fundamental changes in the ease of contact, volume, speed, and nature of these interactions. For example, rather than the classic suggestion box, firms can use social media to solicit innovations. Idea websites and online forums encourage customer-to-firm dialog. Firms can respond to customer ideas quickly and engage customers.

Second, social media allow firms to create mechanisms for customer-to-customer dialog and then, more importantly, to monitor and mediate that dialog. Customer-to-customer interaction is important; traditionally, word-of-mouth is the most persuasive form of promotion.¹³ Social media operate like a giant word-of-mouth machine, catalyzing and accelerating the so-called viral distribution of information.¹⁴ For example, firms use Twitter re-tweets, and Facebook's news feed and "Like" buttons to encourage customers to spread a message. These mechanisms are amplifiers, piggybacking on customer word-of-mouth while integrating with content that is more observable than other forms of online advertising.¹⁵ However, firms should beware—these same mechanisms can spread outrage, discontent, and ridicule just as rapidly. Monitoring of customer-customer dialog yields market intelligence and lets a company amplify positive messages, correct inaccuracies, and mitigate damage.

Social media not only create new firm-customer interactions, they expose these to others. Customers can participate in the firm-customer relationship of other customers, and customers can learn about the firm by observing others. For example, commentary in online forums is visible to other customers, and user reviews have become increasingly important and helpful sources of product information.¹⁶ Beyond just observation, customers can corroborate or refute the experiences of other customers. Furthermore, social media allow firms that are otherwise separated from customers by intermediaries (e.g., those

selling through resellers) to regain direct customer interaction.

Social media also augment customer-to-customer interaction with firm-customer dialog. For example, users can interact with each other on review sites like Yelp and TripAdvisor, and these sites offer opportunities for a firm to respond. While the firm-customer relationship existed before social media, the expanding communication paths provide additional options for reinforcing or shaping the relationship.

UNDERSTANDING SOCIAL MEDIA DIALOG THROUGH THE 3-M FRAMEWORK

Establishing, nurturing, and managing a social media presence leverages customer engagement. Building on the enriched and expanded opportunities provided by social media, firms can focus managerial attention in three directions. We conceptualize these interactions as a framework with three components—the *Megaphone*, the *Magnet*, and the *Monitor*.

Figure 1 depicts the existing and potential communication paths between a firm and its customers. Arrows indicate the direction of information flow. Solid lines signify *existing relationships* enhanced by social media. Firms and customers have always been able to observe their own relationships, whether initiated by the firm (line A) or by the customer (line B); social media enhance these relationships. Dotted lines signify *new potential relationships*. Other firms (line C) or other customers (line D) can Monitor firm-customer and customer-firm interactions. Firms can Monitor (line F) interactions between focal customers and other customers (line E).

The Megaphone: Firm-initiated Social Media Dialog

Firms can use social media to share their message with the world, and since these media are public, such communication acts as a *Megaphone*. Used effectively, social media underpins brand positioning and perception, establishes a clear message, conveys corrections, promotes contests, distributes time-sensitive information, and even recruits customers, partners, and staff. Firms need to be aware of the many paths to reach customers and the appropriateness and effectiveness of each path for disparate or complementary communication goals.

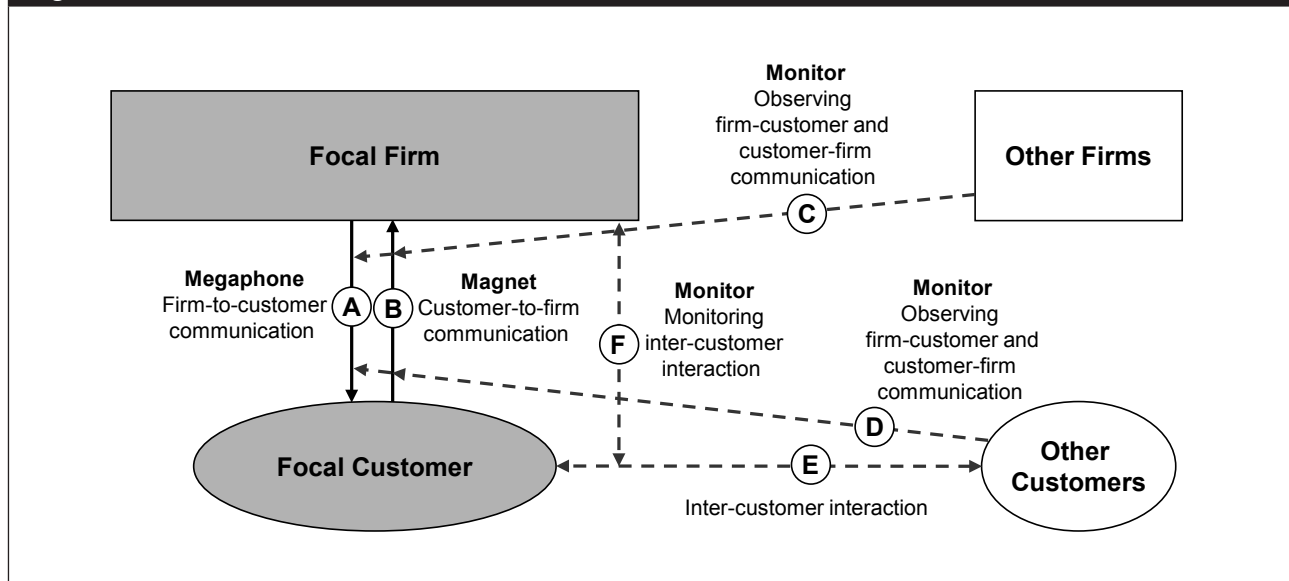
13 Kumar, V. J., Petersen, A., and Leone, R. "How Valuable Is Word of Mouth?" *Harvard Business Review*, October 2007.

14 For examples, see Dellarocas, C. "The Digitization of Word of Mouth: Promise and Challenges of Online Feedback Mechanisms," *Management Science* (49:10), 2003, pp. 1407-1424; and Godes, D. and Mayzlin, D. "Using Online Conversations to Study Word-of-Mouth," *Marketing Science* (23: 4), 2004, pp. 545-560.

15 Neff, J. "Nielsen: Facebook's Ads Work Pretty Well," *Advertising Age*, April 19, 2010.

16 For examples and a discussion of reliance on user reviews, see Mudambi, S. and Schuff, D. "What Makes a Helpful Online Review? A Study of Customer Reviews on Amazon," *MIS Quarterly* (34:1), 2010, pp. 185-200.

Figure 1: Firm and Customer Communication Paths With Social Media



The Magnet: Customer-initiated Social Media Dialog

Firms also can use social media like a *Magnet* to draw inbound dialog. To attract and leverage inbound dialog, firms need to establish a recognizable social media presence. Otherwise, the firm risks losing these messages in the long tail of Internet content, or even worse, increasing the likelihood that these inevitable conversations will happen in inaccessible places such as private Facebook conversations or invitation-only Ning communities. By providing a Magnet, firms capture customer feedback, enhance market research, augment customer service, and foster innovation. Using social media as a Magnet influences even passive observers, as it provides information and displays the interaction of a firm with other customers.

The Monitor: Customer-to-Customer Social Media Dialog

While social media Magnet activities can shift some customer-to-customer dialog to customer-firm dialog, customers will always interact with each other. Facebook wall posts, tweets, comment fields, and discussion forums all provide mechanisms for customer-to-customer engagement. Social media allow firms to Monitor this inter-customer dialog, yielding customer insight as well as market intelligence. However, just as modern touch-screen interfaces transitioned traditional passive computer monitors to active devices, the Monitor capability provided by social media allows active engagement in addition to passive observation. Firms that Monitor

communications and interactions can decide if and when to engage.

Organizations mediate existing customer dialog for various reasons, such as correcting inaccuracies, praising efforts, encouraging activities, promoting offerings, or remedying problems. This mediation can be public or private (e.g., Twitter direct messaging or private review response within Yelp). If public, social media provide another mechanism to reach other customers and potential customers as they Monitor existing firm-to-customer and customer-to-firm communications. Because of the wide visibility and reach, monitoring customer-to-customer dialog involves contextual analysis skills as well as judgment in determining if activities warrant responses and, if so, how to engage. In addition, rival firms can Monitor public posts to gather intelligence.

Using Social Media Activities to Complement Each Other

The three components of the 3-M framework work in unison, creating opportunities. For example, a firm might establish social media presences that act as a dialog Magnet, but then Monitor the resulting conversations. Different media can work together as promotional tools. For example, Twitter and Facebook posts may reference blogs or YouTube videos, and Twitter re-tweets and Facebook news feeds encourage viral promotion.

An active social media presence not only offers opportunities for managing all three types of dialog but also provides a firm with benefits through search

results based on popularity and links, including external (e.g., Google) or internal (e.g., searching within Facebook). While highly visible and creative complaints or embarrassing incidents can rise up the rankings, firms with highly ranked online media can effectively bury most one-off negative comments because these will appear low down in the rankings. Firms that embrace social media can also improve customer service reputations, garner more positive mentions and influence customer perception of their brand.¹⁷

STARBUCKS AS AN EXEMPLAR

The Megaphone, Magnet, and Monitor 3-M framework provides a structure for examining a firm's social media activities and a mechanism for identifying potential capabilities, possible problems, and best practices. To illustrate, we examine Starbucks, widely regarded as a leader in the effective use of customer-focused social media¹⁸ and rated the top firm for social media engagement among 100 leading brands.¹⁹ Social media tightly align with Starbucks's strategy, from brand definition and promotion to execution through service delivery.

With over 17,000 worldwide retail outlets, roughly 130,000 employees, and revenues of \$9.7 billion in fiscal 2009, Starbucks (rank 241 in the Fortune 500 in 2010 and No. 3 in the food services category) ranks among the world's largest retail and service firms. Examining firm-customer dialog management at Starbucks allows us to study social media activity employed by a firm that operates under a bright public spotlight that attracts a great number of both admirers and detractors. The firm is widely known and often well-regarded for marketing, community involvement, and social responsibility.²⁰ However, it is also a frequent target of vocal critics, as some activists view Starbucks as a symbol of consumerism and global corporate sprawl.²¹ The social media environment that attracts both avid fans and savage critics presents a rich opportunity for analysis and learning.

17 *CRM and Social Media: Maximizing Deeper Customer Relationships*, Avanade Whitepaper, 2008, available at http://www.avanadeadvisor.com/CRMSocialMedia/docs/Coleman%20Parkes%20Research%20Findings%20Summary_final.pdf.

18 Brandau, M., op. cit., 2009.

19 ENGAGEMENTdb Report, op. cit., 2009.

20 Starbucks is one of only six U.S. firms to be ranked by four prominent corporate social responsibility rankings: The 2010 Global 100 by Corporate Knights; The Ethisphere Institute's 2009 Most Ethical Companies; CRO's Best Corporate Citizens, 2009; and *Newsweek's* 2009 Green Rankings.

21 Many activists have exploited film as a protest medium. See the YouTube-posted short "What Do Starbucks and Wal-Mart Have in Common?" and the motion picture "Black Gold."

Starbucks—A Technology and New Media Pioneer

Starbucks has been an aggressive experimenter in using consumer-focused new media and technology. Starbucks' CEO Howard Schultz has been a high-profile champion of technology initiatives, and personally introduced MyStarbucks Idea²² and the Starbucks Digital Network.²³ Other examples include building on the firm's role as a social gathering place by expanding into media products (music, videos, books) and developing customer interaction through mobile devices. In 2006, a campaign with the Yahoo! Personals dating site included co-marketing as well as an "espresso dating guide." Starbucks experimented with customized music CD burning via in-store kiosks. It collaborated extensively with Apple, distributing weekly iTunes songs, offering a custom Starbucks iTunes channel, and integrating in-store music to display a Starbucks button in iTunes for further sampling and purchase. iPhone apps provide store menus, nutrition information, store locators, card management, and even payment facilities. While the success of these efforts varies, they collectively underscore the firm's willingness to experiment.

Social media activity at Starbucks involves both services maintained by the firm (e.g., MyStarbucks Idea) and third-party services (Facebook, Twitter, YouTube, and Foursquare²⁴). In all, Starbucks currently engages in 12 types of social media, some of which are shown in Figure 2.

Viewing Starbucks Social Media Efforts through the 3-M Framework

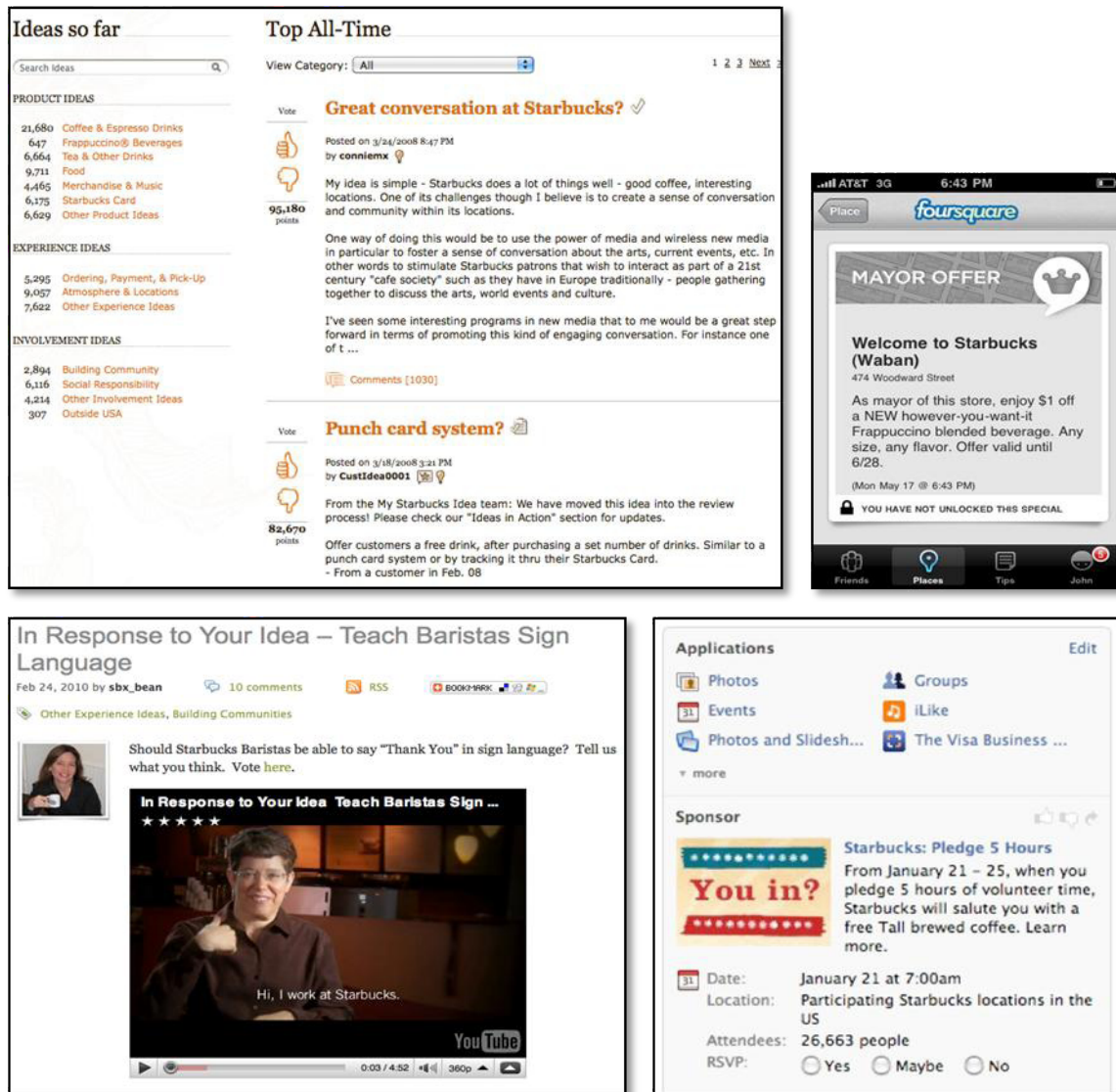
Starbucks and the Megaphone. Table 1 describes the ways in which key social media initiatives act as a Megaphone for Starbucks, allowing the firm to widely share information across different types of social media. In aggregate, these efforts create millions of potential customer contacts and expose dialog to those who encounter the brand online. The firm runs its own-branded social media sites (e.g., MyStarbucks Idea); however, its presence within public third-party sites dominates its Megaphone-oriented activities. Customers likely already participate in these public sites, and Starbucks leverages this prior involvement for firm-initiated Megaphone communication.

22 A customer-focused online community for developing ideas.

23 The Starbucks Digital Network will give Starbucks customers free access to a collection of premium digital content accessed through one-click Wi-Fi in Starbucks stores (see http://news.starbucks.com/article_display.cfm?article_id=423).

24 A location-based social networking website.

Figure 2: Examples of Starbucks' Social Media Use



Top left: voting on MyStarbucks Idea
 Bottom left: a MyStarbucks Idea submission
 with embedded YouTube video

Top right: a Foursquare promotion
 Bottom right: a Facebook ad

Starbucks and the Magnet. Table 2 illustrates several social media initiatives that Starbucks uses as a Magnet to attract inbound customer dialog. Magnet-oriented initiatives span **third-party and owned sites**. Owned sites can be particularly effective because ownership offers the potential for detailed site design and control. However, third-party sites are still required to attract existing customer dialog. Collectively, these initiatives cast a net capable of capturing input spanning the most widely used social media platforms.

While social media provide a dialog Magnet, the firm actively guides the dialog. When signing up at **MyStarbucks Idea**, customers receive operating parameters (e.g., the site is for firm-wide ideas, not issues with local stores or staff). **MyStarbucks Idea managers encourage positive behavior among participants**. For example, at one point the site offered a surprise reward of a Starbucks Gold Card to the Top 100 contributors.

Starbucks and the Monitor. Many Starbucks social media efforts enable conversation by creating a

Table 1: Using Social Media as a Megaphone at Starbucks

Initiative	How Starbucks uses the Megaphone
MyStarbucks Idea	<ul style="list-style-type: none"> • Uses outbound messages, promoting customer-catalyzed innovation • Shares information on customer-suggested innovations • Builds anticipation regarding pending initiatives • Creates anticipation for forthcoming products • Promotes the firm's commitment to empowering the "customer's voice"
Facebook	<ul style="list-style-type: none"> • Connects with 15+ million fans making it the largest corporate fan page • Updates fans via a users' news feed, including promotions (e.g., Free Pastry Day), cause marketing (e.g., Love Project, Day of Service), firm-posted videos and images • Offers discussions on topics Starbucks wants to encourage • Allows patrons to load Starbucks payment cards • Provides a platform to share photos, video, and news of upcoming events
Twitter	<ul style="list-style-type: none"> • Broadcasts in-store (e.g., product sampling) and partner promotions (e.g., VIA instant coffee available in grocery stores, Lilith Faire 2-for-1 ticket specials) • Pushes content through sponsored tweets that reach even those who have not followed the firm; Starbucks was among Twitter's first advertising partners • Attracts 1 million followers to the firm's primary Twitter account, twitter.com/Starbucks. • Offers specialized additional accounts, including twitter.com/StarbucksJobs, twitter.com/MyStarbucksIdea, twitter.com/Jim_Starbucks (Jim Hanna, Director of Environmental Impact), and accounts for the concept locations not branded as Starbucks, twitter.com/RoyStCoffee and twitter.com/15thAveCoffee • Sends commentary from nutrition and corporate social responsibility staff
YouTube	<ul style="list-style-type: none"> • Maintains its own channel • Publicizes documentaries on the firm's corporate social responsibility • Allows on-demand viewing of commercials and promotional content • Promotes music sold by the firm
Foursquare	<ul style="list-style-type: none"> • Location-based app highlights nearby stores • Draws store traffic through promotions broadcast as a popup tab whenever someone checks in near a Starbucks

platform where customer-to-customer dialog can take place; Table 3 describes key initiatives. Social media reveal previously hidden interaction, allowing Starbucks to act. The firm actively Monitors social media and selectively mediates interactions either publicly or privately. Such activity can amplify praise (via public thanks comment or re-tweeting), correct an inaccuracy (see Figure 3 for an example), respond to customer service issues, relay issues to other staff (e.g., "my local Starbucks wasn't aware of the Foursquare mayor special"), or even post an apology. Furthermore, customer-to-customer contact can spread virally; a customer's interaction with Starbucks is visible to all of his or her friends, allowing further comment and thus extending viral reach.

Starbucks' Complementary Use of the Three Ms and Different Social Media

Combining the Megaphone, Magnet, and Monitor within Individual Outlets. The three components of dialog management do not exist in isolation. Most social media platforms use the Megaphone, Magnet, and Monitor in ways that work together to attract, spread, enrich, and reinforce online dialog. For example, the welcome page for MyStarbucks Idea states that the site encompasses four points—share, discuss, vote, and see—enabling the platform to incorporate all three framework components. In another example, a campaign through Facebook offered a free cup of coffee to those who said they voted in the November 2008 U.S. Presidential

Table 2: Using Social Media as a Magnet at Starbucks

Initiative	How Starbucks uses as a Magnet
MyStarbucks Idea	<ul style="list-style-type: none"> • Enables users to share ideas with the firm and vote on ideas offered by others • Yielded over 70,000 ideas during its first year; dozens have been rolled out, including new drinks and flavors, food items, updated loyalty programs, and splash sticks to prevent spills through the opening in coffee cup lids • Attracts 13,000 unique monthly visitors
Facebook	<ul style="list-style-type: none"> • Draws praise, complaints, support requests, and product suggestions • Focuses attention on the firm's wall, where content can be managed • Attracts over 15 million fans • Lets customers comment on Starbucks messages in user news feeds • Provides an easy way for customers to opt-in to Megaphone messages
Twitter	<ul style="list-style-type: none"> • Provides an opt-in platform for over 1 million followers • Creates a visible venue to share praise, request support, and send suggestions • Allows venting of complaints in a relatively ephemeral medium
YouTube	<ul style="list-style-type: none"> • Captures customer-submitted videos • Serves as an outlet for user-submitted video campaigns such as the group sing-along LOVE project fundraiser for AIDS relief • Collects user-submitted suggestions for using VIA Ready Brew instant coffee
Foursquare	<ul style="list-style-type: none"> • Rewards store visits and product purchases through social gaming • Draws inbound traffic to separate locations by opportunities to earn Barista²⁵ badge • Encourages users to vie to be named a given location's "mayor" through frequent visits, gaining special discounts and in-app community recognition

election. Starbucks sent messages to fans and placed Facebook ads, creating an initial awareness of the campaign. Promotions on Facebook invited users to indicate that they voted and intended to drop by Starbucks for a free cup of coffee. Each confirmation then virally spread into the news feed of each confirmer's friends, allowing new users to opt in to the campaign and further spread the word. By the end of this campaign, over a quarter of a million users planned to visit a Starbucks store, generating over 83 million viral impressions within Facebook. In both these examples, a single platform encompasses all three Ms of the framework. An awareness of this richness helps firms understand the dialog that can occur.

Integrating Across Social Media. Not only do individual social media frequently encompass all three Ms, but different social media also interact, complementing each other as information flows between them. These cross-media complementarities impact objectives such as innovation, brand shaping, promotion, traffic generation, and support. As an example, a deaf patron recently submitted a

MyStarbucks Idea suggestion via a YouTube video asking that Baristas learn to sign "Thank You." A Starbucks employee filmed a response conveyed via American Sign Language, uploaded it to YouTube, posted the link to the reply to the MyStarbucks Idea forum, and the response was tweeted through the firm's Twitter accounts, then re-tweeted by scores of additional followers. This entire dialog is accessible not only by MyStarbucks Idea members and Starbucks followers but also through public search. Integration opportunities will likely accelerate as social media platforms continue to embrace techniques that allow them to interact with each another. For example, Foursquare users can post check-ins and badge awards on Facebook and Twitter.

Extending Conventional Information Systems into Social Media. While social media are often thought of as end-user technologies, they can also exploit conventional information systems. For example, Starbucks developed e-commerce technology for use on Starbucks.com and within the Starbucks iPhone app. Building on this technology, Starbucks now

Table 3: Using Social Media as a Monitor at Starbucks

Initiative	How Starbucks uses as a Monitor
MyStarbucks Idea	<ul style="list-style-type: none"> Establishes a forum for inter-customer dialog Promotes inter-customer dialog, both through messages and idea voting (up or down) Provide metrics on activity, idea popularity, and drill-down for exploring conversation thread detail Manages dialog (including observing or conversation shaping) with the help of 48 “Idea Partners” (employees in functional areas but trained in social media)
Facebook	<ul style="list-style-type: none"> Measures exposure, showing user activity and demographics, and demonstrating campaign-related actions (e.g., click-throughs, page visits or “Likes”) Indicates trends involving users who ignored content or who have chosen to stop following as a fan Catalyzes consumer-to-consumer conversation, with “Likes” and news feed comments visible in a fan’s friend base, generating more conversation Stimulates discussion among users; everyone can see and comment on the wall posts that are made within the forum
Twitter	<ul style="list-style-type: none"> Provides metrics such as keyword mentions and re-tweets as well as inbound activity (e.g., click-throughs) generated from Twitter campaigns Offers insights on campaign click-throughs and customer sentiment Suggests hashtags to followers, allowing customers themselves to further monitor customer dialog around specific campaigns and initiatives Allows staff to react, issuing praise, apology, correction, and offers of help Provides insight on competitor activities, exposes problems to address or capitalize on, and creates opportunities to learn from others
YouTube	<ul style="list-style-type: none"> Gauges the success of offerings through view statistics and comment activity Allows for consumer-to-consumer dialog in comment areas
Foursquare	<ul style="list-style-type: none"> Reveals check-in patterns and demographics, and identifies loyal and lapsed visitors Ties social networking activity to a specific retail location Promotes customer-to-customer dialog (in-app “shouts” and “tip” postings) Propagates check-ins and badge earns to other social media

Figure 3: Example of Correcting an Inaccuracy



enables customers using Facebook to buy their friends a drink by reloading their payment cards.

CONFRONTING CHALLENGES ASSOCIATED WITH SOCIAL MEDIA

Firms engaging in social media will also face challenges. We identify several key issues and examine the experience of Starbucks within each.

1. **Balancing Centralized vs. Decentralized Governance and Control**

Social media are typically low-cost, easy-to-deploy end-user technologies. Because of widespread media attention, firms may find that staff demand access to these technologies or may have already launched initiatives on their own. While firms can organize for social media in many ways, decentralized governance and control may result in customers perceiving the efforts as disjointed, and the efforts may fail to capture important organizational learning. On the other hand, overly restrictive centralized control may strangle innovation. Governance of social media is continuing to evolve, but Starbucks demonstrates one possible approach.

Starbucks has a distinct unit that manages all Megaphone, Magnet, and Monitor activities, with Chris Bruzzo, the firm's Vice President of Brand, Content and Online, coordinating these efforts. The six-person full-time social media team uses a matrix structure to engage dozens of staff partners within nearly every functional area of Starbucks. Team members regard themselves as digital practitioners, with a skill set that, while evolving, is as valuable as those in other management disciplines.

A centralized, cross-functional social media group, such as that deployed by Starbucks, offers several advantages. With a group acting as a single resource serving the entire enterprise, **Megaphone, Magnet, and Monitor activities can be integrated and coordinated**, avoiding the risk of disjointed campaigns executed with a different tone, look, and feel. Members of Starbucks' social media group describe their efforts as setting a pace and cadence that modulates contact so that customers are unlikely to view it as spam, while reflecting the firm's emphasis on community and conversation. The group also provides centralized monitoring and, while not all social media mentions

of the firm warrant responses, managers describe the group as being involved in "a great deal of conversation monitoring."

The central group sometimes calls on employees outside the group but with prior consultation, training, and feedback. It establishes where to turn if situational triage identifies the need for advice or expertise. The group works with support functions, including legal (for confidentiality, privacy, and intellectual property issues) and information technology (for technology and security issues). Centralized control allows a firm to capture learning from experimental initiatives, synthesize expertise, and disseminate it.

2. **Balancing Facilitating and Censoring**

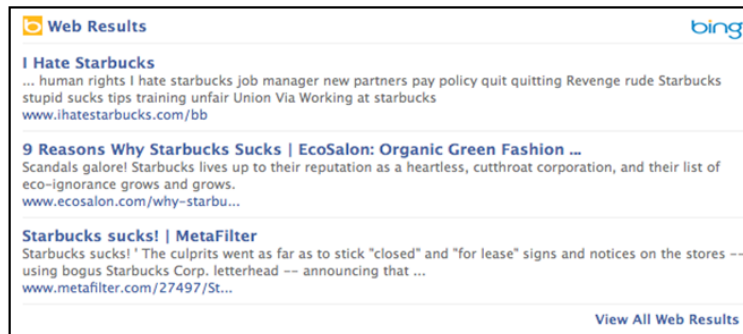
The chaotic nature of the Internet can intimidate firms, and the openness of social media creates dialog management challenges. On Facebook, for example, the wall is the first visible page for a firm's fan site. But the Starbucks' wall often contains the kinds of unwanted comments that firms must weigh against the value of Facebook participation. And although the Discussions tab on the Starbucks Facebook presence contains enthusiast comments and thoughtful dialog, it also includes several threads openly hostile to the firm. The disgruntled can also form their own groups on Facebook outside a firm's fan site but with the brand appearing in the group's name and as a searchable keyword (see Figure 4).

Firms that participate in social media must recognize that they are engaging in a dialog **not controlling the user's voice**. This requires tolerating some dissent and a respect for participants' opinions. As such, facilitating a firm's social media presence is challenging. In Starbucks' case, the firm monitors its Facebook presence, even paying an outside vendor to remove self-promoting or offensive posts. The community of users polices the presence too, often notifying the firm when they encounter inappropriate content.

However, firms that censor dissent in public forums put themselves at risk. While fans may consider it appropriate to remove vulgar comments and spam, direct forms of censorship may inflame critics. In some cases, responding to or even simply ignoring some criticism can be a better approach. In fact, enthusiastic customers may counter the criticism on the firm's behalf. Firms fearful of online criticism need to address underlying issues prior to cultivating a social media presence; otherwise social media will likely exacerbate the issues.

25 Starbucks' title for its coffee house employees.

Figure 4: Hostile Discussion Threads in Facebook



Firms that solicit customer input should expect to respond to inbound dialog or risk customer frustration. Starbucks found, for example, that customers demanded robust feedback tools—insisting on a MyStarbucks Idea “thumbs down” demotion button in addition to the “thumbs up” voting mechanism. Similarly, this site not only lists ideas adopted or under consideration, it also offers commentary on why the firm has not adopted some community ideas. **Transparency and acknowledgement can limit backlash that might otherwise result if a firm is perceived as soliciting ideas but not responding.**

Social media monitoring also allows a firm to respond to rumors and mediate reaction when attacked. Through monitoring, Starbucks regularly unearths Internet-spread falsehoods. For example, claims persist that Starbucks does not send coffee to U.S. troops in protest of the wars in Iraq and Afghanistan, and that Starbucks funnels profits from Israel to that country's army. Starbucks addresses rumors in its Myths and Facts section on Starbucks.com and via its

social media outlets. **While social media allow rumors to spread quickly, monitoring allows firms to intercept them and respond.**

3. Mobilizing Supporters to Counter Detractors

Creative critics have exploited social media as part of protest campaigns and have even attempted to hijack a firm's efforts. In one campaign in Spring 2009, Starbucks encouraged customers to photograph themselves in front of Starbucks billboard posters and post them on Twitter with the hashtags “#top3percent” and “#starbucks.” But filmmakers behind the “Stop Starbucks” documentary critical of the firm's labor practices encouraged protesters to take photos in front of the posters while holding protest signs and post them using the same hashtags. This hashtag hijacking helped the protest film achieve 50,000 YouTube views.²⁶

26 Parfeni, L. “Starbucks' Twitter Campaign Hijacked,” *Softpedia*, May 25, 2009.

But social media are also mobilization platforms for a firm's supporters. By monitoring social media outlets, Starbucks and its supporters were able to respond to the protest by highlighting the firm's corporate social responsibility (CSR) initiatives and employee policies. When a firm's supporter base is large and willing to act, supporters can counter detractors. But when a firm does not have a defensible position, social media attacks can be swift and harsh.

Social media can strengthen ties with a firm's customer base, raising awareness and growing the ranks of supporters. Social media allow more direct engagement than conventional public relations efforts or stories filtered through a journalist's narrative. For example, Starbucks' Facebook and Flickr²⁷ presences include photos promoting the CEO's work in Rwanda. Social media are particularly effective in soliciting involvement and participation. Starbucks used social media to organize participation in its "Pledge 5" initiative, offering a free cup of coffee to patrons who pledged to perform five hours of community service. Collectively, these initiatives enable customer engagement in CSR efforts, while providing rebuttals to criticisms of the firm's sourcing practices, grower relationships, role in economic development, and environmental commitment. However, Starbucks is aware that a biased corporate presentation may be dismissed. Its online CSR report offers self-critique, acknowledging areas where it has yet to meet goals.²⁸

4. Managing Expectations and Results from Social Media Innovation Forums

Many firms have launched social media-based innovation forums, many of which are based on customizable hosted services. Two of the best-known efforts, MyStarbucks Idea and Dell's IdeaStorm, are both hosted using the Salesforce.com "Ideas" platform. However, some critics argue that these platforms are not effective for genuine innovation. Criticism of MyStarbucks Idea suggests the ideas implemented from this forum are not novel and likely pre-date online customer input.²⁹

Truly novel ideas are indeed rare in MyStarbucks Idea. Recent products, such as VIA Ready Brew instant coffee, were developed in-house, with ideas

not shared until launch. However, as one of the social media managers explains, MyStarbucks Idea offers "a direct link from input to action" by enabling the firm to gather and act on customer input. The firm states that it does not intend MyStarbucks Idea to replace internal research and development. Instead, it views MyStarbucks Idea as a tool to channel organizational resources to initiatives that customers deem important. In one example, the response on MyStarbucks Idea contributed to the addition of packaged gluten-free products in stores. As such, the role of these forums may be to direct rather than identify novel innovations.

5. Responding without Reinforcing Negative Behaviors

Megaphone activities are typically effective at building brand identity and raising awareness; they are not effective at resolving individual customer service issues. In fact, if used inappropriately, they may highlight shortcomings or encourage complaints. Instead, Magnet-oriented initiatives can help to resolve issues without attracting attention, while limiting the chances that complaints grow unnoticed on un-monitored sites. Starbucks selectively responds to complaints posted on Twitter, Facebook, or other sites. For example, staff might respond to a post complaining of a bad experience with a quick apology and a restatement of the store policy to fix order mistakes. Starbucks views a rant posted by an angry customer as an opportunity to engage.

Firms are often experienced in assessing direct consequences, but the social media environment is more challenging because it can create indirect consequences. For example, a firm may be tempted to respond to a Twitter complaint by offering a gift certificate to compensate for a bad experience. But by publicly rewarding complainers (and broadcasting the reward through the social media Megaphone), a firm may experience an increase in the number of complaints. A combination of public and private mediation may be more effective. One Starbucks manager advised: "make friends, not offers."

6. Gauging Return on Investment

Social media return on investment (ROI) is notoriously difficult to gauge. How much should firms invest in social media? What is the optimum team size? How valuable is a fan or follower? Should firms divert funds from other marketing initiatives to fund social media? Will campaigns grow with an increase in social media use or wane as the novelty of

27 An image and video hosting website.

28 <http://www.starbucks.com/responsibility/learn-more/goals-and-progress>.

29 For a criticism of MyStarbucks Idea, see the blog post "Has Social Media Failed Starbucks?" at <http://marketinggimbal.typepad.com/marketinggimbal/2009/03/has-online-social-media-failed-starbucks.html>; includes responses from Starbucks' social media manager, Matthew Guiste.

pioneering efforts wears off? The ENGAGEMENTdb Report, which studied over 40 attributes for 100 companies from March to May 2009, found that firms with the highest level of social media activity increased revenues on average by 18% during the most recent 12 months, while those who were least active saw a 6% drop.³⁰ It is likely premature to draw a direct relationship between effective social media use and firm performance. Indeed, Starbucks saw a decrease in revenue during the ENGAGEMENTdb study period. The link between social media and performance may require time to influence corporate performance or may be spurious. In fact, it will be difficult to attribute ROI to social media directly since social media engagement may itself be a result of underlying attributes that lead to improved performance, such as organizational innovation, risk-taking, and customer focus.

However, Starbucks has some results that help it to gauge the ROI for social media. For example, Free Pastry Day was credited with driving one million patrons to stores in a single day.³¹ The success of this initiative suggests there is value from well-executed campaigns. Note, though, that Free Pastry Day was one of the first widespread couponing campaigns on Facebook, conducted in 2010, and it is not clear that repeat campaigns by Starbucks or others will attract similar attention a decade later. Success may be attributable to aggressive or novel approaches to customer interaction in general, rather than to social media specifically.

GUIDELINES FOR ENGAGING IN SOCIAL MEDIA

Based on our 3-M framework, we offer the following guidelines to firms engaging in customer dialog supported by social media.

1. Align Social Media with Culture and Strategy

Social media can improve the tone of online conversations, the frequency of positive brand mentions, and revenue.³² Monitor social media

activities can also yield competitive intelligence and create an early warning system for potential problems. However, some firms do not have the corporate culture to make the most of social media; others may find open conversation at odds with their strategy. For example, Apple values and leverages secrecy, surprise, and controlled messaging, and has thus far been reluctant to embrace Megaphone broadcasts, Magnet-oriented presences and the openness of conventional social media outlets. For other firms, their industries, products, and services can make it more challenging to generate enthusiasm for online conversation. For example, insurer GEICO is an aggressive advertiser with a strong brand yet had attracted only 624 Twitter followers as of January 2010.³³ Maybe there are not enough enthusiastic auto insurance customers prepared to repeatedly engage online to make Twitter a viable Megaphone medium; Magnet and Monitor activities may be more effective.

Firms therefore need to weigh investment and expectations against their ability to align social media with culture and strategic fit. Yet, firms without tight alignment between Megaphone and Magnet initiatives cannot ignore social media entirely. Many firms could benefit from the competitive insights gained from Monitor activities. Establishment of a social media policy may curtail embarrassing and unacceptable online gaffes.³⁴

2. Organize with Clear Authority, Responsibility, and Leadership

As with other new information technologies, firms often adopt social media initially on an experimental basis.³⁵ However, experimentation without professionalism, authority, responsibility, and commitment can have embarrassing and potentially brand-damaging consequences. For example, in interviews with a large hotel franchiser, we found that while franchisees were quick to create Facebook fan pages for their properties, these were often left unattended as employees lost interest or moved on. Customers later uncovered unaddressed, embarrassing content such as salacious paternity claims made against staff at one hotel and racist rants posted on another page.

30 The ENGAGEMENTdb Report, op. cit., 2009.

31 Van Grove, J. "Starbucks Used Social Media to Get One Million to Stores in One Day," *Mashable*, June 8, 2010.

32 See Graco's *Relationship-Based Approach to Community Building*. Case Study, Word of Mouth Marketing Association, 2007; Jarvis, J. "Dell Learns to Listen," *BusinessWeek*, Oct. 17, 2007; and Acohido, B. "Dell Sells \$6.5 Million via Twitter," *US Today*, Dec. 8, 2009, available at <http://content.usatoday.com/communities/technologylive/post/2009/12/620003151/1>.

33 Wasserman, T. "Is Twitter the Next Second Life?," *BrandWeek*, Feb. 7, 2010.

34 Embarrassing incidents include a video posted by Domino's line workers, fawning praise posts pseudonymously made by the CEO of Whole Foods, and the firing of Virgin Atlantic employees for creating an online forum disparaging customers.

35 Li, C. and Bernoff, J. *Groundswell: Winning in a World Transformed by Social Technologies*, Harvard Business School Press, 2008.

Well-designed governance structures can help firms coordinate, execute, and learn in a way that minimizes potential damage. Firms also benefit when they establish clear responsibility for initiatives and provide end-points for the assessment of experimental efforts. This approach enables analysis, reflection, refinement, and—if appropriate—discontinuance.

Executive leadership can also be crucial, particularly when team members may have conflicting obligations (e.g., the openness of marketing versus the caution of legal). There is a large body of research showing that executive involvement is crucial for the successful deployment of complex, large-scale enterprise systems.³⁶ Given the potential visibility of social media initiatives and their cross-functional reach, executive support is an important success factor for these programs as well.

3. Guide Efforts Through High-level Principles, Not Low-level Rules

Guidance is critical since even corporate communications professionals from public relations or marketing units will likely not be trained to communicate through social media. Moreover, the required tone may vary within various Megaphone communication outlets. For example, YouTube videos often have a professional polish, and the tone in corporate blog posts differs from the conversational engagement within 140-character Twitter posts. Each Megaphone, Magnet, and Monitor activity has a different norm, so low-level rules covering all types of social media would innately be in conflict.

Starbucks uses several high-level principles across its social media platforms to guide efforts. According to Alexandra Wheeler, Director of Digital Strategy at Starbucks, these include “listen,” “be transparent,” “use authorities,” “be human,” “share timely information,” “offer personal attention,” “thoughtfully deputize throughout the company,” “be humble in replies,” “don’t preach,” “give fans access,” and “don’t spam users.” High-level guidance also includes information on vetting and escalation—helping staff recognize if an issue requires a response and, if so, how to involve other experts as necessary. These principles transcend a specific social media tool so that Starbucks can adapt as social media change.

³⁶ For an early report of this critical success factor, see Davenport, T. “Putting the Enterprise into the Enterprise System,” *Harvard Business Review*, July-August 1998, pp. 121-131.

4. Create a Consistent and Authentic Voice

Megaphone and Magnet activities are publicly visible, which means consistency and authenticity in the dialog flows within and across the three Ms are critical. Furthermore, customers may resist what is perceived as stilted public relations rather than honest engagement. Third-party advertising and public relations agencies are often involved in designing branding and marketing campaigns. While third-party firms have approached Starbucks about managing its social media presence, executives have refused, feeling this would effectively outsource the voice of the firm.

Starbucks seeks to convey an authentic voice in several ways. Brad Nelson, the individual behind Starbucks’ main Twitter account, is a former Barista who tweets in a tone meant to reflect the in-person interaction customers might find in the firm’s stores. The 48 Idea Partners for MyStarbucks Idea all hold primary jobs in other areas of the firm. Starbucks trains these staff in social media engagement and positions them to respond to dialog in their area of expertise (e.g., card programs, CSR).

Consistency can also be achieved through an “embassy” approach to social media, where each site is similarly named. In the case of Starbucks, site names are similar across platforms (e.g., Facebook.com/starbucks, Flickr.com/starbucks, Twitter.com/starbucks, Youtube.com/starbucks). The embassy approach creates a Magnet that draws in participants while projecting a consistent look across social media sites.

5. Coordinate Resources and Balance Activities

Megaphone activities can grow quickly. Just because social media are easily accessible to users, firms cannot overlook the type of operational and training issues that accompany more traditional IS-focused product launches. For example, considering the deployment implications of the Free Pastry Day campaign was critical to the success of the program. Starbucks needed to be certain it could satisfy customer demand, and the rollout included training Baristas to redeem both the printed coupons accessed from the site as well as digital coupons sent to mobile phones. Without well-planned coordination, the widespread reach of the social media Megaphone may backfire.

Given the visibility and potential reach of Megaphone activities, firms can be tempted to over-allocate resources in this area. However, without the complementary efforts of Magnet and Monitor activities, the benefits of social media initiatives are diminished. Similarly, firms may be tempted to rapidly embrace the latest social media tools and services. However, it remains important to examine how opportunities fit within a firm's overall Megaphone, Magnet, and Monitor framework.

6. Remember Other Customers

Social media generate a high volume of activity, which may tempt firms to focus on active social media participants at the expense of other customers. Social media participants can be extremely engaged and vocal. This can be helpful for identifying issues and fostering innovation. However, social media participants may not be representative of all of a firm's customers. For example, MyStarbucks Idea participants represent a forward-thinking customer group. They are the firm's highest-frequency customers and are more tech-savvy than average. Firms must incorporate social media feedback in a way that does not estrange other customers or divert resources to satisfy a vocal but not necessarily representative customer subset.

CONCLUDING COMMENTS

Firms know the importance of listening to and communicating with customers. However, emerging social media trends present radically different challenges and opportunities for customer interactions. In this daunting environment, our Megaphone, Magnet, and Monitor (3-M) framework assists firms by helping them to:

- Understand the support, planning, coordination, and execution of social media activities
- Identify gaps in social media initiatives
- Assess strategies for emerging opportunities.

Using this framework, we have described effective social media use at Starbucks and identified the associated challenges. Our analysis of Starbucks has also generated guidelines for the coordinated corporate use of social media that we believe will be useful to other firms as they navigate this evolving new environment for customer dialog.

APPENDIX A: RESEARCH METHODOLOGY

We developed the Starbucks case through multiple on-site meetings with members of the Starbucks social media team, including staff at both senior executive and manager levels. These meetings included presentations on the firm's efforts plus follow-up question-and-answer sessions. Members of the social media team shared their ideas through many forms of contact over a period of almost three years, from January 2008 through the present (October 2010). We also made annual two-hour site visits at the firm's Seattle world headquarters in January 2008 and 2009, led by Chris Bruzzo, Vice President for Brand, Online and Content, and in January 2010, led by Alexandra Wheeler, Director, Digital Strategy. Follow-up e-mail communication was exchanged to clarify key issues.

By definition, social media is largely publicly visible. Our investigation therefore included three years of monitoring and observing all of Starbucks' public-facing social media outlets, including MyStarbucks Idea, Facebook, YouTube, Foursquare, and the firm's multiple Twitter accounts. We monitored these services weekly via website visits as well as through Twitter search and the TweetDeck aggregation tool. Researchers also participated as observing members through the firm's customer-focused social media initiatives (e.g., as Facebook fans, through "follows" of the firm's Twitter accounts, and through signups for MyStarbucks Idea and e-mail mailings).

Our research also included an extensive investigation of secondary sources, including newspapers, magazines, blogs, blog comments, white papers and research reports as well as industry presentations and public commentary made by the firm's social media team. Research assistants analyzed content and gathered publications referring to Starbucks social media through electronic news services, including EBSCO Business Source Complete, Dow Jones Factiva, and Google Alerts.

Collectively, these complementary methods of executive input, social media observation, and content analysis provided an opportunity to engage key decisions makers within the firm, while tracking evolutionary efforts from introduction through results and assessment.

ABOUT THE AUTHORS

John Gallaughier

John Gallaughier (john.gallaughier@bc.edu) is an associate professor of information systems at Boston College, where his teaching and research focus on strategic technology and social media. His research has been published in *MIS Quarterly* and *Harvard Business Review*, and he is the author of a widely adopted IS textbook, *Information Systems: A Manager's Guide to Harnessing Technology* (Flat World Knowledge, 2010). An award-winning teacher, Gallaughier has consulted with and led executive seminars for several organizations, including Accenture, Alcoa, Duke Corporate Education, ING, Partners Healthcare, Staples, and State Street. His comments on business and technology have appeared in many media outlets, including *BusinessWeek*, *The New York Times*, *National Public Radio*, and *Wired*.

Sam Ransbotham

Sam Ransbotham (sam.ransbotham@bc.edu) is an assistant professor at Boston College, Carroll School of Management. He received his Ph.D. in Information Technology from the Georgia Institute of Technology, where he also earned an M.B.A. and a bachelor's degree (chemical engineering). Ransbotham's interests include IT security, social media and the strategic use of IT. His recent research has appeared in *Management Science*, *Information Systems Research*, and the *INFORMS Journal on Computing*, and has been selected for presentation at the Academy of Management and the International Conference on Information Systems. Ransbotham received one of 11 inaugural Google/WPP Awards for research about the influence of online media on decision making.

Copyright of MIS Quarterly Executive is the property of MIS Quarterly Executive and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.