

Responding to crisis using social media

Updating the “Dell Hell” case study
- are Dell turning opinion round?

MAY 2007



155 Kennington Park Road, London SE11 4JJ, UK
t: +44 (0)20 7793 1575 • www.marketsentinel.com

Contents

Summary	3
Are blogs really important?	4
Good corporate practice in response to online crisis	4
What Dell did next...	5
Dell blogs	5
Exploding laptops	6
Has it worked?	7
Methodology	7
A small positive shift in sentiment	10
Customer service complaints are down	11
Opinion lags changes	11
Jeff Jarvis's view	12
Dell learns from blogs	12

By the summer of 2005 Dell computer owners were experiencing problems with the company's formerly flawless customer service. One of those customers - Jeff Jarvis - went to war with Dell. His weapon was his blog BuzzMachine¹. Jarvis's campaign brought the power of blogs to international attention. In "Measuring Blogger Influence"² we show it was possible to measure the extent to which bloggers had become authoritative on Dell's customer service.

One of the first readers, a new media specialist in a large UK merchant bank said: "Well, this is interesting as far as it goes, but what then? What do companies do about situations like this?"

We promised to follow up with a white paper looking at how companies respond to crisis using blogs and social media. This is it.

Summary

The paper reviews how Dell itself has responded to the challenges raised by bloggers, how it has enhanced its customer services and how it has itself undertaken social media initiatives. We use a proven customer loyalty metric the Net Promoters index to assess whether these initiatives have been successful. We conclude that Dell has made some limited progress in reducing negative consumer commentary about its customer services. Where Dell has been most successful is in creating a conversation about its own social media initiatives: Dell has absorbed in its own product planning and its communications the hard lessons of the 'Dell Hell' experience, and opened a dialogue with its customers which is directly benefitting its word-of-mouth approval rating.

1. <http://www.buzzmachine.com>

2. <http://www.marketsentinel.com/files/MeasuringBloggerInfluence61205.pdf>

Are blogs really important?

Some readers of "Measuring blogger influence" white paper summarized its conclusions thus:

1. "Bloggers are influential"

This is not necessarily true. We argued that bloggers can be influential, but only in certain circumstances

- a) if there is a real business issue behind their complaints;
 - b) if the business does not address this issue;
 - c) if conventional "mainstream media" links to the blogger and not to the business complained of.
- In normal circumstances bloggers tend to lack influence.

2. "Bloggers can damage corporate reputation"

Corporate reputations are damaged not by bloggers, but by corporate mis-steps. Dell's problems arose from their failure to deliver on customer service promises, not from Jeff Jarvis's blog. However, once the customer service problem became public, Dell committed a second error by failing to address in public the issues that Jeff Jarvis had raised. Jeff Jarvis's blog BuzzMachine became a focus for much of the online discussion of Dell's customer service failings. Bloggers can and do focus attention on corporate mistakes – poor service or products. It is those mistakes that cause the damage to corporate reputation.

3. "Businesses must use social media to respond to challenges from bloggers"

This is an over-simplification but one with a large grain of truth. Businesses don't have to respond to every business issue raised in the blogosphere, but when bloggers are addressing issues that go to the heart of a company's reputation, it does more damage for a company to stay silent than to address the issues raised. A blog or a social media initiative can be a simple and effective way of getting the "official" view of a situation out there.

Good corporate practice in response to online crisis

At the time of the "Dell Hell" affair (summer 2005) examples of good business practice in responding to challenges to a business's reputation were thin on the ground. By 2007, one can look to a small number of case studies. In 2006 Whole Foods chairman John Mackey took on detractor Michael Pollan who in his book *The Omnivore's Dilemma*, questioned the whether Whole Foods really sourced their produce from local suppliers. This allegation went to the heart of the Whole Foods business model. Mackey won this battle in the court of public opinion by publishing online an exchange in which he demonstrated the thinness of Pollan's research.³

3. <http://www.marketsentinel.com/blog/2006/07/whole-earth-blog>

Stationery manufacturers Moleskine were accused of dropping the quality of their upscale notebooks. They were deluged with emails from their fanatical users. They responded to this and to the negative commentary they found on Google and Flickr with a detailed note encouraging customers to contact them with the serial numbers of the defective products.⁴

What Dell did next...

But perhaps it is most worth returning to Dell itself. During 2005 and 2006 Dell experienced a series of financial shocks. On November 10th 2005 Dell announced quarterly profits had dropped 28%. On May 9th 2006, and again just a few weeks later on 21st July 2006 Dell announced that its earnings would not meet previous guidance. These downward jolts in Dell's profit warning apparently arose from a combination of continued price pressure on margins in the PC business and the fall-out from its attempts to strip costs out of the business by a) off-shoring customer support functions and b) ending unprofitable aspects of warranty repair.

The result of these actions was a great wail of anger which went up from customers on the receiving end of their cost cutting. Jeff Jarvis's blog was symptomatic of this criticism. What Dell has done in response has been to implement the two things most requested by their detractors:

4. <http://www.marketsentinel.com/blog/2006/09/how-to-deal-with-negative-online-pr>

5. <http://www.direct2dell.com>

6. <http://www.buzzmachine.com/2006/07/10/well-well-dell-2/>

1 Starting to address the underlying issues by investing an additional \$150m in their customer service operations. The result in part is (according to Dell) that the average waiting time for support calls has come down from nine minutes to three minutes.

2 To launch an official Dell customer services blog (summer 2006) along with two further "social media" sites "Dell Studio" and "IdeaStorm".

Dell blogs

Dell's infamous original line on the issues raised in Jeff Jarvis's blog was that the company operated a "look, don't touch" policy towards blogs. The blog⁵ launched in between the profit warnings on 11th July 2006. The launch was greeted by a chorus of negative commentary from Jeff Jarvis and online PR expert Steve Rubel amongst others.

Jeff Jarvis's response:

Well, well, Dell

So Dell is starting a blog.

Ha. Heh. Ho ho ho.

It's a blog in content management system name only.

The subtitle is "direct conversations with Dell" but this is as much a conversation as yelling at a brick wall. There is not one link there. It's filled with promotions for Dell's wonderfulness.⁶

Rubel's response:

Dell Starts Corporate Blog, But Fails to Address Critical Issues

...Dell really failed to get the blog going the way that they could have. This was a golden opportunity for the company. They could use the blog to engage the community in a genuine conversation on the critical issues that have dogged them for years now as well as the good things they are doing...

Instead, the Dell blog reads like a corporate brochure.⁷

However the folks responsible for Dell's blog paid attention and highlighted this feedback.

Real People are Here and We're Listening

Yesterday was the first official day of Dell's one2one weblog and already Jeff Jarvis and Steve Rubel were kind enough to tell us what we're doing wrong. Thanks for the feedback, guys. We'll keep working to get it right.⁸

Exploding laptops

At the time of the blog launch there was a new Dell story in the headlines. A Dell laptop at a conference in Japan had exploded.⁹

Within days Dell was forced to announce a product recall. But having a blog made the process of communicating with the customer far simpler.



Dell announced a recall today of lithium-ion batteries sold in many of our notebook computers over the past two years. ... I wanted to share my thoughts on this recall.

Lithium-ion is a proven technology which has been widely used in our industry for over ten years. These batteries are not just for notebook computers – they are found in many electronic products including cell phones and music players. ...I don't mind telling you this recall follows an extensive investigation, but the decision to err on the side of safety was never in doubt...¹⁰

The easy avenue for dialogue offered by the blog allowed Dell to address the issue directly. Corporate blogging maven Debbie Weil pointed out that the blog became the first port of call for users worried about how to deal with the issue of having a computer that could become a fire hazard. The blog took much traffic from the telephone helpline Dell established and saved substantial customer support costs. The critical point was that the laptop fault was clearly understood to be a Sony issue, not a Dell issue.

7. http://www.micropersuasion.com/2006/07/dell_starts_cor.html

8. <http://direct2dell.com/one2one/archive/2006/07/11/117.aspx>

9. <http://www.theinquirer.net/default.aspx?article=32550>

10. <http://direct2dell.com/one2one/archive/category/1022.aspx?p=2>

In February 2007 Dell went further and launched IdeaStorm¹¹ and StudioDell. IdeaStorm allows Dell users to feedback valuable insights about the company and its products and vote for those they find most relevant. StudioDell is a place where Dell users could share videos about Dell-related topics.¹²

IdeaStorm has already been the site of an extraordinary exercise in stakeholder democracy - the reprieve of Microsoft's Windows XP operating system.

On February 17th javaprolog07 wrote:

Ok, well I know I may be chastised for bringing this up,

But vista is still a young operating system with its own problems etc... I would like to see both Home and Business computers, especially notebooks have an XP Home and Pro option on top of Vista until it has at least been out for a year.

IdeaStorm's users to approve or disapprove a comment with a tick or a cross. By 30th April the comment had 14,768 ticks. On April 19th Dell announced via their blog¹³ that they were preserving the option of XP for home users in the US.

Dell have set up a page to update users on how they are responding to issues raised by customers¹⁴. They have recently announced that they will ship Linux machines with Ubuntu, responding to pressure from the same quarter.

Has it worked?

Have Dell turned the corner?¹⁵ To answer this question Market Sentinel analysed stakeholders' perceptions of Dell customer service. Our analysis compares the sentiment of online commentary before and after Dell's commercial slump and their new online customer initiatives. We believe that anyone wishing to track the financial prospects of Dell over the next few quarters could do worse than to watch the key metrics on word of mouth.

Methodology

We use a methodology called the Net Promoters Index. In order to perform this analysis, we use proprietary opinion-finding software to trawl the web looking for all English-language consumer commentary on a brand or topic (in this case, 'Dell Customer Service') across a specified period of time, and then categorise the comments.

11. <http://www.ideastorm.com/>

12. http://www.dell.com/content/topics/topic.aspx/global/shared/corp/media/en/studio_dell?c=us&l=en&s=corp

13. <http://direct2dell.com/one2one/archive/2007/04/19/12301.aspx>

14. <http://www.dell.com/content/topics/global.aspx/ideastorm/ideasinaction>

15. Dell's run of bad news may not be over: the company announced recently that it was investigating financial mis-statements <http://www.eweek.com/article2/0,1895,2109566,00.asp>

Comments are sorted and marked positive or negative - there are no allowances for degrees or approbation or disapproval – and negative comments are deducted from positive comments to arrive at the Net Promoters Index.

The methodology is based on the approach of Frederick Reichheld, who has made a lifetime's work of analysing loyalty amongst stakeholder groups (employees, partners and consumers). His insight in a 1996 book "The Loyalty Effect"¹⁶ was that you could create a simple method of benchmarking loyalty by asking consumers the simple question: would you recommend this product or service to a friend? Reichheld has argued that this method directly anticipates movements in company profits and thus stock price¹⁷. His methodology is one of the few proven applications which can derive a measure of return-on-investment from word of mouth.

In the case of the Dell study, we collated posts from message boards review sites and blogs across the two periods December 2005 – February 2006 and December 2006 – February 2007. The collection method involves using our search technology to gather references to Dell in the context of "customer service" until we have a dataset which has statistical significance.¹⁸

We add to the Reichheld methodology an additional layer of analysis. When consumers recommend or criticize the product or brand what drives their response? What is the key attribute they mention when recommending a product, or what is it that riles them about it?

We identified five key topics of commentary about Dell customer service and categorized each post into one of these categories, according to the most central concern expressed.

- Speed (the length of time it takes to get through to someone at the call centre, to get through to the right person to address caller's concerns, to get issue resolved, to get problem fixed, to get delivery of items etc.)
- Off-shoring (customers' feelings towards technical support's relocation from USA/UK to India and other countries, especially in relation to language problems)
- Errors (inaccuracies in dealing with Dell customer service e.g. wrong items sent, orders lost, incorrect delivery details etc.)
- Technical Competence (of Dell technical support staff)
- New Initiatives (Direct2Dell, Dell IdeaStorm, StudioDell, engaging directly with bloggers)

Where commentators have not specified any reason for their positive or negative feelings about Dell customer service we class comments as 'General'. Any comments which do not fit one of these categories are classed as 'Miscellaneous'.

16. "The Loyalty Effect" Frederick F. Reichheld, HBS Press, Boston, 1996

17. See "The economic power of high quality relationships" in Harvard Business School Working Knowledge 6th June 2006 <http://hbswk.hbs.edu/archive/5236.html>

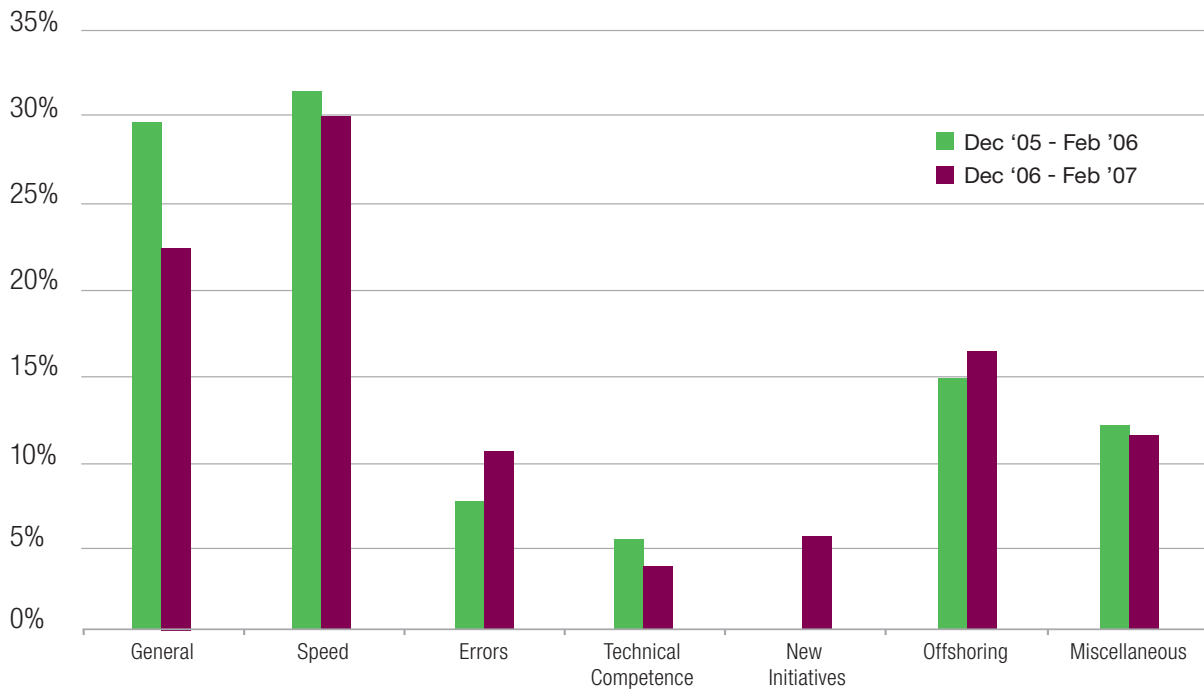
18. We collected 262 posts in the first period of analysis and 238 posts in the second period. The results were reweighted to take account of the difference in sample size.

The results of the year-on-year comparative analysis are displayed in the charts below.

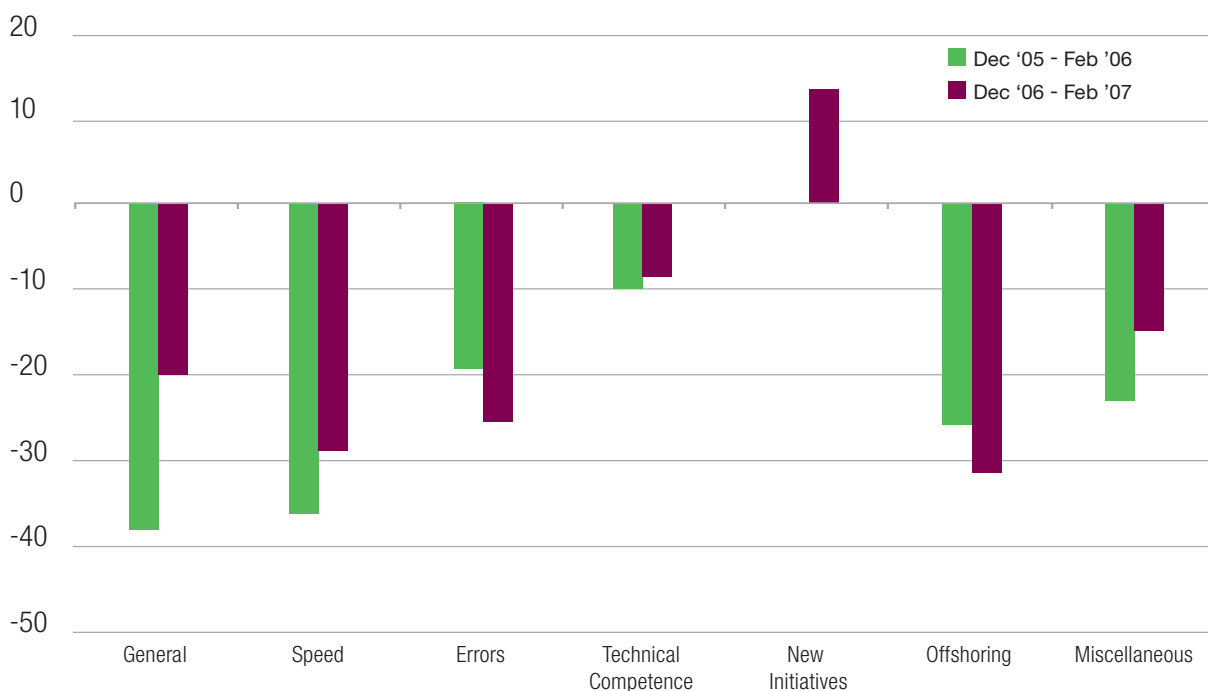
The distribution of comments about Dell customer service between the categories remained roughly constant in the two years, with the largest

share accounted for by general comments and comments about the speed or promptness of service, followed by comments about off-shoring. The most significant change year-on-year is the number of comments, predominantly positive in tone, which were gathered in the second wave

Share of Posts by Topic Dec '06 - Feb '07 vs Dec '05 - Feb '06



Net Promoters Index Dec '06 - Feb '07 vs Dec '05 - Feb '06



about Dell's new customer initiatives.

The most immediate conclusion to be drawn from the Dell Net Promoters analysis, charted above, is that negative commentary outweighs positive commentary across almost all categories. This is not at all unusual for a study of customer service attitudes, as people come to message boards or blogs in search of answers to problems they have failed to solve with the customer support services of the company in question. The tone is therefore somewhat negative.¹⁹

A small positive shift in sentiment

Have Dell's actions had any noticeable effect upon online feeling on customer service? The good news for Dell is that opinion has improved overall, but there are still areas for concern.

There is a slight improvement in customers' feelings about Dell's speed of service (up +4) and technical competence (up +1). This improvement is offset by increasing dissatisfaction with the policy of off-shoring technical support (down -12) and with the ongoing problem of order, service and delivery inaccuracies (down -8).

However, there are two significant positive shifts in opinion about Dell.

The first finding is the positive reception given to Dell's new customer initiatives. Some commenters are straightforwardly welcoming:

*"I think it's a good idea.....Some of the ideas there are quite good"*²⁰

*"Dell is making a good effort to engage with bloggers, take care of problems, and improve its customer service."*²¹

*"Thumbs up to Dell for the launch of its IdeaStorm website"*²²

*"Dell has gone a long way in a short time to re-writing the negative impressions of burning laptops and poor customer service/reliability of equipment"*²³

*"I applaud Dell for the effort"*²⁴

However, Dell's recent customer service fall-off has eroded the goodwill of the online community. Commenters are wary of show without substance.

"What will be definitely interesting to see is if Dell does anything with these comments or is this yet another example of a company putting all their efforts trying to make themselves look better instead of actually being better"

19. For further discussion of this, see "Why is consumer-generated commentary so negative?": <http://www.marketsentinel.com/blog/2006/10/why-is-consumer-generated-commentary-so-negative>

20. <http://markevanstech.com/2007/02/17/dells-really-really-loves-its-customers/>

21. <http://scobleizer.com/2007/01/02/bad-pr-for-dell-but-not-for-apple/#comment-248934>

22. <http://www.linuxquestions.org/questions/showthread.php?s=e8f2faba5794621ea9d07f6a3f90b954&p=2638073#post2638073>

23. http://www.webmetricsguru.com/2007/02/dells_new_social_media_sites_a.html

24. <http://www.lockergnome.com/nexus/abenjamin/2007/02/22/dell-responds-but/>

"...as long as they follow through and put some of the ideas in action. If they don't do this, people will realize that they don't actually have the power to influence the company and Dell is just trying to give that illusion"

"...if nothing comes out of this you'll bring the wrath of Khan down on your head"

The guarded welcome is spelled out clearly by B.L. Ochman on her whatsnextonline.com blog:

"I don't know if that will make Dell's lousy service any better, but it shows they want to listen, and that's where recovery can begin"

Customer service complaints are down

The second shift in opinion which we found in our analysis is the reduction in the negative comments about Dell's customer service. Certainly, the overall mood still appears quite gloomy across these comments, with a Net Promoters Index of -20. But this is considerable progress from the position 12 months earlier when the Net Promoters Index stood at -38.

Opinion lags changes

Changes in the sentiment of commentary seem to lag service delivery. Many of the positive comments which we collected in the first wave of this study traded on the long term legacy of Dell as a provider of best-in-class customer service; the negative comments were more likely to be customers' reports of unsatisfactory customer service experiences in the recent past.

At the beginning of 2007 negative stories about customer service continue to circulate in message boards and in blogs, but these are now being counterbalanced by those who have more positive tales to tell, by those who have felt the effect of Dell's re-investment in customer service.

It took many years for Dell to establish the reputation for exemplary customer service which it had built up in the years up to 2001, when technical support was off-shored to India and Dell cut back on engineer visits to customers' homes. This reputation, as a long term legacy, is still present in some loyal customers' minds. But the fallout from 'Dell Hell' means that Dell now has another competing reputation to deal with – that of poor service from a company which doesn't care about its customers. And it is this reputation which is freshest in the mind.

Jeff Jarvis's view

What does Jeff Jarvis think of the response of Dell to his campaign?

He plays his own influence down. "Various people put some level of influence on me that I don't have," Jarvis told us on a recent call. "You can't just deal with one guy. Anyone who doesn't listen to their customers talking is a fool. A lot of people clearly had similar problems to the ones I had. It just happened that I was at the head of the mob with pitchforks, storming castle Dell.

"So, boom ... we coalesced. The Dell experience shows the power of links, the power of blogs. What this coalition of people should have told Dell was that it was a lead indicator of what was really happening. I don't know if they realised the gravity of their customer service problem.

"Now they have admitted they have a problem, they have invested money in solving the problem, and that's good. Your customers can talk and you can listen. It's an opportunity to grasp you can win. [Company executive] John Blane reached out to me ... and now I hear Michael Dell's going to blog. It's all good.

"The fact is a lot of companies thought they had control of their brand.

"Guys: you never had control... Your customers had control. If you give up the notion that you had control, and listen to your customers, monitor what they are saying – make monitoring blogs

part of what customer services does. Then if you have a good product and good service and good people it will work for you, people will talk about you, recommend you."

Dell learns from blogs

Dell is reaching out into the world of blogs and user-generated media. Perhaps the most potent and valuable business lesson Dell has absorbed from its experiences lie in the way the company has taken into its business methods the idea of dialogue with its consumers.

In the following blog post by Lionel Menchaca Dell digital commerce manager, he outlines in turn each of the advantages of opening a dialogue with customers online. It is worth reprinting the post in full and highlighting the lessons Lionel identifies:

1. Brands can quickly learn about and address, product bugs and issues;
2. Brands can open an additional communication channel for customer service;
3. Brands have to listen to their consumers - and that means monitoring the web;
4. Brands can use blogs to help manage crisis communication;
5. Brands can enhance off-line conversations with consumers based on what they have learnt online;
6. Brands have to be honest and admit it when they get it wrong.

Here's his post on the topic, highlighting the key lessons.

Our policy [towards blogs] in the past may have been "look, don't touch." Today, it's more like "listen, and join the conversation the right way."

Here's what we've learned so far:

Track product bugs & issues

1 Bloggers aren't shy. They tell us what's good, bad and ugly on just about everything. We listen and assess and incorporate good ideas into our business and products. Bloggers and other customers helped us refine our battery recall process to make it easier to understand and implement.

Get customer service engaged

2 Customers blog about their customer service issues and it's important to help them out. We find and help people every day with issues related to our products. ... Our goal is to address all customer issues we can find.

Listen to customers

3 It's not just the blogosphere. ... it's also important to listen to Internet forums, social networks, wikis, etc. We have to be able to listen and respond in all major languages, too. ...

4 Address tough issues head on. If you read Direct2Dell, you've seen several posts on customer service, the battery recall, product shipment issues, etc. It's easier to open the discussion on negative issues than to join a blogstorm later.

Take online lessons off-line

5 Join the conversation via the most appropriate means available. We'll use phone calls, e-mails, direct blog comments and face-to-face meetings — whatever makes sense. ...

Be honest

6 Honesty and transparency are both essential in all online conversations. It may be obvious, but it's the right thing to do. Today, we'd find Jeff Jarvis' post on his issue with his Dell system quickly and would contact him directly to work things out.

Obviously, we can't turn back the clock. What we can do is continue to improve and work on making our customers happy—whether they contact us directly, or blog about their experience.

Admit mistakes

Lionel Menchaca's blog post could serve as a summary of good practice for business online. Businesses must monitor online conversations, they must act on what they find, and they must engage with the commenters in the most appropriate way to communicate the actions they have taken. Action without engagement can lead to a situation in which a company's bad reputation outlasts positive changes to its service delivery; engagement without action can lead to cynicism from online commentators who hear honeyed words but see no positive changes in their experience of the brand.

There are signs that by taking bold action in addressing the underlying issues - product quality and customer service - and by engaging directly with their customers Dell may be beginning to regain the positive reputation they earned when in 1996 they were pioneers of online retailing. But the revaluation of the business will take time and will be driven by the same word of mouth recommendation which drove their original growth.

Market Sentinel works with top brands like Cadbury Schweppes, Avis Europe, Intuit, Abbott Laboratories, GSK, Rio Tinto and Yahoo! Europe monitoring social media, benchmarking word-of-mouth and advising on marketing response.

For more information on how to measure, interpret and act on social media conversations in your marketing or corporate communications strategy, call +44 (0) 20 7793 1575 or mail simon.rogers@marketsentinel.com www.marketsentinel.com