Protecting and strengthening your brand
Social media governance and strategy
Contents

Introduction ......................................................... 1
The rise of the consumer in social media............. 2
Understanding social media risk ......................... 4
Social media governance should be holistic.......... 8
Protecting and strengthening your brand.......... 14
Introduction

Social media has reinvented the relationship between companies, customers, employees, suppliers and regulators, shortening processes that used to take days or weeks down to just hours or minutes. Companies are using social media to increase efficiencies in their supply chain. Others are using social media to build new business models and new kinds of relationships with customers, employees, investors and other interested stakeholders. Some companies are using social media to boost employee morale and improve internal communications. Still more are using social media to find and attract the best employees available. Others are using social media to strengthen their brand, customer loyalty and grow market share.

But in addition to the many opportunities that social media generates, there are also many new challenges. Social media — and everyone who has internet access — can quickly build a company's brand, but it can, with equal speed, crush it. The many potential challenges include data security, privacy concerns, regulatory and compliance requirements, issues over employees' use of work time and company tools to engage in social media.

Some companies respond to specific social media-related challenges quickly by enacting piecemeal solutions. This approach frequently results in lost time, energy and money as executives are then forced to react to other social media-related issues not originally addressed.

Leading practice companies are investing in a holistic, enterprise-wide social media strategy, one that encompasses all efforts to protect and strengthen the brand and that is robust and flexible enough to accommodate constantly changing technological advances. Such an approach crosses all organizational lines, impacting human resources, IT, legal, marketing, sales departments, customers, clients and suppliers.

Only by building a broad and comprehensive approach to social media can organizations realize the effective governance — and its resulting clarity — needed to effectively protect and strengthen a brand.
The rise of the consumer in social media

The spreading use of social media presents an astonishing opportunity, but only for those who recognize it. The value of the web economy in G20 countries will nearly double by 2016, according to a report released in January 2012 by Boston Consulting Group.1 The study, commissioned by web giant Google, predicts that in four years 3 billion people will be using the internet, nearly half of the world’s population.

To help further illustrate the power and draw of social media, an average of 172 million different people visit Facebook every day. Also, during the average day, 40 million visit Twitter and 22 million visit LinkedIn. Finally, on a daily basis, more than 860,000 hours of videos are uploaded onto the internet, and 35 million applications (apps) are downloaded.

While social media users are generally younger, the average age is getting older as those with more discretionary income and buying power go online. According to a 2011 Ernst & Young survey, 67% of social media users say social media influences their purchases. This trend is expected to continue as advances in technology continue to amplify the impact of social media, allowing consumers immediate and reliable access using a range of mobile devices, including smartphones, operating on platforms that allow seamless communications and transfer of data.

Consumers and internet users who have grown up in an environment saturated in social media, mobile computing and constant connectivity continue to gain financial influence and will increasingly leverage their new-found power to control — at least indirectly — pricing, product selection, distribution and marketing efforts. For example, consumers can instantly check the cost of a desired item with the same item offered by competitors in different stores in different locations, even different countries. By simply scanning a product barcode into their mobile phone or smartphone and reading this information through an app such as RedLaser, the consumer can instantly decide to purchase the product at the listed price or buy it elsewhere.

According to Ernst & Young research conducted in the United Kingdom in 2011, nearly 80% of social media users use social media to connect with friends and family, to read reviews and rating of products and services or to comment and provide feedback. More than two-thirds of respondents indicated that social media is very likely or somewhat likely to influence their purchase decisions. Social media is assuming an increasingly more powerful role in helping to shape buying behaviors. Social media exponentially amplifies the volume, frequency and impact of word-of-mouth marketing.

---

1 The Internet Economy in the G-20: The $4.2 Trillion Growth Opportunity Boston Consulting Group, 2011.
2 YouGov Social Media Survey, Ernst & Young, 2011.
Getting smarter: internal social collaboration

A special form of social media is internal use through closed-access social collaboration platforms. These types of networks may significantly enhance organizational intranets, which may lead to an interactive form of internal communication, collaboration and knowledge sharing. While the use of such networks is a highly valuable opportunity to enhance know-how diffusion, internal networking and corporate community building, the formation of such platforms needs to be planned ahead of time. Commercial vendors of cloud-managed social collaboration platforms have found attractive ways to draw employees with a variety of effective tools that excite and enable them. Once the number of employees using that enterprise social platform has reached a critical mass, it will be difficult for management to introduce a new one.

Source: Based on data from Pew Research Center’s Internet & American Life Project surveys, September 2008 – May 2010. All surveys of adults 18 and over.
The social media elements that generate business opportunity for companies to extend their brands are often the same elements that have created IT-related risk. Like the borderless nature of social media itself, the various risks surrounding social media can be borne by multiple enterprise functions at the same time, challenging companies to understand how, when and where to engage their IT functions or plug risk coverage gaps. Legal, compliance, regulatory, operational and public relations issues are at the top of the list of potential IT-related social media risks that can ultimately cause erosion of customers, market share and revenue.

For example, on most of the popular sites – Twitter, Facebook and LinkedIn – users are able to create company profiles and communicate on behalf of the organization through social media channels. This can create marketplace confusion because of multiple messages and different audiences, polices and practices.

Social media enterprise framework
Other more specific headline-grabbing examples of social media-related risks include:

- Employees involved in social media inadvertently leaking sensitive company information
- Criminal hackers “re-engineering” confidential information — log-ins and passwords, for example — based on information obtained from employee posts
- Employee misuse of social applications while at work
- Hacked, faked or compromised corporate or executive Twitter or Facebook fan page or individual accounts
- More platforms create more access for viruses, malware, cross-site scripting and phishing
- Damage to a brand or company reputation from negative, embarrassing or even incriminating employee or customer posts, even those that are well-intended
- Failure to establish complete and fully compliant archiving and record-retention processes for corporate information shared on social media, especially in the health care, financial services and banking industries

Companies wanting to avoid the potential IT-related challenges posed by social media simply by ignoring, limiting, restricting or prohibiting may only reduce their risk by an insignificant amount. In fact, doing so will likely cause more potential problems and challenges to the enterprise’s ability to protect and grow its standing in the marketplace, as other competitors move ahead.

Openness, transparency and engagement are now expected. Building relationships with customers that extend beyond just their preference for products and services is key. Collaboration and empowerment are the new currency and being integrated, proactive and thoughtful is mandatory. There is no such thing as “anti-social media.”

Social media see-saw: striking a balance between invasion and convenience

| Customers are afraid of losing personal data and money or having their privacy invaded. |
| Consumers want relevance, they want pleasant surprises and they want their lives to be made easier. |
Understanding social media risk

Three ways social media impacts organizations

1. Organizations use social media to engage customers and other stakeholders to help shape the conversation around their products, services and brand.
2. Employees use social media either internally or externally.
3. External stakeholders converse publicly online about the organization, its products and services, giving the organization market insights and perspective.

These three channels all pose risks to organizations. The risks are addressed in more detail in the next section.
Social media: nightmares in real time

Listed below are some recent examples that illustrate the challenge social media can pose for companies that are unprepared:

- Someone with access to an international manufacturer’s Twitter account sent out tweets containing swear words, forcing the company to revisit its account security access procedures.

- A major technology company was criticized heavily by an industry blogger. Rather than try to refute the criticisms, the company chose to ignore him. The silence was interpreted as disrespectful to the blogger as he continued his barrage. Soon, other bloggers joined the fight, creating a storm of unanswered criticism. Finally, the company came forward to help address the bloggers’ concerns.

- A popular regional retailer was criticized on Twitter by a customer. An employee then engaged the customer online in a very bitter and public back-and-forth that continued until the company could shut it down.

- An international consumer products maker was criticized online by an environmental group for some of its products. The company attempted to control the conversation and even quash it. But the attempt backfired, giving more momentum to activists who then expanded the scope of the criticism to YouTube, Twitter and Facebook, making a bad situation even worse.

- An international manufacturer used top-trending Twitter hashtags – names of people and events in the news – to generate more tweets. But users who received the company’s tweets from these seemingly unrelated hashtags quickly recognized the effort as just another form of spamming and asked the company to stop.

- A medical services provider employee with inappropriate access to medical records sent out a patient’s details through Facebook, causing a backlash and regulatory scrutiny.
Social media governance should be holistic

Because the spread of social media has been so fast and furious, a variety of definitions and perspectives have been hastily developed to help companies understand how to manage social media strategies. Unfortunately, many of these efforts apply to just portions of the enterprise, often with little or no consistency or understanding of the impact on the overall enterprise or key stakeholders. For example, marketers and advertisers might think of the elements of social media that impact only their focus (the branding aspect). IT or information security may focus on social media as a technical or data challenge (the risk aspect). The legal or compliance department, public relations, human resources, production, shipping and procurement may also have a unique – and differing – perspective on social media.

In reality, social media impacts all facets of the enterprise; therefore leading companies recognize that effective social media governance should be enterprise-wide and holistic. An effective governance strategy should be:

- Cross-divisional and interdisciplinary
- Transparent for all stakeholders
- Inclusive of integrated training, education and awareness with data analysis, data loss prevention tools and end-user safeguards including password protections and plug-in prohibitions
Ideally, a company’s framework for social media should cross multiple enterprise functions, such as marketing, knowledge management, sales, recruiting, advertising, internal and external communications, distribution, customer engagement and loyalty, employee training, production, legal affairs and more.

A clearly understood strategy helps to prevent and resolve potentials issues over which function is responsible for social media. For example, effective governance models recognize that addressing data protection or privacy issues is not exclusive to the IT department; they pertain to the entire enterprise. Also, helping to make sure data and proprietary information is not leaked or lost requires educating and training staff to operate safely and effectively in social media. Similarly, such education will help employees to understand that their actions are not only essential in helping to protect the brand, but they can also help to strengthen it.

Effective social media strategy and governance consists of an overall social media assessment, a clear social media strategy, consistent social media policies, an awareness program and professional social media monitoring. If these are well designed, and successfully meshed with data loss prevention, data analysis and end-user protection, the resulting governance enables organizations to leverage their use broadly, helping to lower risk and protect the brand. By bringing clarity and consistency into the otherwise uncoordinated use of social media, an effective governance model will help the organization and its employees gain valuable insights into customer perceptions of an organization’s goods, services and brand. Armed with these insights, employees – and even customers – can help strengthen the brand – internally or externally.
Social media governance should be holistic

Determine who owns social media-related initiatives at your company

- Is it the marketing, advertising and public relations groups, which want to build your brand and help support sales?
- Is it the IT security and operations group, which implements the social media initiatives and manages servers and firewalls?
- Is it executive management, who want to use social media to communicate to their staff and get them involved in corporate conversations?
- Is it the research and development teams that are doing some crowd sourcing to solicit customer feedback, find potential business partners and support other knowledge management efforts?
- Is it the human resources department who wants to improve employee morale and recruiting, or limit any potential for employees to waste company time?
- Is it the sales department, which looks to deepen relationships and connectivity with customers?
- Is it the legal and compliance functions, which are concerned about what employees are doing and saying online, mindful of regulators and potential litigation?
- Is it the risk management team, which looks to incorporate social media with internal control and enterprise risk management systems?
Social media within an enterprise with little or no effective strategy and governance

Social media within an enterprise with effective strategy and governance
Social media governance should be holistic

Social media-related regulation in different sectors

A social media strategy and governance plan should be customized, based on unique compliance and reporting requirements for specific industry sectors. There is no “one-size-fits-all” approach to building a compliance and regulatory plan. To help illustrate this, here are social media regulations for three important industries:

Financial services
Regulators within the financial services sector such as the U.S. Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) or the Investment Industry Regulatory Organization of Canada (IIROC) have begun to regulate the use of social media by banks and other financial firms. While the regulators consider social media as yet another form of electronic communication, they set out detailed mappings of existing regulations such as filing requirements of any written communication with the context of social media. It is thus highly recommended that firms in such environments understand the new social media regulations thoroughly and implement them through clear social media policies and awareness training of responsible staff.

Electric, power and utilities
The use of home-based remote sensors and SmartGrid technology can present some IT-related risks not only because of data security-related issues, but also from a potential social media backlash from consumers concerned about how utility usage data might be used to exploit them. In many countries, power and utilities are often governmental, or pseudo-governmental, and must comply with regulations and open records laws on issues around rates, the environment, customer education, disaster planning, legal discovery, data archiving and emergency communications.

Health care
Rules regarding the use of social media in social networking environments often shadow those for medical record-keeping, privacy, training, disclosure and health care warning requirements. In the US, both the U.S. Food & Drug Administration, and the Health Insurance Portability and Accountability Act (HIPAA) closely regulate how social media can and should be used. For example, those visiting a health care site and becoming “friends” with a doctor and beginning an ostensibly one-on-one online conversation may be impacted by rules regarding malpractice patient abandonment and patient information privacy rules. In another example of how social media rules impact health care; a large international drug maker began an online Facebook promotion for one of its drugs, but regulators stopped it because the promotion did not carry the requisite drug warnings seen on other media channels and mechanisms. Other rules and laws potentially impacting the use of social media in a health care environment include those regarding discrimination, harassment, medical endorsements, stereotyping and record archiving.
Case study: leaving a bad taste

A consumer products company created a web platform that allows customers to create and label their own products and post the virtual products on the company’s Facebook page. Visitors to the site were encouraged to vote for their favorite, with the lure being the company promised to award a prize to the top-rated product and actually sell it in stores. In the beginning, customers and fans created thoughtful and potentially viable products. However, someone later posted an ugly-sounding one with questionable ingredients. Waves of users started favoring this product, helping it win the contest. The company’s marketing experts objected to production and canceled the competition. A backlash from the online community across multiple social media platforms drew news media criticism, and the company took hits from customers, critics and supporters.

Lesson learned: Social media campaigns may not always end up as intended. Users may not take a campaign seriously or may even try to hijack it for their own interests. Therefore, it’s risky to give end-users full power without knowing, defining and even limiting the universe of potential outcomes. For example, the company should have limited potential outcomes by assigning a panel of judges to review and approve the winning drink suggestions. Every major social media campaign should be accompanied with a risk assessment anticipating and addressing possible scenarios.
Protecting and strengthening your brand

Social media has changed and is continuing to change the way companies do business by creating new opportunities and new risks on a daily basis.

Many companies that were caught not prepared for quick, thoughtful and decisive action regarding social media suffered material and long-lasting corporate injuries to their market share, customer confidence levels, stock prices and overall market reputation. Other companies around the world are moving fast to protect their corporate brand at a critical time when brands have become fragile and vulnerable to the millions of newly empowered consumers coming online every day.

Organizations with an integrated, holistic strategy and solid governance are better prepared to not only survive rampant change, but flourish in it. Effective strategy and accompanying governance helps to protect the brand and strengthen it. Companies armed with the understanding of where social media fits into larger corporate objectives will do better than those that are not. Organizations that effectively build and manage social media strategies and governance frameworks will have a competitive advantage over companies that do not.
## Questions to ask

| Analysis and monitoring                                                                 | • Are all social media sites relevant to all major aspects of my business monitored?  
|                                                                                       | • Is there a risk analysis regarding incidents on social media channels? Is there an incident response process focused not only on customer feedback and interaction, but also on IT-related security and privacy-related issues? |
| Assessment                                                                            | • Is the social media strategy inclusive, bringing in all impacted corporate departments and functions, such as marketing, legal, HR, IT, operations and logistics?  
|                                                                                       | • Are risks related to the use of social media platforms clearly identified? Does my view of the landscape include unique sector-specific perspectives? |
| Strategy and compliance                                                                | • Does my organization have a social media strategy?  
|                                                                                       | • Are my social media policies compliant with any relevant national, international or industry-specific rules and regulations? |
| Governance                                                                            | • What governance systems with measurable criteria (KPIs) do I have in place?  
|                                                                                       | • Have policies and guidelines been defined?  
|                                                                                       | • Are there mechanisms in place to leverage the customer insights and lessons learned from social media monitoring? |
| Awareness                                                                             | • Are the employees aware of the policies and guidelines? Have they been trained? |
About Ernst & Young
Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com.

About Ernst & Young's Advisory Services
The relationship between risk and performance improvement is an increasingly complex and central business challenge, with business performance directly connected to the recognition and effective management of risk. Whether your focus is on business transformation or sustaining achievement, having the right advisors on your side can make all the difference. Our 25,000 advisory professionals form one of the broadest global advisory networks of any professional organization, delivering seasoned multidisciplinary teams that work with our clients to deliver a powerful and superior client experience. We use proven, integrated methodologies to help you achieve your strategic priorities and make improvements that are sustainable for the longer term. We understand that to achieve your potential as an organization you require services that respond to your specific issues, so we bring our broad sector experience, our deep subject-matter knowledge and the latest insights from our work worldwide.

For more information on how we can make a difference in your organization, contact your local Ernst & Young professional or a member of our team listed below.

Contacts

Global

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone Number</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norman Loneran</td>
<td>+44 20 7980 0596</td>
<td><a href="mailto:norman.loneran@uk.ey.com">norman.loneran@uk.ey.com</a></td>
</tr>
<tr>
<td>Paul van Kessel</td>
<td>+31 88 407 1271</td>
<td><a href="mailto:paul.van.kessel@nl.ey.com">paul.van.kessel@nl.ey.com</a></td>
</tr>
</tbody>
</table>

Advisory Services

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone Number</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Patton</td>
<td>+1 404 817 5579</td>
<td><a href="mailto:robert.paton@ey.com">robert.paton@ey.com</a></td>
</tr>
<tr>
<td>Andrew Embury</td>
<td>+44 20 7951 1802</td>
<td><a href="mailto:aembury@uk.ey.com">aembury@uk.ey.com</a></td>
</tr>
<tr>
<td>Doug Simpson</td>
<td>+61 2 9248 4923</td>
<td><a href="mailto:doug.simpson@au.ey.com">doug.simpson@au.ey.com</a></td>
</tr>
<tr>
<td>Naoki Matsumura</td>
<td>+81 3 3503 1100</td>
<td><a href="mailto:matsumura-nk@shinnihon.or.jp">matsumura-nk@shinnihon.or.jp</a></td>
</tr>
</tbody>
</table>

IT Risk and Assurance Services

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone Number</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bernie Wedge</td>
<td>+1 404 817 5120</td>
<td><a href="mailto:bernard.wedge@ey.com">bernard.wedge@ey.com</a></td>
</tr>
<tr>
<td>Manuel Giralt Herrero</td>
<td>+34 91 572 7479</td>
<td><a href="mailto:manuel.giraltherrero@es.ey.com">manuel.giraltherrero@es.ey.com</a></td>
</tr>
<tr>
<td>Troy Kelly</td>
<td>+852 2629 3238</td>
<td><a href="mailto:troy.kelly@hk.ey.com">troy.kelly@hk.ey.com</a></td>
</tr>
<tr>
<td>Giovanni Stago</td>
<td>+81 3 3503 1159</td>
<td><a href="mailto:stagno-gvnn@shinnihon.or.jp">stagno-gvnn@shinnihon.or.jp</a></td>
</tr>
</tbody>
</table>