

Strategy and Risk

Social Media and Its Importance to the Board

By Diana O'Brien

According to a report by We Are Social and Hootsuite, 80 percent of Internet users worldwide use social media, and consumers routinely interact directly with brands through social media. Employees, too, are using social media—to become smarter about their work, to meet customer needs, and to find their next job. Brands have responded to these trends by investing resources in social media platforms, messaging applications, and private networks for customer experience, recruiting, and even business operations.

Engaging on social media can create better connections with customers and empower employees to rapidly meet customer needs. This engagement can also lead to increased brand, reputation, cyber, and financial risks. Consequently, it is important for board members to be conversant in social media trends and knowledgeable about benefits and risks.

Trends to Know

As consumers have become more sophisticated users of social media, brands have invested in new customer experiences and immersive storytelling. Videos created on platforms like Instagram and Snapchat that vanish after 24 hours engage customers more frequently. Augmented reality applications allow consumers to virtually “try on” clothing or cosmetics before completing a purchase on the brand’s website.

Customers also believe that social media increases accountability for brands, and expect to manage customer service activities in social media channels. As more consumers turn to social media for customer service, many brands are managing the volume of responses with new technologies.

More sophisticated monitoring tools use artificial intelligence (AI) to grade the urgency of messages, assigning them to the right solution queues. AI also powers branded chatbots, which are computer-generated programs that converse with consumers. Chatbots help consumers select products, answer basic questions, and provide low-level customer support. They work around

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the clock, shorten wait times for simple issues, and free employees to manage more difficult problems, helping to lower costs to meet consumers’ changing expectations.

Potential Risks for Brands

Public missteps. A post made in a brand’s channel that is found to be offensive, or a customer’s social media comment about a product or service, can escalate quickly. Backlash is swift and can be picked up by the news media, possibly resulting in brand and reputational damage, regulatory scrutiny, and financial loss. Explaining social media policies to employees—including the C-suite—and monitoring policy distribution and compliance are key. So too is implementing appropriate review processes before sensitive content is published.

Incivility and inaccuracy. Cyberbullying and harassment, offensive content, fake profiles, and inaccurate or false information can make social platforms a toxic environment to operate within. Many

platforms are working to weed out bad actors, and companies should weigh the risks of engaging in conversations.

Data security and availability. As consumers expect more anonymity, adjust privacy settings, and restrict profile access, brand investments in social media and customer relationships may be at risk. There is also talk of greater government regulation of social media, which could make traditionally less expensive social channels more costly for companies to use for marketing and customer service interactions.

Social media will continue to evolve, and companies need to respond strategically and with speed to take advantage of the opportunities, manage their complexity, and mitigate risk. Directors should keep current on how their companies are using social media platforms and artificial intelligence to engage with customers, employees (both current and prospective), and other stakeholders, and to fully understand what processes are in place to mitigate and respond to risks.



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