

# Value Of Sentiment

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by  
**@DrNatalie Petouhoff**  
**Lecturer, Anderson School of Business – UCLA**  
**Business Strategist & Consultant**

**A frame of reference...**  
**A path to analyze...**  
**A process to create a structure**  
**in an unstructured world...**



# The Acceleration of Social Media Success

## Step 3: Finding Your Audience

Using social media monitoring to understand their audience and use that data to make decisions about constructing the rest of their social media program

## Step 2: Measurement

Set-up business goals, measurement, metrics, benchmarks to use in models to measure progress & ROI

## Step 1: Monitor & Listening

uses social media monitoring to listen to customer conversations and uses it to make business decisions.



## Step 6: Gaining Organizational Alignment

Using all previous steps, decide how the company will interface with each other and the customer in a socially dominate world.

## Step 5: Designing Interactions

Using social media monitoring, listening, audience and content analysis, develop interaction strategies and plans for all function departments- individually and to work together synergistically.

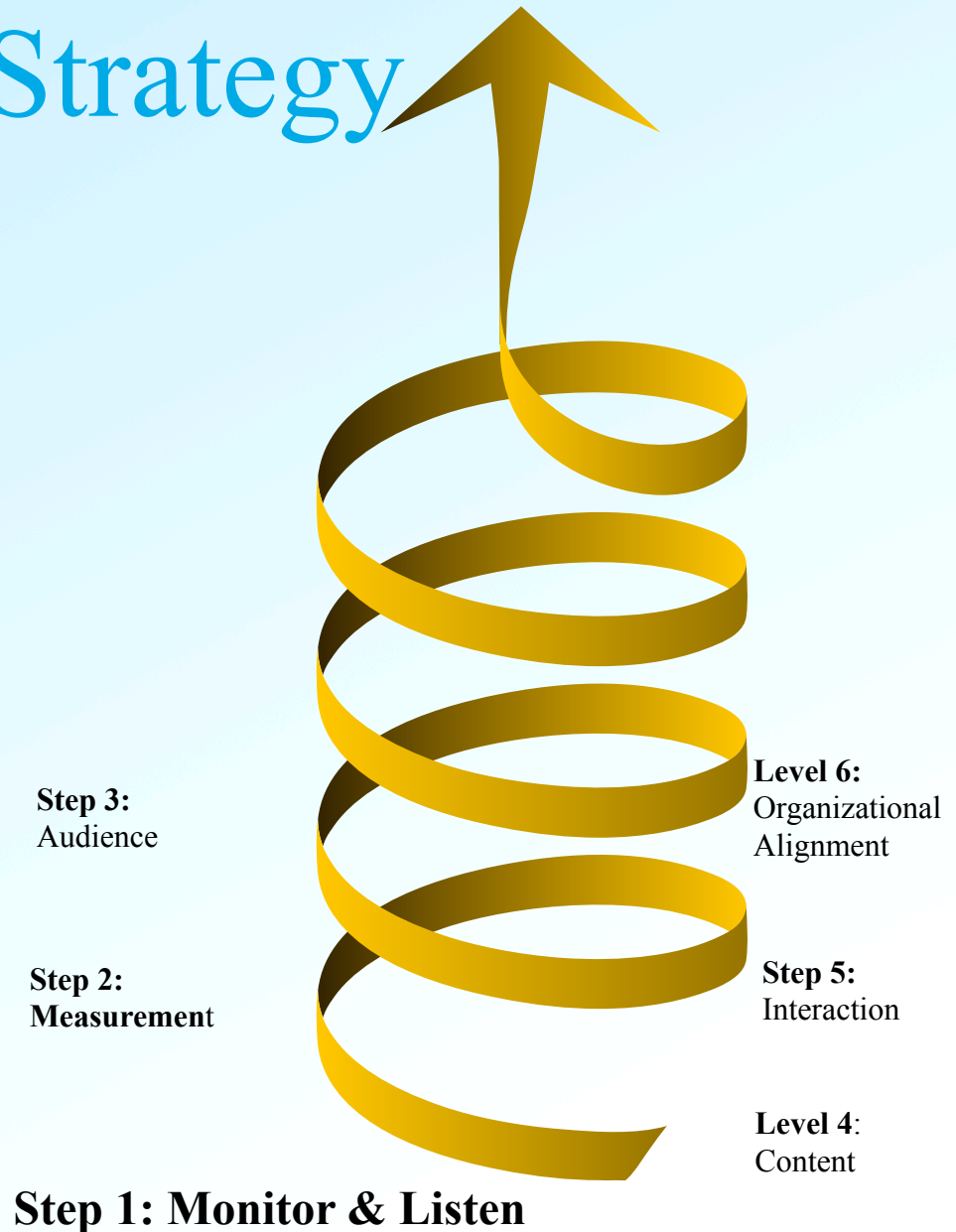
## Step 4: Creating Engaging Content

Using social media monitoring, audience analysis, create content that will engage target audiences.

# Social Business Strategy

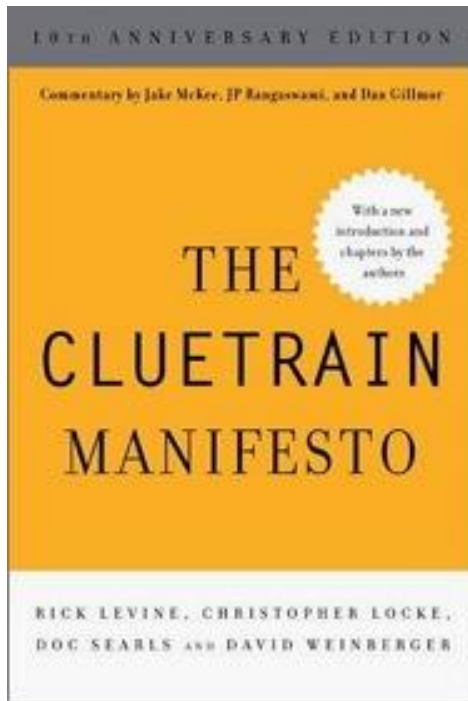
## Step 1: Monitor & Listen

- How well does the brand know their target audiences?
- What's the benchmark for sentiment and share of voice compared to competitors?
- What is the company doing well?
- What would be better if?



**The more things change,  
the more they stay the same**

# Go back in time... People were predicting this...



***There would be  
A place in time***

***Where the customer would in charge of the  
message ...***

***And there would be an enabling technology***

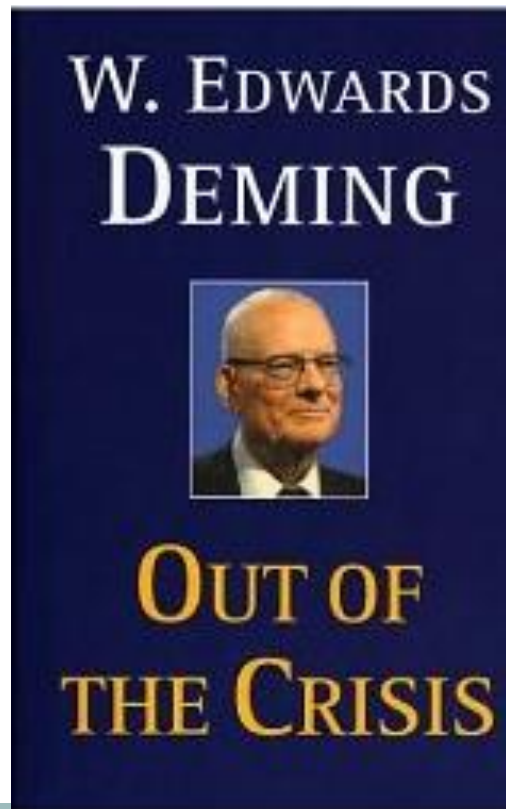
***We are here now...***

***This is your opportunity...***

*As an engineer I...*

**Go back further...**

**Many scholars had advocated to listen to customers, employees, partners..**



*"Long-term commitment to new learning and new philosophy is required of any management that seeks transformation.*

*The timid and the fainthearted are doomed to disappointment."*

**-- W. EDWARDS DEMING**

# The Boyd Affect



- Meet John Boyd (military strategist)
- Colonel and Fighter Pilot
- His theories highly influential in the:
  - Military
  - Sports and
  - Business.



# The Boyd Affect



- **He is known for:**
  - **Decision Cycle**
  - **Conceptual Spiral**



How does this  
apply to  
business?



# Boyd created the OODA Loop



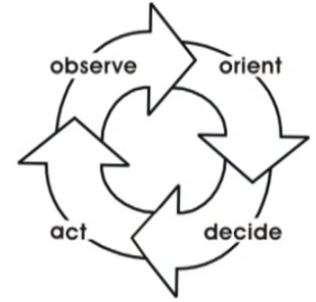
**It's how we generate the new actions & ideas we need to thrive and grow in an uncertain and competitive world.**

Note to self:

Sounds like something we could use to deal with the changes social media is bringing to companies

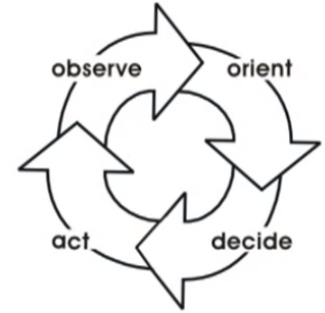


# The Boyd Loop: OODA



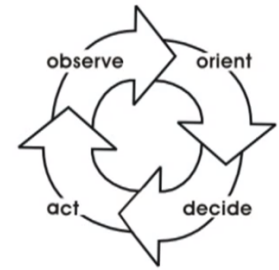
- **Observe:** the collection of data
  - Make use of the best sensors and other intelligence available

# The Boyd Loop: OODA



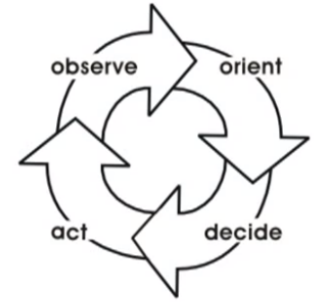
- **Observe:** the collection of data
  - Make use of the best sensors and other intelligence available
- **Orient:** analysis and synthesis of data
  - Put the new observations into a context with the old

# The Boyd Loop: OODA



- **Observe:** the collection of data
  - Make use of the best sensors and other intelligence available
- **Orient:** analysis and synthesis of data
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- **Decide:** determination of a course of action
  - Select the “next action” based on combined observation and local knowledge

# The Boyd Loop: OODA

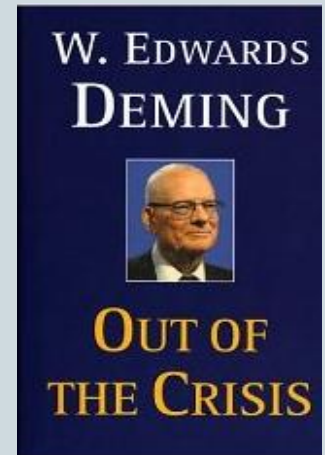
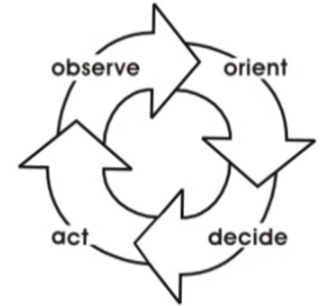


- **Observe:** the collection of data
  - Make use of the best sensors and other intelligence available
- **Orient:** analysis and synthesis of data
  - Put the new observations into a context with the old
- **Decide:** determination of a course of action
  - Select the “next action” based on combined observation and local knowledge
- **Act:** acting on those decisions
  - Carry out the selected action, ideally— while the competitor is still observing your last action

# How fast does your company OODA?

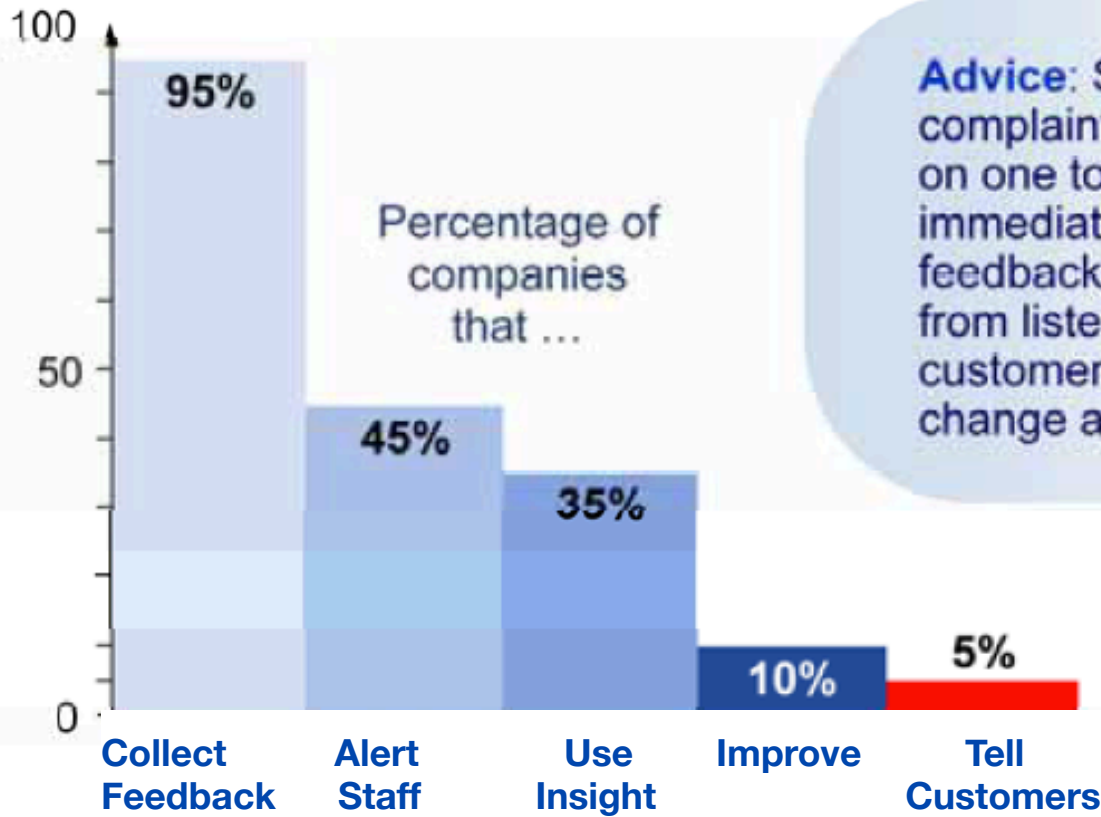
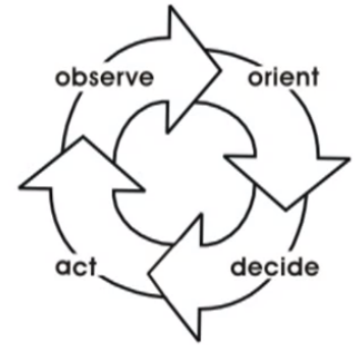


- Do you have systems to monitor/measure:
- What customers know, think & feel?
- What employees know, think & feel?
- Do you take that information and integrate it into your company?

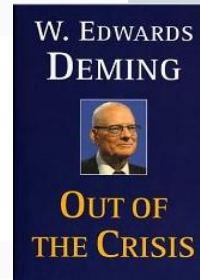


**Sounds like what Deming said to do!**

# Most Companies Don't Listen or Integrate Feedback



**Advice:** Start with complaints, standardize on one tool, act immediately on feedback, and move from listening to telling customers what will change as a result.



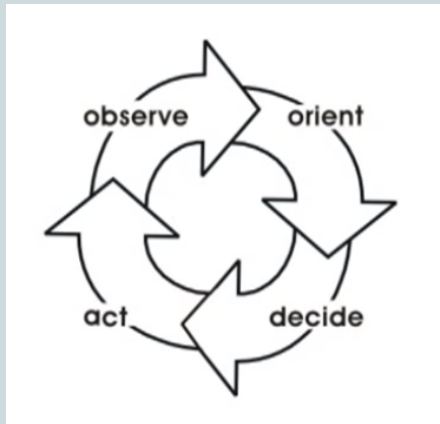
Source: Respond UK, 2006

Gartner

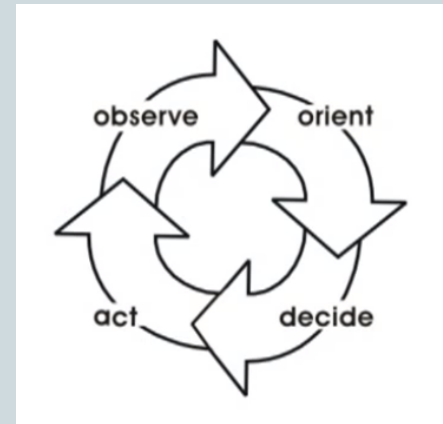
# Now consider two companies...



How fast do you OODA compared to your competitors?



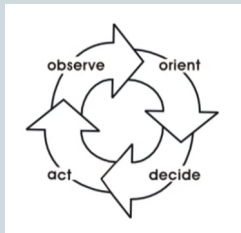
**Company 1**



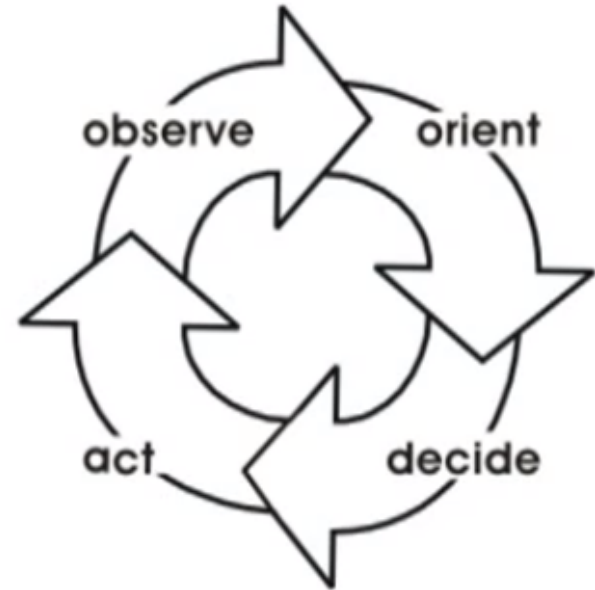
**Company 2**

- United Airlines (United Breaks Guitars)
- Zappos

# If Company 1 OODAs faster than Company 2



**Company 1**



**Company 2**

You'll have a decided time advantage over their competitor



# Are You On Track?



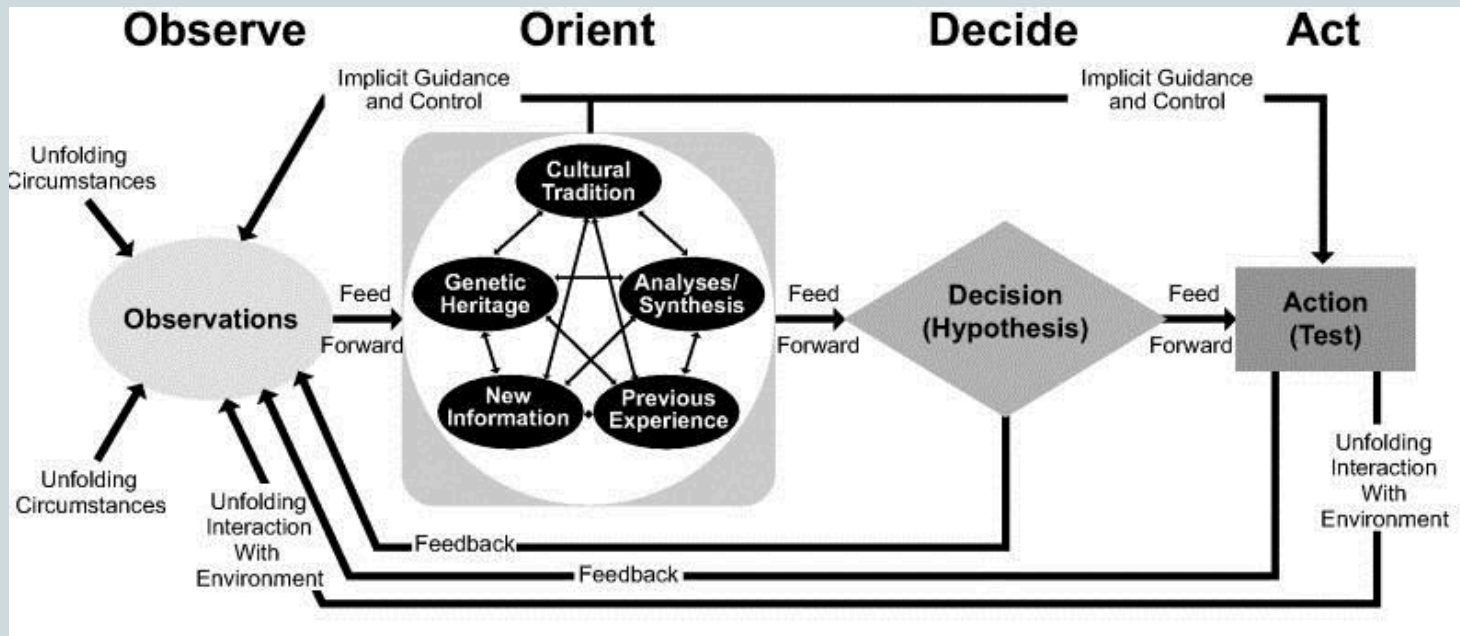
- In military operations, OODA takes place in seconds
- In corporations, its much slower if at all
- Strategy is rigidly followed till next years' planning cycle

It's critical to  
validate  
we're on track  
Or  
correct things

Especially in the  
Age of Social Business

# It not jus about OODAing Once It's the OODA LOOP:

*The **results** of your **actions** become the **observations** to **re-orient** you to make your next **decision***



***Repeated OODA = Success***

# Social Media Monitoring Is A Way to *OODA*

## Step 1: Monitor & Listen

- How well does the brand know their target audiences?
- What's the benchmark for **sentiment** and share of voice compared to competitors?
- What is the company doing well?
- What would be better if?

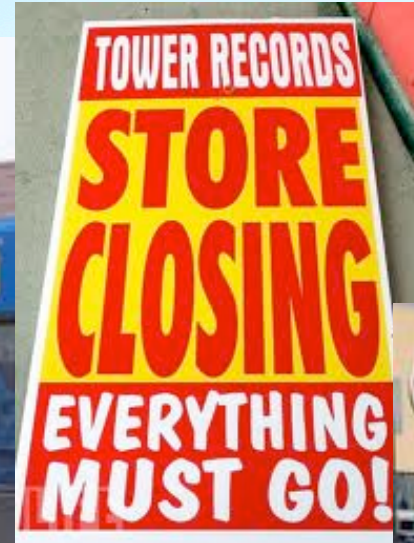


# What happens to brands that don't....

- That don't do social media monitoring to understand their audiences?
- Understand what the customer is saying in social networks?
- That don't collaborate cross functionally on social media?
- That don't adopt social media?



# It's not that uncommon that a company loses it's way...



**September 23, 2010**

- **Blockbuster Video went into bankruptcy**
- **Why?**
- **Competition by companies like Netflix**
- **But what happens if a company like Netflix doesn't understand social media?**



**What could have  
helped Netflix?**

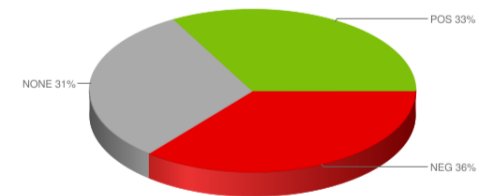
**Social Media Monitoring**  
**The brand's sentiment**  
**&**  
**Using it to OODA**

# Blockbuster 2010

## How to use social media monitoring to understand social media conversations

### Sentiment towards Blockbuster\*

33% +  
36% -



\*Social Media Monitoring Data from Sysomos







# Blockbuster Demise & Netflix Rise 2010



**But Blockbuster did not  
listen or  
change course  
and  
had to file bankruptcy**

**recent years have seen the company's business decline sharply, due to new consumer options for movie rental, including mail order movie service from netflix, and dvd rental kiosks from coinstar.**

when you connect it to your existing home network, it can access music, videos, and photos stored on your computer, so you can enjoy them from the comfort of your sofa.

all one has to do is to look at blockbuster video who ran all the mom and pop video rental stores out of business and they were forced into bankruptcy by the creation of netflix and other services.



**\*Social Media Monitoring Data from Sysomos**

# Customer **Sentiment**


## For Blockbuster's Bankruptcy, Sept 2010

### **Negative** customer conversations in social media


Meredith Casey: @twiteconomy Netflix all the way. Blockbuster doesn't stand a chance with their evil late fees.

26 Sep 2010 02:58:32 EDT  



Catherine: Blockbuster late fees are the worst.

25 Sep 2010 22:55:55 EDT 

Adam Cortner: No wonder blockbuster is having problems. Late fees still exist?? No wonder netflix is kicking their ass. Never renting from BB again

22 Oct 2010 15:25:15 EDT 

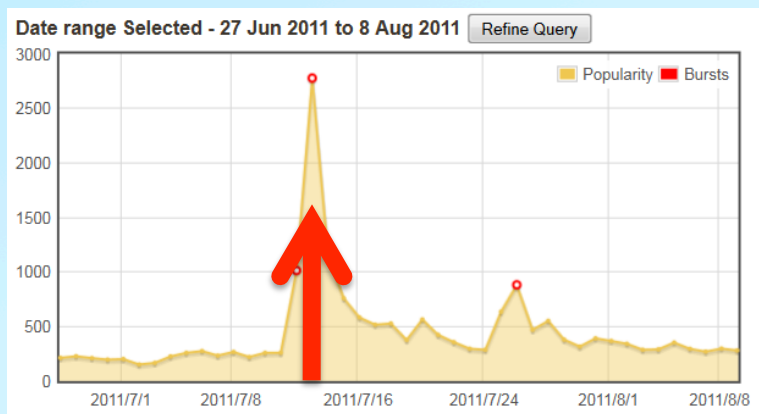
Nicholas Whelan: Blockbuster is declaring bankruptcy, but their stores will continue to pollute our landscape with outrageous "oar up your ass" late fees.

23 Sep 2010 06:51:07 EDT  

\*Social Media Monitoring Data from Sysomos

# Flash Forward to July 12, 2011

## Was Netflix listening?

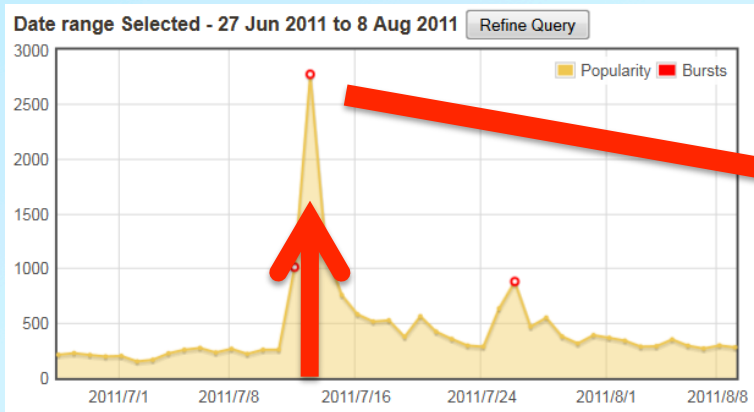


Click on the graph to see what the spike was about & gain insight into what's being said in social media

\*Social Media Monitoring Data from Sysomos

# Flash Forward to July 12, 2011

## Was Netflix listening?



### CEO's Facebook



Netflix

We are separating our unlimited streaming plan from our DVD plan offerings. The streaming-only plan will remain at \$7.99, while we now offer DVD-only plans starting at \$7.99. Additional details regarding changes to our plans can be found on our blog: <http://bit.ly/NetflixBlog>

Like · Comment · Share · July 12 at 10:22am

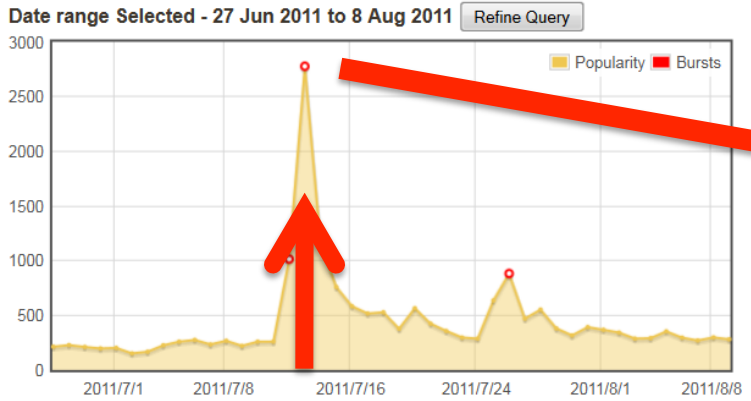
1,429 people like this.

View all 81,789 comments

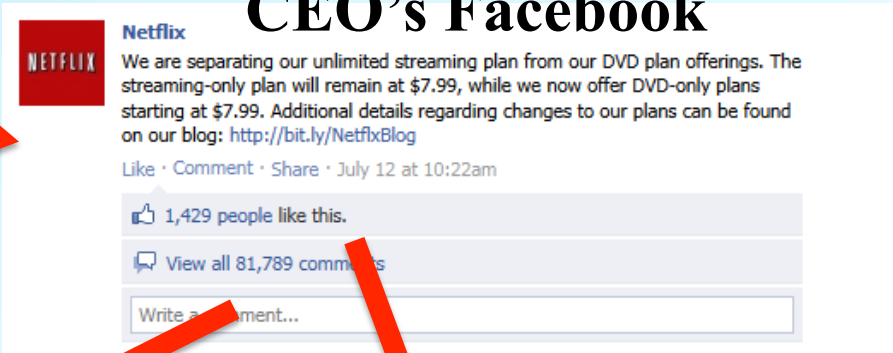
Write a comment...

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81,789 Comments

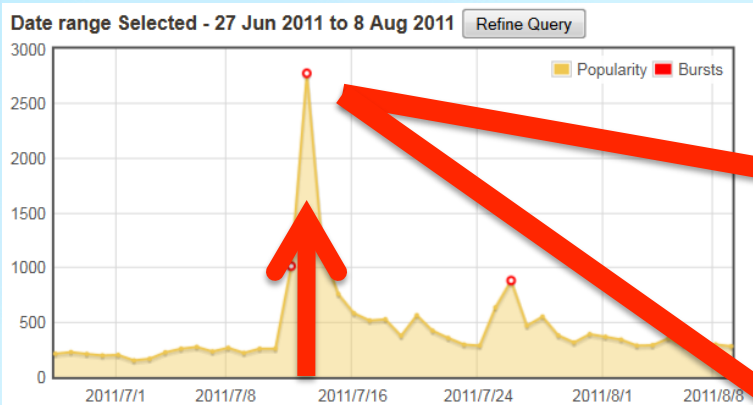
1,429 Positive  
80,360 Negative

\*Social Media Monitoring Data from Sysomos



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Write a comment...

wordcloud



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# An Example of Not Hearing...

**NETFLIX** **The Netflix Blog**

TUESDAY, JULY 12, 2011

## Netflix Introduces New Plans and Announces Price Changes

Jessie Becker, here to share two significant changes at Netflix with you.

4,347 64K

First, we are launching new DVD only plans. These plans offer our lowest prices ever for unlimited DVDs – only \$7.99 a month for our 1 DVD out at-a-time plan and \$11.99 a month for our 2 DVDs out at-a-time plan. By offering our lowest prices ever, we hope to provide great value to our current and future DVDs by mail members. New members can sign up for these plans by going to [DVD.netflix.com](http://DVD.netflix.com).

Second, we are separating unlimited DVDs by mail and unlimited streaming into separate plans to better reflect the costs of each and to give our members a choice: a streaming only plan, a DVD only plan or the option to subscribe to both. With this change, we will no longer offer a plan that includes both unlimited streaming and DVDs by mail.

**LINKS**

- [Netflix Tech Blog](#)
- [Netflix America Latina](#)
- [Netflix Brasil](#)
- [Facebook Netflix Page](#)
- [Netflix Website](#)
- [--> RSS Feed Page](#)
- [--> DVDs Releasing This Week](#)
- [--> Logo and Media Materials](#)
- [--> Jobs at Net](#)

**ABOUT THE NETFLIX**

Hello and welcome to the Netflix Blog! We are various members of the Netflix team. We're also here to talk about what we're doing, and for you to tell us what you think.

**BLOG ARCHIVE**

- ▼ 2011 (28)
  - ▶ September (3)
  - ▶ August (2)
  - ▼ July (5)
    - [The Mad Men Arrive as Emmy Award-Winning](#)

As always, our members can easily choose to change or cancel their unlimited streaming plan, unlimited DVD plan, or both by visiting [Your Account](#).

12,835 comments ▼

[Add a comment](#)

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  - ▼ July (5)
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**Aimée Reinhart Avery** · Lee Enterprises

You've managed to pretty much piss off all your customers, including me! Is this your real plan? If so you're doing a good job. I've decided to become even more friendly with my local Red Box. It may not deliver to my mailbox, but since I have to go to the grocery store to get the popcorn, I'll go ahead and get my movies there too!

If you truly want to make your customers happy and keep this nasty new pricing **UPDATE YOUR STREAMING SELECTIONS TO INCLUDE ALL OF YOUR DVD LIBRARY!** If you won't do that, go sit in a room all by yourself with all your DVDs. We'll be going somewhere else.

Reply · 346 · Like · Follow Post · July 13 at 9:17am

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[Tweet](#) [Like](#)

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**VIEW 15 MORE**

**Craig Harkins** · Owner at Fencing Net, LLC

### Hey Netflix -- You just raised my prices 60%.

I'll be giving you some time to fix this before September 1st, but if nothing changes, I will be canceling everything and finding someone else like Amazon to pay. Most of the titles I want to see are only on DVD, so paying that much for streaming, plus that much more for DVD (with no price break for being a loyal customer and combining the two plans) isn't attractive to me as a consumer.

You have competitors, they are ramping up their offerings, expect to lose a lot of your base soon. (How much are you paying per gross add and net add now? Do you have a big increase in the marketing budget planned to try to acquire enough customers to make up for the churn you'll see from this pricing move?)

Reply · 157 · Like · Follow Post · July 13 at 9:11am

**What happens when  
you don't listen  
or hear what the  
sentiment is  
&  
you act  
without considering what  
customers think, feel and know**



**Despite the **negative**  
comments from July 12, 2011**

**Sept 19<sup>th</sup>, 2011  
Netflix sent out a notice  
on the price hike...**

**and the results were...**

# Press Coverage

Qwikster (Netflix's new offering) Sept 19<sup>th</sup>, 2011

THE WALL STREET JOURNAL.

The New York Times



Forbes

Los Angeles Times

BUSINESS

TC TechCrunch

Mashable Business

# But it was **Negative** Press Coverage

**Netflix Stock Erases 12 Months Of Massive Growth, Crashes Through 52 Week Low**

**Qwikster From Netflix: The Worst Product Launch Since New Coke? [OPINION]**

**Customers Angry Over Revamped Pricing Are Deserting Netflix**

**Netflix' News: Signal Of DVD's Demise?**

**Netflix Stock Falls After Change in Pricing**

Netflix to Customers: Up Yours – Why Phony Corporate Apologies Backfire

9/20/2011 @ 5:46PM | 4,546 views

**Netflix Crushes Its Own Momentum**






# Netflix did not even check the twitter handle-- @Qwikster

## Information about the twitter handle @Qwikster

	<b>Jason Castillo</b> @Qwikster	 About @Qwikster			
		25 Tweets	61 Following	12,052 Followers	91 Listed

## Example tweet from @Qwikster

	<b>Qwikster</b> Jason Castillo
Bored as shyt wanna blaze but at the same time I don't ugh fuck it where's the bowl at spark me up lls	
22 Jun	

**This is NOT “on brand”**

# Qwikster (Netflix's new offering) Sept 19<sup>th</sup>, 2011



Nick: Seriously @netflix what the hell are you guys up to? Qwikster? Really??! The blog comments are amazing: over 24k almost all negative.

4 mins ago



ADLT: Netflix makes great suggestions, like now that they're turning their DVD services into "Qwikster" they've suggested I subscribe to Hulu.

6 mins ago

## Three top words in the Buzz Graph?

- Reed
- Hastings
- Apologize

BuzzGraph: "qwikster"



Related Words

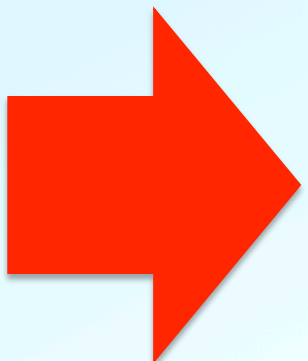
- announce
- apologize
- backlash
- blockbuster
- ceo
- companies
- dialup
- dvd
- dvds
- envelope
- gamefly
- hastings
- mail
- movies
- netflix
- netflix.com
- nfix
- priced
- queue
- rebrand
- reed
- renamed
- rental
- separation
- spin
- split
- splitting
- stream
- subscriber

# Customers fume over Netflix changes



By **Doug Gross**, CNN

updated 11:49 AM EST, Tue September 20, 2011 | Filed under: [Web](#)

A large, solid red arrow pointing to the right, positioned to the left of the main text block.

"Reed, thanks for reminding me that I should go somewhere else for my DVD rentals. It was an insult enough that you raised the price on me last month, right in the middle of the biggest recession since the Great Depression, but now instead of a sincere apology, all we get is excuses and a flimsy new name."

That's from a customer named Jonathan Ortega and it's one of more than 23,000 comments on a [blog post by Netflix CEO Reed Hastings](#) explaining the latest changes. In the post, Hastings announced that the service that made Netflix famous, mailing DVDs in those iconic red wrappers, is being spun off and renamed Qwikster, while Web streaming video will continue to be called Netflix.

September 20, 2011

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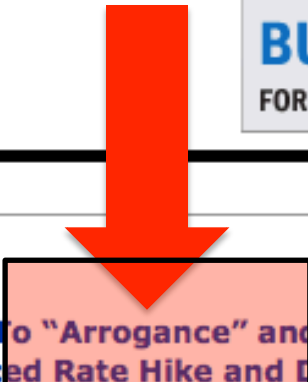
## PR BIZ UPDATE

Netflix CEO Admits He Fell Victim To "Arrogance" and Poor Communication When He Announced Rate Hike and Division Of DVD-By-Mail Service and Instant Viewing, Which Cause Subscriber Exodus and Huge Stock Tumble

9/20/2011



Looking back on when **Netflix** announced in August that it would separate the pricing for online video streaming and DVDs — resulting in a hike of up to 60% for people who utilize both options — CEO **Reed Hastings** now admits that he had fallen victim to "arrogance" as he and his staff witnessed customers leaving in droves and the company's stock price plummet. In a blog post over the weekend, Hastings defended the policy, which he said will generate more revenue and lower shipping costs so the company can spend more acquiring digital rights to movies and television series, but he admitted that poor communication was a big part of the problem. "In hindsight, I slid into arrogance based upon past success. Inside Netflix I say, 'Actions speak louder than words,' and we should just keep improving our service," he wrote. "But now I see that given the huge changes we have been recently making, I should have personally given a full justification to our members of why we are separating DVD and streaming, and charging for both. It





# THE WALL STREET JOURNAL.

By ETHAN SMITH



Netflix's decision to split itself into DVD and streaming services drew an apology from CEO Reed Hastings. WSJ's Rolfe Winkler discusses the move over the long term on Markets Hub. (Photo: Getty Images.)

If the CEO of Netflix Inc. were in a movie, the town would be full of pitchforks.

The customer reaction was swift and angry against the company that was separating its DVD-by-mail business from its movie-streaming businesses.

Still, Mr. Hastings, a co-founder of the company, indicated that he's willing to take the heat—and risk losing yet more customers—to usher Netflix into its new digital future.

By late afternoon on Monday, more than 16,000 users had left comments on the Netflix blog—and the overwhelming majority were livid.

**JOIN THE DISCUSSION**  
**149 Comments, add yours »**

# THE WALL STREET JOURNAL.

By ETHAN SMITH



Netflix's decision to split itself into DVD and streaming services has hurt its reputation, leading to an apology from CEO Reed Hastings. WSJ's Rolfe Winkler discusses how the new strategy will play out over the long term on Markets Hub. (Photo: Getty Images.)

If the CEO of Netflix Inc. were in a movie, the townspeople would be throwing pitchforks.

The customer reaction was swift and angry against Reed Hastings, who apologized that the company was separating its DVD-by-mail business and its movie-streaming businesses.

Still, Mr. Hastings, a co-founder of the company, indicated that he was under a lot of heat—and risk losing yet more customers—to usher Netflix into its new era, not on snail mail but movies over the Web.

By Kevin Kingsbury

Netflix is building on Thursday's 19% tumble, falling another 5.2% today to \$160.42 in the wake of US subscriber estimates being cut at the media-rental company.

Caris analysts downgraded Netflix to

“average” and slashed its price target to \$185 from \$322.

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Still, Mr. Hastings, a co heat—and risk losing y not on snail mail but m

By Tom Loftus



Mike Cassese/Reuters

Netflix CEO Reed Hastings

**Netflix CEO: 'I Messed Up':** Reed Hastings blamed arrogance for not reaching out to customers prior to its decision this summer to jack up subscription rates for some customers by 60%. Not only did the move enrage customers, but it had a negative effect on the company's share price.

"I should have personally given a full justification to our members" for the price increases," Hastings wrote in a post on the company blog.



# Blockbuster was listening & hearing!



A screenshot of a tweet from the account 'blockbuster'. The tweet text reads: 'Tweet why you're leaving Netflix. The top three most creative tweets using #GoodbyeNetflix will win a 1-year subscription to Blockbuster!'. Below the text are interaction options: '10 hours ago', 'Favorite', 'Retweet', and 'Reply'. At the bottom, there is a yellow arrow icon and the text 'Promoted by Blockbuster'. The tweet shows 67 retweets. The Blockbuster logo is visible on the left side of the tweet card.

 **blockbuster** Blockbuster  67 Retweets 

Tweet why you're leaving Netflix. The top three most creative tweets using #GoodbyeNetflix will win a 1-year subscription to Blockbuster!

10 hours ago  Favorite  Retweet  Reply

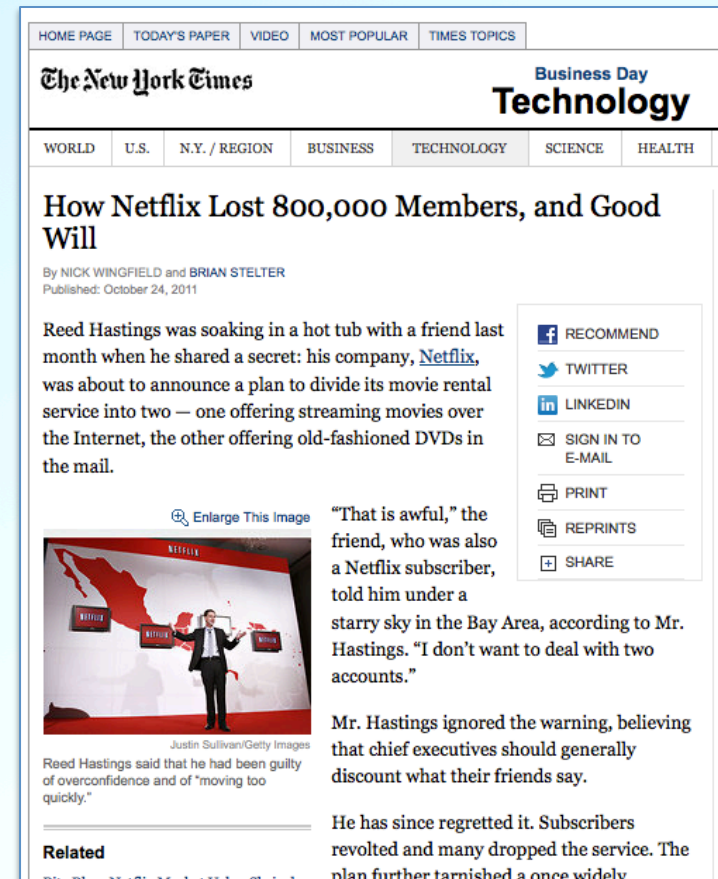
 Promoted by Blockbuster

# DOES SOCIAL MEDIA Sentiment MATTER?

Netflix:  
LOST 800,000  
CUSTOMERS

Could your business  
withstand that?

Would your business  
want to?



The screenshot shows a New York Times article from October 24, 2011, by Nick Wingfield and Brian Stelter. The article is titled "How Netflix Lost 800,000 Members, and Good Will". It discusses how Reed Hastings' announcement to split the company into streaming and DVD services led to a significant loss of subscribers. The article includes a photo of Reed Hastings at a conference and a sidebar with social media sharing options.

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## How Netflix Lost 800,000 Members, and Good Will

By NICK WINGFIELD and BRIAN STELTER  
Published: October 24, 2011

Reed Hastings was soaking in a hot tub with a friend last month when he shared a secret: his company, [Netflix](#), was about to announce a plan to divide its movie rental service into two — one offering streaming movies over the Internet, the other offering old-fashioned DVDs in the mail.

[Enlarge This Image](#)



Justin Sullivan/Getty Images

Reed Hastings said that he had been guilty of overconfidence and of "moving too quickly."

**Related**

RECOMMEND  
TWITTER  
LINKEDIN  
SIGN IN TO E-MAIL  
PRINT  
REPRINTS  
SHARE

"That is awful," the friend, who was also a Netflix subscriber, told him under a starry sky in the Bay Area, according to Mr. Hastings. "I don't want to deal with two accounts."

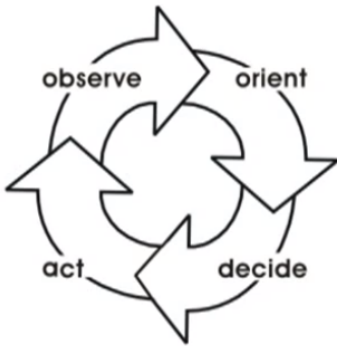
Mr. Hastings ignored the warning, believing that chief executives should generally discount what their friends say.

He has since regretted it. Subscribers revolted and many dropped the service. The plan further tarnished a once widely

**Where's your company on the  
social media adoption curve?**

# Some companies don't see social media as the key to:

- **Innovation**
- **Change**
- **Retaining customers**
- **Acquiring new customers**
- **Gaining a competitive advantage...**



It's the **NEW** Reality Check for:

- PR Brand Promises
- Marketing Messages
- Sale Promises
- Engineering, Manufacturing Delivery...
- Customer Service / Customer Retention

# Where did NetFlix Miss fire in OODAAing?

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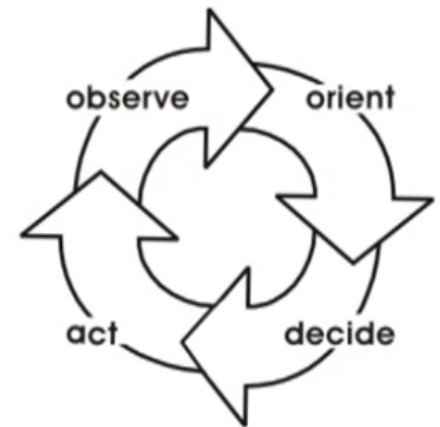
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- ## Did they
- Observe?
  - Orient?
  - Decide?
  - Act?



In ways that forwarded their business?

They did the opposite-  
Lost customers

Cost the company in customer service calls

What's it gonna take for...

The whole industry to understand  
how important **social media** is?



Change

What is it gonna take for change to happen?



# Are You An OODA Leader?

- Your job as a leader is to OODA faster than your competitors
  - Outmaneuver the competition
  - Observe the ever-changing conditions and
  - Decisively act in an effort to beat the competition





# Are you a OODAing Leader?

- Leaders needs to:
  - **Evaluate social sentiment**
  - Have the courage to recognize when things are off course
  - Know when a correction is needed and
  - Then act decisively

**When would  
“now” be  
a good time to be a  
OODA Loop Leader?**



***A decision: selection between possible actions***

**DECIDE**

**Do you have the social media data to  
make the right decisions?**



## **May be it's a good idea to:**

- **Listen to your customers**
- **To know what's being said**
- **To use the social media data to inform business decisions**
- **To use social media to interact with customers & have it result in a positive outcome?!?!?**

**Things that make you  
go HMMMM...**



# The Acceleration of Social Media Success

## Step 3: Finding Your Audience

Using social media monitoring to understand their audience and use that data to make decisions about constructing the rest of their social media program

## Step 2: Measurement

Set-up business goals, measurement, metrics, benchmarks to use in models to measure progress & ROI

## Step 1: Monitor & Listening

uses social media monitoring to listen to customer conversations and uses it to make business decisions.

## Step 6: Gaining Organizational Alignment

Using all previous steps, decide how the company will interface with each other and the customer in a socially dominate world.

## Step 5: Designing Interactions

Using social media monitoring, listening, audience and content analysis, develop interaction strategies and plans for all function departments- individually and to work together synergistically.

## Step 4: Creating Engaging Content

Using social media monitoring, audience analysis, create content that will engage target audiences.



**Thank you!**

**@drnatalie petouhoff**

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