



The social economy: Unlocking value and productivity through social technologies

Social technologies share three key characteristics

We define social technologies as digital technologies used by people to interact socially and together to create, enhance, and exchange content. Social technologies distinguish themselves through the following three characteristics:

1. They are **enabled by information technology**.
2. They provide **distributed rights** to **create, add, and/or modify content** and **communications**.
3. They enable **distributed access** to consume **content** and **communications**.

Social technologies include a broad range of applications that can be used both by consumers and enterprises

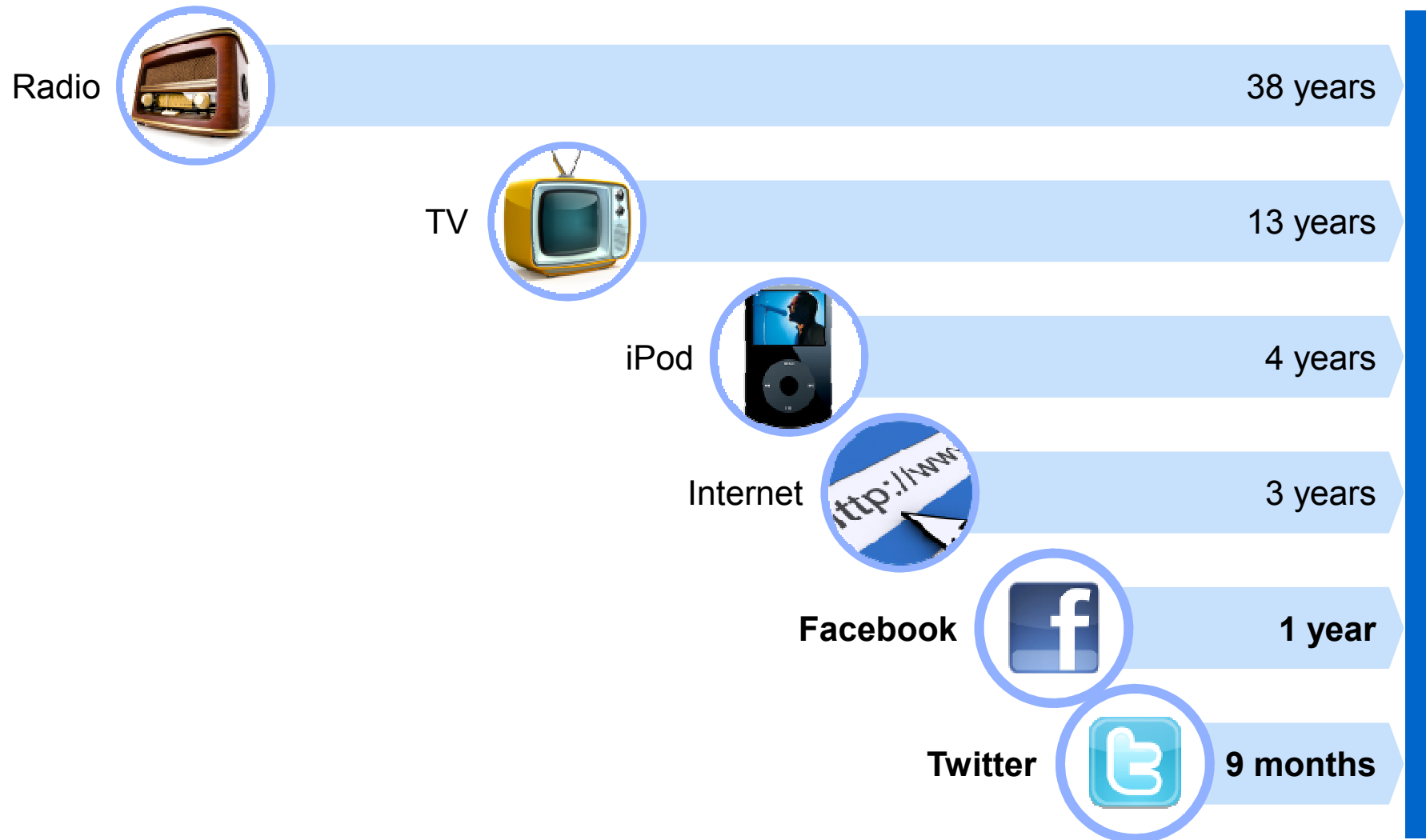


1 Social analytics is the practice of measuring and analyzing interactions across social technology platforms to inform decisions.
SOURCE: McKinsey Global Institute analysis

Social technologies have been adopted at record speed

Time to reach 50 million users

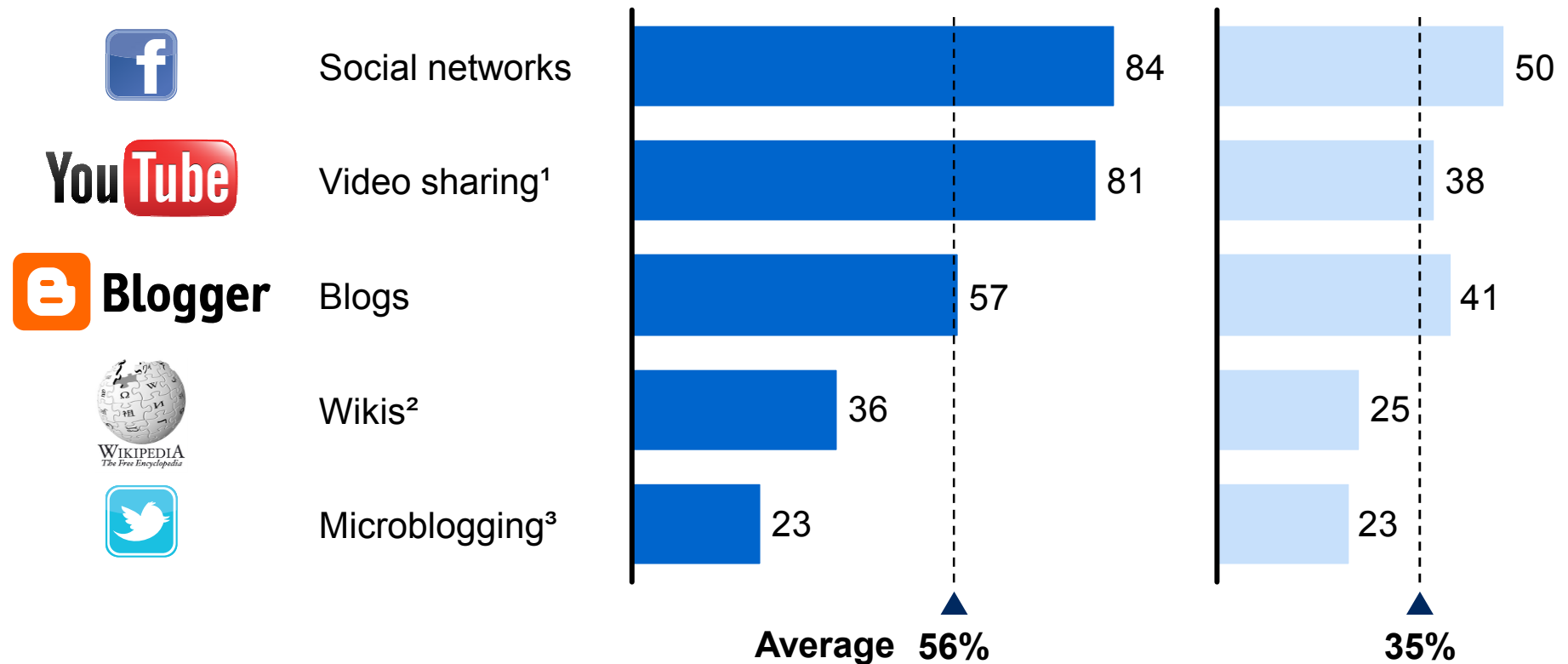
50 million users



Adoption of social technologies within enterprises lags far behind consumer adoption

Consumer vs. company penetration, global, 2012
%

Social media technologies



1 As of October 2011.

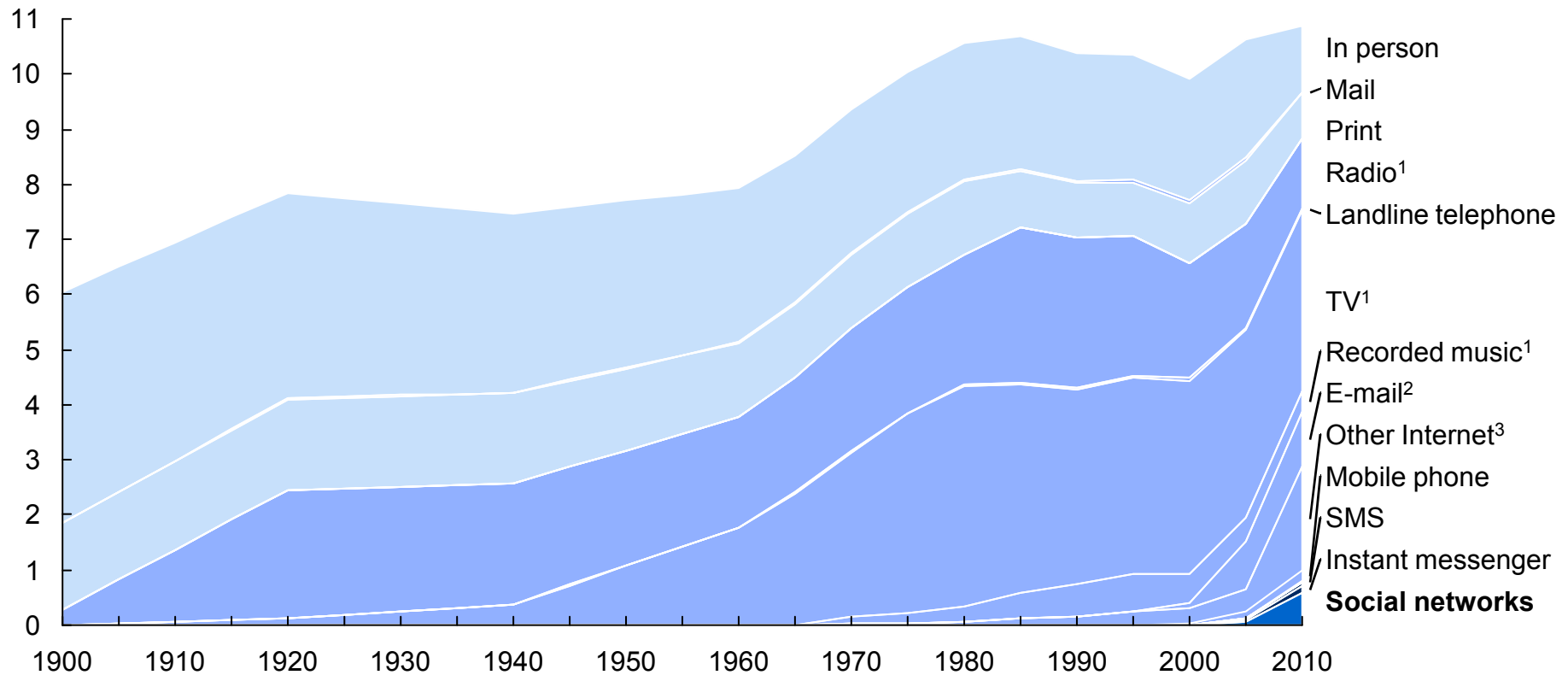
2 Classified as directories.

3 Includes microblogging sites Twitter, Tumblr, Weibo, Plurk, and Posterous Spaces.

Social networking accounts for just 5 percent of the time spent communicating and consuming media

Time spent consuming messages by technology type in the United States
Hours per day

■ Non-digital
■ Potential to be socially enabled
■ Currently socially enabled



- 1 Radio, TV, and recorded music are slightly discounted to account for the time spent using these concurrently with other media.
- 2 Does not include e-mail sent internally within companies, which is not counted as Internet traffic.
- 3 Includes all social technologies that cannot be explicitly separated in available data.

SOURCE: Bureau of Labour Statistics; WAN-IFRA; Statistical Abstracts; National Bureau of Economic Research; US Census Bureau; Radicati Group; Yankee Group; Nielsen; ITU; eMarketer; and others; McKinsey Global Institute analysis

Enterprises can apply social technologies across the entire value chain, as well as across and between enterprises

Organizational functions

Product development	4 Derive customer insights ¹
	1 Co-create products
Operations and distribution	2 Leverage social to forecast and monitor
	3 Use social to distribute business processes
Marketing and sales	4 Derive customer insights
	5 Use social technologies for marketing communication/interaction
	6 Generate and foster sales leads
	7 Social commerce
Customer service	8 Provide customer care via social technologies
Business support²	Improve collaboration and communication Match talent to tasks

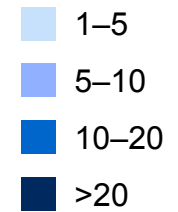
Across entire enterprise

Enterprise-wide levels	9 Use social technology as an intra- or inter-organizational collaboration and communication tool
	10 Use social technology to match talent to tasks

1 Deriving customer insights for product development is included in customer insights (lever 4) under marketing and sales.

2 Business support functions are corporate or administrative activities such as human resources or finance and accounting.

Potential of social technologies to improve productivity at different points in the value chain in major sectors of the economy

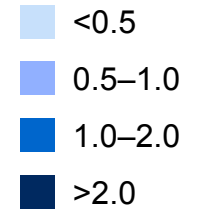


% of cost base in each value chain step

Industry/segment		Potential benefit from productivity increase along the value chain					Total value at stake % of total cost
		Product development	Operations and distribution	Sales and marketing	Customer service	Business support functions	
Financial services	Insurance—P&C	5–10	1–5	>20	10–20	1–5	~2–3
	Insurance—life	5–10	1–5	>20	10–20	1–5	~3–4
	Retail banking	10–20	5–10	10–20	>20	1–5	~6–12
Consumer packaged goods		10–20	1–5	>20	>20	10–20	~6–9
Professional services		10–20	10–20	1–5	n/a	10–20	~8–11
Advanced manufacturing	Semi-conductors	10–20	1–5	10–20	>20	10–20	~5–6
	Automotive	10–20	1–5	>20	>20	10–20	~4–6
	Aerospace and defense	10–20	1–5	>20	10–20	5–10	~2–3
Social sector		1–5		>20	10–20		

Potential of social technologies to create value across the value chain in major sectors of the economy

% of revenue¹



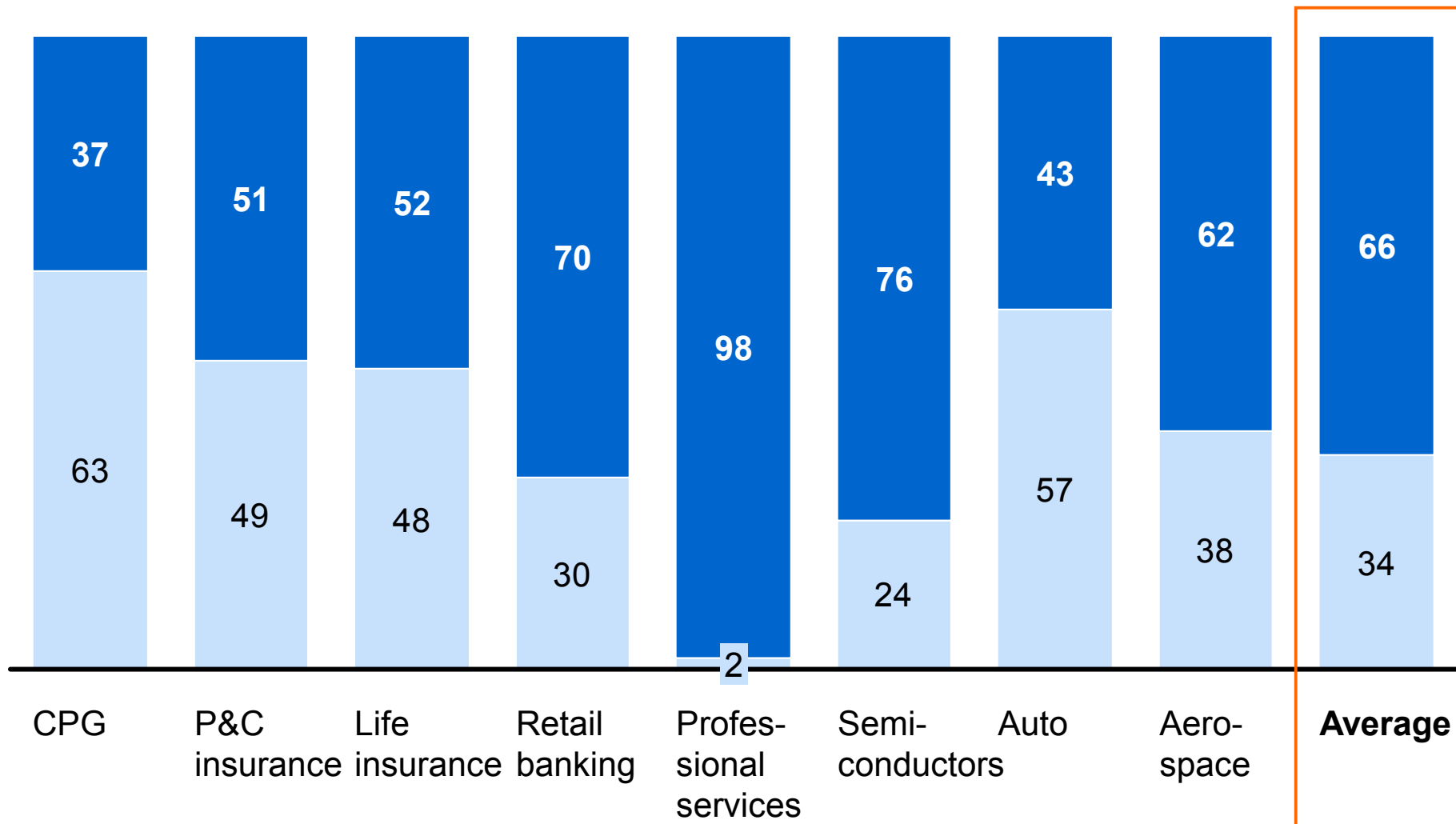
Industry/segment		Potential benefit from productivity increase along the value chain					Total value at stake % of revenue
		Product development	Operations and distribution	Sales and marketing	Customer service	Business support functions	
Financial services	Insurance—P&C	<0.5	1.0-2.0	0.5-1.0	<0.5	0.5-1.0	~3-6
	Insurance—life	<0.5	<0.5	1.0-2.0	0.5-1.0	0.5-1.0	~3-4
	Retail banking	<0.5	0.5-1.0	>2.0	0.5-1.0	0.5-1.0	~4-7
Consumer packaged goods		<0.5	0.5-1.0	>2.0	<0.5	1.0-2.0	~5-6
Professional services		<0.5	>2.0	<0.5	n/a	>2.0	~8-11
Advanced manufacturing	Semi-conductors	1.0-2.0	<0.5	0.5-1.0	<0.5	<0.5	~5-7
	Automotive	1.0-2.0	1.0-2.0	>2.0	<0.5	<0.5	~4-6
	Aerospace and defense	0.5-1.0	1.0-2.0	<0.5	<0.5	<0.5	~2-3
Social sector		<0.5		>2.0	1.0-2.0		

¹ Value potential for the social sector is expressed as a percentage of costs.

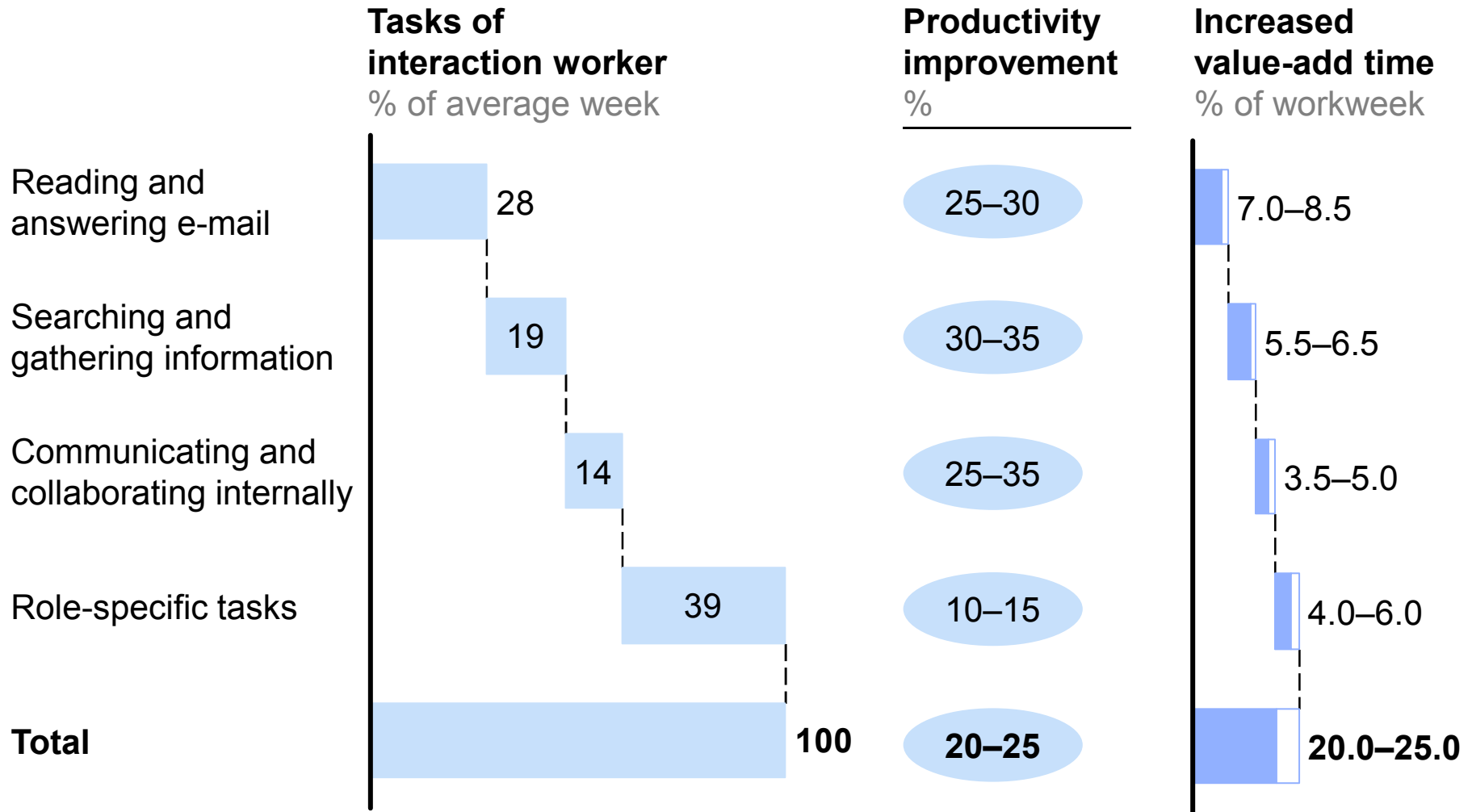
Value available through collaboration and other benefits of social technologies varies across industries

%

■ Collaboration
■ Other benefits



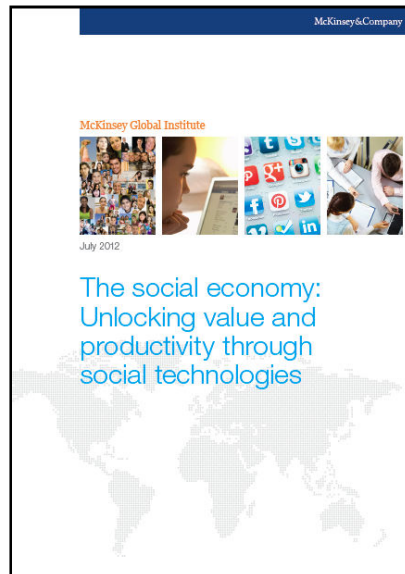
Improved communication and collaboration through social technologies could raise productivity of interaction workers by 20 to 25 percent



Many companies need a cultural transformation to prepare for successful internal implementation of social technologies

	Interactions		
	Transformation	Transaction	Tacit
Strategy and innovation	Centralized and top-down		Decentralized, bottom-up, evolutionary
Organization	Hierarchies, command and control		Flat, flexible, contingent, porous
Performance management	Physical outputs, efficiency	Physical and activity outputs, efficiency	Outcomes, effectiveness
Knowledge and learning	Rote and instruction-oriented, top-down		Apprenticeship, decentralized, knowledge marketplace
Technology leverage	Substitute, automate	Substitute, automate, accelerate, scale	Complement, extend, adapt
Role of management	Set targets, assign tasks, optimize		Set direction, enable, learn

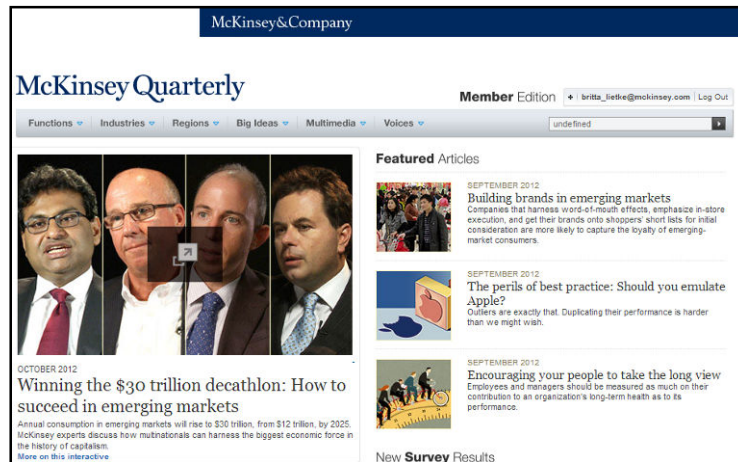
For more information . . .



Download a full copy of the MGI report, “Social economy: unlocking value and productivity through social technologies.”

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