



Top 10 Topics for Directors in 2016: Social Media

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Many companies are using social media marketing to enhance product and brand awareness, promote corporate strategy and reputation, build customer loyalty and encourage customer engagement, all of which can drive revenues. Moreover, customers increasingly post reviews of products, brands and companies, and research shows that social recommendations induce an average of 26 percent of purchases.ⁱⁱⁱ With customers increasingly participating in online conversations about their “likes” and experiences, and more and more would-be customers checking out those recommendations before making a purchase, it is critical that companies become part of the online community and connect with customers in meaningful ways.

However, in addition to understanding and encouraging changes in customer relationships via social media, directors need to understand and weigh the risks created by social media. These risks include harm to a company’s reputation when a post goes “viral,” particularly if the company has an inadequate or delayed response, as well as risks created by the use of mobile technologies and social media by company personnel and posting confidential or proprietary information to a social media platform. According to a recent survey, 91 percent of directors and 79 percent of general counsel surveyed acknowledged that they do not have a thorough understanding of the social media risks that their companies face.^{iv}

As part of its oversight duties, the board of directors must ensure that management is thoughtfully addressing the strategic opportunities and challenges posed by the explosive growth of social media by probing management’s knowledge, plans and budget decisions

regarding these developments. Given new technology and new social media forums that continue to arise, this is a topic that must be revisited regularly.

This post was excerpted from our annual Top 10 Topic for Directors in 2016 alert. To read the full alert, please [click here](#).

ⁱ See Facebook, Inc. [Form 10-Q](#) for the quarter ended September 30, 2015.

ⁱⁱ See Twitter, Inc. [Form 10-Q](#) for the quarter ended September 30, 2015.

ⁱⁱⁱ Jacques Bughin, “Getting a Sharper Picture of Social Media’s Influence,” *McKinsey Quarterly* (July 2015).

^{iv} Kimberley S. Crowe, *supra*.

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