

McKinsey Global Survey Results:

How companies are benefiting from Web 2.0

The heaviest users of Web 2.0 applications are also enjoying benefits such as increased knowledge sharing and more effective marketing. These benefits often have a measurable effect on the business.

Over the past three years, we have tracked the rising adoption of Web 2.0 technologies, as well as the ways organizations are using them. This year, we sought to get a clear idea of whether companies are deriving measurable business benefits from their investments in the Web. Our findings indicate that they are.

Nearly 1,700 executives from around the world, across a range of industries and functional areas, responded to this year's survey.¹ We asked them about the value they have realized from their Web 2.0 deployments in three main areas: within their organizations; externally, in their relations with customers; and in their dealings with suppliers, partners, and outside experts.

Their responses suggest why Web 2.0 remains of high interest: 69 percent of respondents report that their companies have gained measurable business benefits, including more innovative products and services, more effective marketing, better access to knowledge, lower cost of doing business, and higher revenues. Companies that made greater use of the technologies, the results show, report even greater benefits. We also looked closely at the factors driving these improvements—for example, the types of technologies companies are using, management practices that produce benefits, and any organizational and cultural characteristics that may contribute to the gains. We found that successful companies not only tightly integrate Web 2.0 technologies with the work flows of their employees but also create a “networked company,” linking themselves with customers and suppliers through the use of Web 2.0 tools. Despite the current recession, respondents overwhelmingly say that they will continue to invest in Web 2.0.

¹McKinsey Quarterly conducted the survey online in June 2009 and received 1,695 responses from executives across industries, regions, and functional specialties.



For a closer look at how companies are using Web 2.0, see “Business and Web 2.0: An interactive feature,” on mckinseyquarterly.com.



This year, for the first time, we have consolidated the data from our Web 2.0 research into an interactive graphic. With just a few clicks, users can compare technologies, usage, satisfaction, and much more across all three survey years.

Benefits of Web 2.0

Web 2.0 technologies can be a powerful lure for an organization; their interactivity promises to bring more employees into daily contact at lower cost. When used effectively, they also may encourage participation in projects and idea sharing, thus deepening a company’s pool of knowledge. They may bring greater scope and scale to organizations as well, strengthening bonds with customers and improving communications with suppliers and outside partners.

This year’s survey turned up strong evidence that these advantages are translating into measurable business gains (Exhibit 1). When we asked respondents about the business benefits their companies have gained as a result of using Web 2.0 technologies, they most often report greater ability to share ideas; improved access to knowledge experts; and reduced costs of communications, travel, and operations. Many respondents also say Web 2.0 tools have decreased the time to market for products and have had the effect of improving employee satisfaction.

Looking beyond company borders, significant benefits have stemmed from better interactions with organizations and customers. The ability to forge closer ties has increased customers’ awareness and consideration of companies’ products and has improved customer satisfaction. Respondents also say they have been able to burnish their innovation skills, perhaps because their companies and customers jointly shape and cocreate products using Web 2.0 connections. Some respondents report that these customer interactions have resulted in measurable increases in revenues.

Respondents cite similar gains resulting from better ties to suppliers and partners. Highest on that list of benefits is the ability to gain access to expertise outside company walls more quickly. These respondents also cite lower costs of communication with business partners and lower travel costs.

We also asked respondents to specify the percentage improvement they experienced for each reported benefit across all three benefit classes. The median level of gains derived from internal Web 2.0 use ranged from a 10 percent improvement in operational costs to a 30 percent increase in the speed at which employees are able to tap outside experts.



Exhibit 1

Greater knowledge and better marketing

Measurable gains from using Web 2.0 for given purpose

Use of technologies

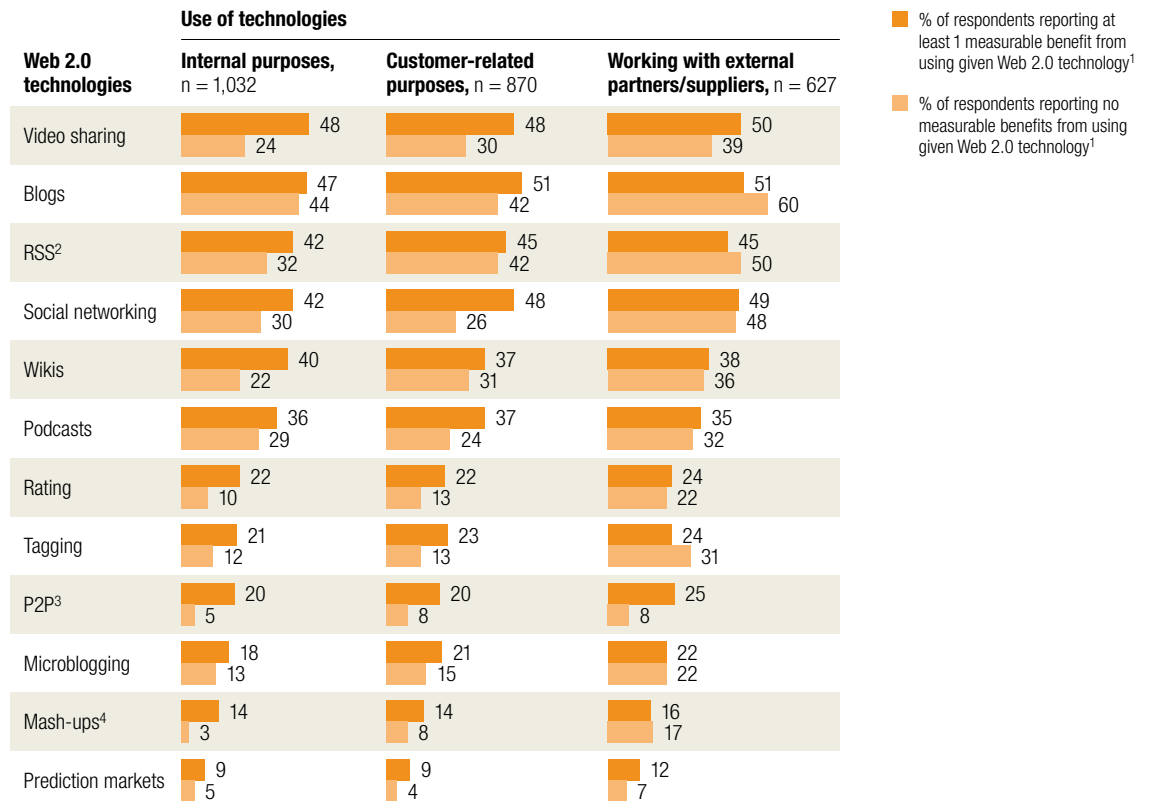
Internal purposes, % of respondents,¹ n = 1,088	Median improvement, %	Customer-related purposes, % of respondents,¹ n = 956	Median improvement, %	Working with external partners/suppliers, % of respondents,¹ n = 686	Median improvement, %	
Increasing speed of access to knowledge	68	30	52	25	51	25
Reducing communication costs	54	20	Awareness	25	49	20
Increasing speed of access to internal experts	43	35	Consideration	19	42	30
Decreasing travel costs	40	20	Conversion	17	40	20
Increasing employee satisfaction	35	20	Loyalty	20	37	20
Reducing operational costs	32	15	Increasing customer satisfaction	43	20	20
Reducing time to market for products/services	25	20	Reducing marketing costs	38	15	20
Increasing number of successful innovations for new products or services	25	20	Reducing support costs	32	15	20
Increasing revenue	14	15	Reducing travel costs	32	20	12
No measurable effects/benefits	8		Reducing time to market for products/services	24	20	20
			Increasing number of successful innovations for new products/services	22	20	20
			Increasing revenue	18	10	15
			No measurable effects/benefits	10		
					7	

¹Includes respondents who are using at least 1 Web 2.0 technology, even if on trial basis.**How companies are using Web 2.0**

Web 2.0 delivers benefits by multiplying the opportunities for collaboration and by allowing knowledge to spread more effectively. These benefits can accrue through companies' use of automatic information feeds such as RSS² or microblogs, of which Twitter is the most popular manifestation. Although many companies use a mix of tools, the survey shows that among all respondents deriving benefits, the more heavily used technologies are blogs, wikis, and podcasts—the same tools that are popular among consumers—(Exhibit 2).

²Really Simple Syndication.

Exhibit 2

A mix of technologies

¹Includes respondents who are using at least 1 Web 2.0 technology.

²Really simple syndication.

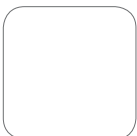
³Peer to peer.

⁴A mash-up is a web application that combines multiple sources of data into a single tool.



Among respondents who report seeing benefits within their companies, many cite blogs, RSS, and social networks as important means of exchanging knowledge. These networks often help companies coalesce affinity groups internally. Finally, respondents report using Web videos more frequently since the previous survey; technology improvements have made videos easier to produce and disseminate within organizations.

Respondents who report that Web technologies have strengthened their companies' links to customers also cite blogs and social networks as important. Both allow companies to distribute product information more readily and, perhaps more critically, they invite customer feedback and even participation in the creation of products.



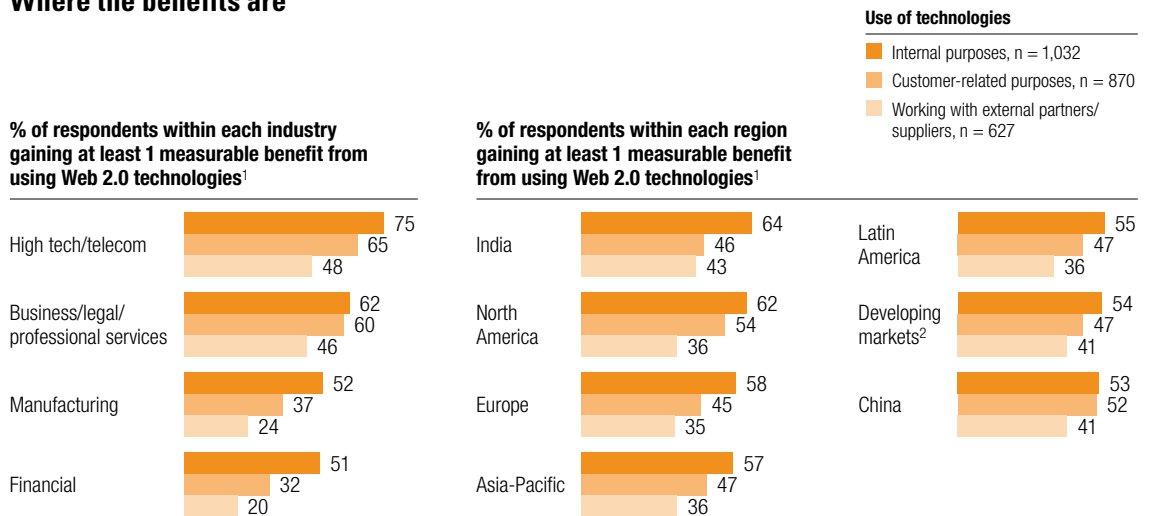
Similarly, among those capturing benefits in their dealings with suppliers and partners, the tools of choice again are blogs, social networks, and video sharing. While respondents tell us that tapping expert knowledge from outside is their top priority, few report deploying prediction markets to harvest collective insights from these external networks.

Who benefits

Regardless of industry, executives at companies that use more Web 2.0 technologies also report greater benefits. Comparing respondents' industries, those at high-technology companies are most likely to report measurable benefits from Web 2.0 across the board, followed by those at companies offering business, legal, and professional services (Exhibit 3). Companies with revenues exceeding \$1 billion—along with business-to-business organizations—are more likely to report benefits than are smaller companies or consumer companies. Among functions, respondents in information technology, business development, and sales and marketing are more likely to report seeing benefits at various levels than are those in finance or purchasing. IT executives, in general, are more focused on using Web tools to achieve internal improvements, while business development and sales functions often rely on the technologies to deliver better insights into markets or to interact with consumers.

Exhibit 3

Where the benefits are



¹Includes respondents who are using at least 1 Web 2.0 technology, even if on trial basis.

²Excludes China, India, and Latin America.

Regionally, respondents in North America and India are most likely to claim that they are reaping benefits from their companies' use of Web 2.0. These respondents also report higher levels of technology usage in general. Respondents in North America and China report the highest customer benefits. Those from India and China, meanwhile, are more likely to report benefits flowing from their interactions with customers and partners.

The networked company

These survey results indicate that a different type of company may be emerging—one that makes intensive use of interactive technologies. This networked organization is characterized both by the internal integration of Web tools among employees, as well as use of the technologies to strengthen company ties with external stakeholders—customers and business partners.

As such, companies reporting business benefits also report high levels of Web 2.0 integration into employee workflows. They most often deploy three or more Web tools, and usage is high throughout these organizations (Exhibit 4).

This integrated internal use of Web 2.0 is also the model for interactivity outside the company. The survey results suggest that networked organizations have created processes and Web platforms that serve to manage significant portions of these external ties. Respondents reporting measurable benefits say their companies, on average, have Web 2.0 interactions with 35 percent of their

Exhibit 4

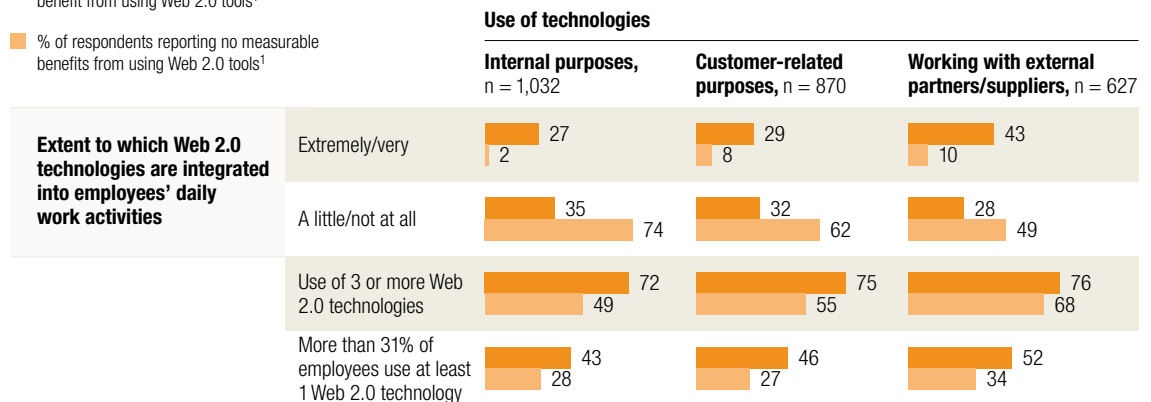
Web 2.0 in the work stream

■ % of respondents reporting at least 1 measurable benefit from using Web 2.0 tools¹

■ % of respondents reporting no measurable benefits from using Web 2.0 tools¹



Extent to which Web 2.0 technologies are integrated into employees' daily work activities



¹Includes respondents who are using at least 1 Web 2.0 technology, even if on trial basis.



Half of respondents report that Web 2.0 technologies have fostered in-company interactions across geographic borders; 45 percent cite interactions across functions, and 39 percent across business units.

customers. These companies forged similar Web ties to 48 percent of their suppliers, partners, and outside experts. An organizational structure that’s more porous and networked may make companies more resilient and adaptive, sharpening their ability to access knowledge and thus innovate more effectively.

Managing adoption

Many companies experiment with Web 2.0 technologies, but creating an environment with a critical mass of committed users is more difficult.³ The survey results confirm that successful adoption requires that the use of these tools be integrated into the flow of users’ work (Exhibit 5). Furthermore, encouraging continuing use requires approaches other than the traditional financial or performance incentives deployed as motivational tools. In the Web community, status is often built on a reputation for making meaningful contributions. Respondents say informal incentives incorporating

³See Michael Chui, Andy Miller, and Roger P. Roberts, “Six ways to make Web 2.0 work,” mckinseyquarterly.com, February 2009.

Exhibit 5

Integrating for success

Most important practices for successfully using Web 2.0 technologies,
% of respondents reporting at least 1 measurable benefit from using Web 2.0 tools¹

Use of technologies

Internal purposes, n = 1,032	Customer-related purposes, n = 870	Working with external partners/ suppliers, n = 627
Integrating use of Web 2.0 into employees’ day-to-day work activities 75	Integrating Web 2.0 with other modes of customer interaction 74	Integrating Web 2.0 with other modes of partner/supplier/expert interaction 71
Senior leaders role modeling/championing use of technology 59	Marketing Web 2.0 initiatives to customers 52	Ensuring participation of leading partners/suppliers/external experts to gain critical mass 57
Providing informal incentives 43	Providing informal incentives 35	Marketing Web 2.0 initiatives to partners/suppliers/external experts 46
Allowing nonwork uses 17	Providing formal incentives 9	Providing informal incentives 33
Providing formal incentives 14		Providing formal incentives 10

¹Includes respondents who are using at least 1 Web 2.0 technology, even if on trial basis.



McKinsey Global Survey on Web 2.0, 2009: Selected results

Jacques Bughin

Web 2.0 technologies improve interactions with employees, customers, and suppliers at some companies more than at others. An outside study titled “Power Law of Enterprise 2.0”¹ analyzed data from earlier McKinsey Web 2.0 surveys to gain a better understanding of the factors that contribute most significantly to the successful use of these technologies.

The findings demonstrate that success follows a “power curve distribution”—in other words, a small group of users accounts for the largest portion of the gains. According to our research, the 20 percent of users reporting the greatest satisfaction received 80 percent of the benefits. Drilling a bit deeper, we found that this 20 percent included 68 percent of the companies reporting the highest adoption rates for a range of Web 2.0 tools, 58 percent of the companies where use by employees was most widespread, and 82 percent of the respondents who claimed the highest levels of satisfaction from Web 2.0 use at their companies.

To improve our understanding of some underlying factors leading to these companies’ success, we first created an index of Web 2.0 performance, combining the previously mentioned variables: adoption, breadth of employee use, and satisfaction. A score of 100 percent represents the highest performance level possible across the three components. We then analyzed how these scores correlated with three company characteristics: the competitive environment (using industry type as a proxy), company features (the size and location of operations), and the extent to which the company actively managed Web 2.0. These three factors explained two-thirds of the companies’ scores.

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Furthermore, while all of the factors are slightly correlated with one another—for example, there are more high-tech companies in the United

States than in South America—each factor by itself explains much of why companies achieved their performance scores. Management capabilities ranked highest at 54 percent, meaning that good management is more than half of the battle in ensuring satisfaction with Web 2.0, a high rate of adoption, and widespread use of the tools. The competitive environment explained 28 percent, size and location 17 percent.

Parsing these results even further, we found that three aspects of management were particularly critical to superior performance: a lack of internal barriers to Web 2.0, a culture favoring open collaboration (a factor confirmed in the 2009 survey), and early adoption of Web 2.0 technologies. The high-tech and telecom industries had higher scores than manufacturing, while companies with sales of less than \$1 billion or those located in the United States were more likely to have relatively high performance scores than larger companies located elsewhere.

While the evidence suggests that focused management improves Web 2.0 performance, there’s still a way to go before users become as satisfied with these technologies as they are with others. The top 20 percent of companies reached a performance score of only 35 percent (the score increased to 44 percent in the 2009 survey). When the same score methodology is applied to technologies that corporations had previously adopted, Web 2.0’s score is below the 57 percent for traditional corporate IT services, such as e-mail, and the 80 percent for mobile-communications services.

¹In Yin Lee, ed., *Encyclopedia of E-Business Development and Management in the Digital Economy* (IGI Global, forthcoming 2009).

the Web ethos, such as ratings by peers and online recognition of status, have been most effective in encouraging Web 2.0 adoption. They also say role modeling—active Web use by executives—has been important for encouraging adoption internally.

Looking ahead

- Web 2.0 use by companies seems to be developing hardy roots. Over half of the companies in this year's survey plan to increase their investments in Web 2.0 technologies, while another quarter expect to maintain investments at current levels.
- Among respondents whose companies have gained measurable business benefits from Web 2.0, the current downturn has increased interest in the technologies, presumably because companies count on extending their gains.
- Across three major usage categories (internal, customer, and partner/supplier), about a third of all respondents have not yet achieved business benefits, either because they aren't using Web 2.0 for one of those purposes or because they have yet to learn how to achieve measurable benefits with the tools they are using. Yet satisfaction with Web 2.0 is high among all users. This suggests that Web 2.0 has plenty of room to grow as more companies strive to capture benefits. □

The contributors to the development and analysis of this survey include **Jacques Bughin**, a director in McKinsey's Brussels office; **Michael Chui**, a consultant in the San Francisco office; and **Andy Miller**, an associate principal in the Silicon Valley office. Copyright © 2009 McKinsey & Company. All rights reserved.

