

## **SOCIAL NETWORKING: THE VIEW FROM THE C-SUITE**

by Robert Angel and Joseph Sexsmith

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***Many CEOs acknowledge that social networking is here to stay. However, many still regard it as a fad. These CEOs will do well to read this article, where they will learn why they need to adopt social networking right now and how they can discover its power and realize their expectations for Return on Investment.***

Consider this scenario: The marketing director of a Canadian retail chain has been trying to convince his colleagues that the company should try out networking tools like Facebook, Twitter, or YouTube to build relationships with customers. He sees that networking technology is being adopted by the corporate world and moreover, he urgently needs a cheap way to shore up his marketing capability because his budget has been trimmed by company-wide cost cutting. In a discussion with the authors, the director revealed that his colleagues are resisting "partly because they are steeped in the tactics of what they have always done and partly because they are not convinced of social networking's value proposition." He would like to try a low-cost campaign, perhaps using a dedicated web site to target mothers who, he has been told, tend to go on-line more than the average customer. But, lacking much hard data on the potential benefits, and concerned that his multi-generational customer base may be unsuitable for social networking, he is now wondering himself whether he is being premature.

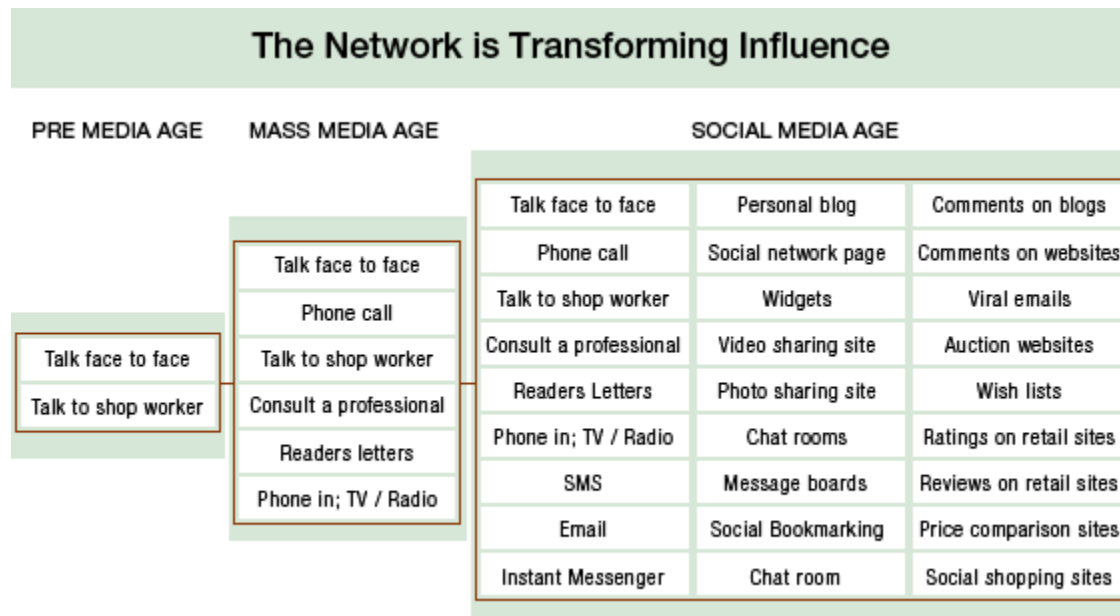
The above is a real marketing dilemma, and one that many business managers are confronted with these days. It is a dilemma because many managers today are uncertain about what social networking really means, how it fits their business strategy, and most importantly, how they can define its practical value to the business.

Drawing on our own experience and that of several social media practitioners, this article provides guidance on how the C-Suite should view social networking. It will especially look into the implications of go-to-market and product-development strategies based on learnings from authentic exchanges with customers who really want a say, though not necessarily the only say, on how they intend to purchase, recommend or feel about a product.

### **Networks and the transformation of influence**

Social networks have been described by Tom Smith of Trendstream, a UK-based researcher of global social media usage trends, as "an internet-facilitated and consumer-driven movement of networks, content and knowledge" built on web-based media tools that enable

individuals to connect online. Social media, the platform for social networks, are not just new technology – but enablers of a fundamental marketing strategy shift in how organizations and customers relate to each other. As Smith points out, “in the social media age, the network is transforming influence” (see the accompanying chart). This means collaborative, real-time dialogue between informed people holding individual *conversations* – between the company and customers *and vice versa*. Many more points of conversation create many more opportunities to foster exchanges of knowledge and to get people engaged.



Source: trendstream & Universal McCann, *When Did We Start Trusting Strangers 2008*

Socializing content packs a double-whammy. Firstly, free media content is undermining traditional subscription-based content models. Secondly, mainstream corporate communication is moving away from one-way sales messages handed down to mass audiences by hierarchical organizations having exclusive ownership of information.

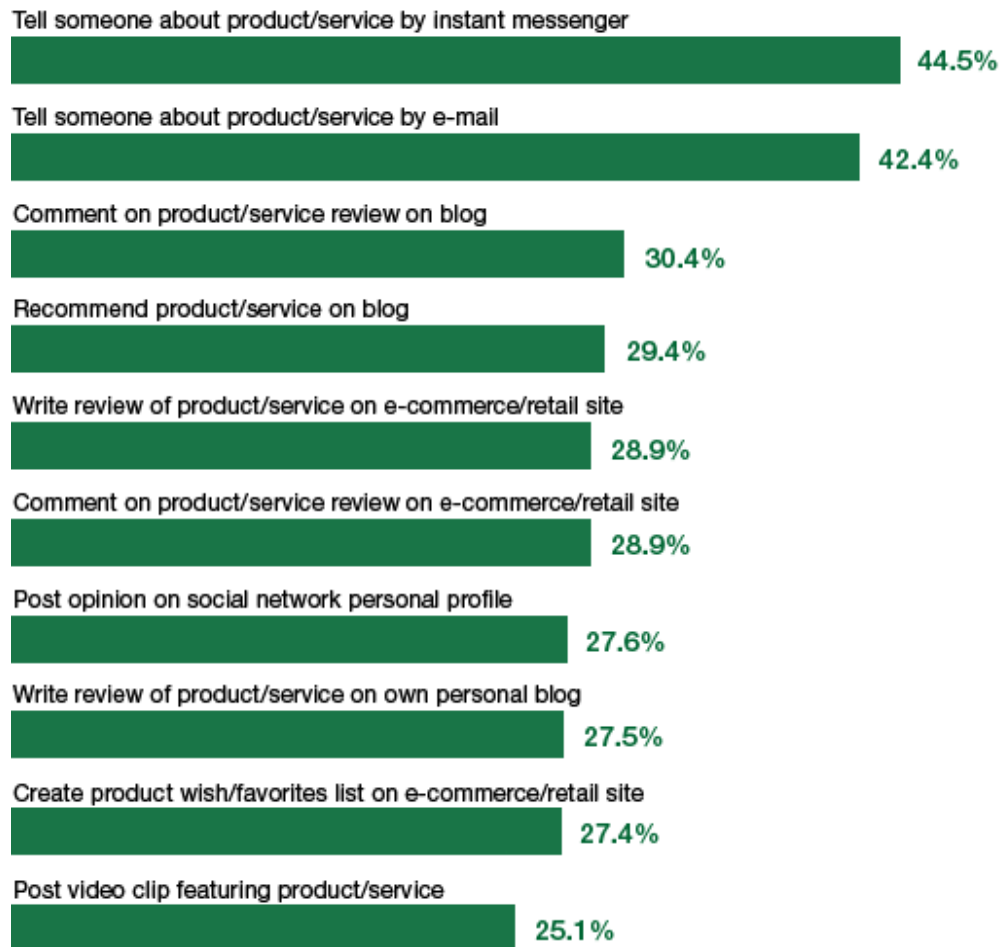
The repercussions for marketers are only slowly becoming apparent. Social networkers want to talk about consumer brands. They show a depth of engagement that is surprising for those who aren't networkers. As consumers, they feel encouraged to be more open, live more spontaneously, and hold more immediate notions of trust and value. Everything is socialized, trust is more accessible, and influence comes without trying.

### Where is the target?

The catalyst for social networking has been the “Gen Y” cohort, those born between the late 1970s and the early 1990s. Teenaged-and-twenty-something Gen Y emerged as the mobile phone generation (compared to the TV one that characterized their parents) to pioneer the move from the more structured world of email into the minimally-worded directness of one-to-one messaging. Gen Y has since evolved into social networking – communicating not just individually but also in communities of people, many of whom increasingly, and perhaps disturbing to many marketers, may be strangers to each other. Email is particularly ineffective for communicating with people you don't know.

Social networking is not just about Gen Y any more; now, older generations are heavy social networkers. Facebook's largest demographic is women aged 55 and older, according to Ogilvie PR Worldwide research. Many C-Suite members participate in social networking themselves, for example, through LinkedIn.

### Methods by Which Active\* Adult Internet Users Worldwide Share\*\* Opinions Online About Products and Services, 2008 (percent of respondents)



*Note: 17,000 ages 16-54; \*daily or every other day; \*\* in the past month*

*Source: Universal McCann, "When Did We Start Trusting Strangers?," September 2008*

Social networks are those which a substantial number of people are comfortable going to in order express their feelings – good or bad – about companies, products and services. We asked Michael Shostak, Senior VP and Managing Director Interactive at Y&R about changing social networking demographics and consumer needs. Research he provided places the social marketing sweet spot today as the 35 age group in most categories. Shostak points to a 2008 worldwide survey, by Universal McCann, of Internet users quoted in a recent eMarketer report. Nearly 50 percent of respondents said they use instant messenger to tell someone about products or services, while more than one quarter said they posted an

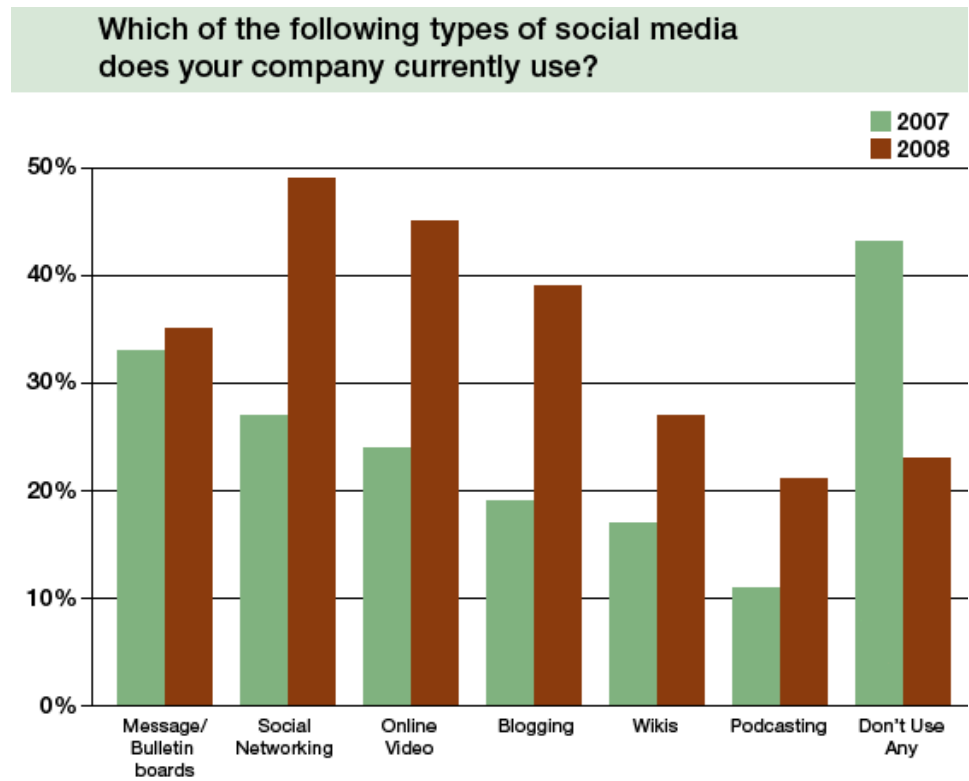
opinion about a product or service on a social network profile (see chart above). The data also indicate that the number of users continues to grow rapidly – and with the potential to deliver more sophisticated intelligence than just product comments.

It is not just that “everything is changing” for younger generations; rather, everything is changing for all generations.

### Social media is valuable for external and internal relationships

The corporate world’s use of social media has gone well beyond the experimental. Many large companies have been building the experience of listening and engaging, and when appropriate, deepening relationships.

In its survey of Inc. Magazine’s 500 fastest-growing private U.S. companies, research by the University of Massachusetts’ Dartmouth Center for Marketing Research provides a window into the power of social media. Seventy-seven percent of the companies already use social media tools while half of them are now using social networking and on-line video (see the chart below).



“This group of fast-growing companies considers social media as a central part of the strategic plan.”

Getting into corporate social networking often starts with a series of market-oriented questions. How well do we understand our customers’ needs? How good are our insights into the way our customers regard and connect with our brand? How and when can we engage our customers and enlist them as collaborators? How innovative, differentiated, and

resilient is our brand in these commoditized and competitive times? How can our employees guide us through this maze?

Our research indicates that three goals typically drive the early adoption of social networking. The first two are external, namely to transform customer relationships by extending brand and relationship reach across key demographics, and to conduct more traditional brand promotional campaigns. The third goal is internal, to foster relationships and culture through behavioral changes, especially in making group and individual decisions. However, the external and the internal are increasingly blurring in this new world of consumer spontaneity. Eventually, there will be little real distinction between them. A fourth goal is catching on rapidly, to develop or acquire new products and services using social media platforms. We discuss each of these goals below.

### **1. Transforming individual customer relationships**

Social networking's foundation is *individual* customer relationships. "Social media is firstly about finding influencers in categories", Joanna Fuke, CRM Specialist at Cossette's Blitz Direct Marketing unit, told us. Influencers are invited to contribute and dialogue on the customer experience or brand and other customers are invited to join in. Two examples are a Bank of America official active on Twitter providing what is essentially an individualized help service, and the CEO of ING Direct Canada creating a presence on Facebook to build consumer trust in the business.

McDonald's has invited members of the mommy movement, one of the most influential targets for blogs and community web sites, inside McDonald's kitchens to see how McDonald's meets food quality standards and to share their experiences on a Moms' Quality Correspondents blog.

Social media is used in not-for-profit organizations as well, illustrated in the panel, "*Social Cause marketing helps United Nations say No to violence against women.*" In this case, the goal was to mobilize growing social concern and bring pressure to bear on societies that appear unable to change fast enough from within.

#### **Case Study: Social Cause marketing helps United Nations say No to violence against women**

The United Nations Development Fund for Women's "Say No to Violence Against Women" campaign. UNIFEM (United Nations Development Fund for Women) set a year-long goal of collecting one million signatures through various grass-roots marketing initiatives. With just three months remaining in the year-long campaign *and over 750,000 signatures still needed*, UNIFEM turned to social media to mobilize support.

UNIFEM's 's social media agency determined that only a small percentage of online voices outside the official government and media sites mentioned the Say No Campaign. Over 76 percent of the discussions were neutral in tone with little to no call to action. This highlighted a significant opportunity for UNIFEM to engage key online influencer groups and evangelize the cause.

To reach over 400 hyper-targeted online influencers in the U.S. and abroad, and develop awareness through large mainstream websites, Unifem created an interactive website with a real-time signature meter tracking the 1 million signature target and a digital widget that can be downloaded to signatories' and influencers' own websites to maximize awareness, encourage more signatures, and spread support. UNIFEM also created a Facebook account, branded MySpace and Twitter profiles to "friend" top influencers. It also distributed Social Media press releases that spread the news to online media, bloggers, content forums and sites like Digg, Del.icio.us, technorati and Newsvine.

In fact, over 1.5 million signatures – 500,000 more than the initial plan called for – were actually obtained by the target date. (Source: RocketXL)

## 2. Conducting more traditional brand promotional campaigns

The foregoing example had advertising agency support, as have many corporate ventures into the world of social media. Agencies, consultants, and boutique internet marketing firms have helped popularize social networks by making advertising more dynamic and entertaining to appeal to Gen Y and for promotional campaigns that disseminate brand messages. Many well-known consumer marketers have been running internet promotional campaigns. Examples include Dell, Procter & Gamble, Kraft, General Mills, Starbucks, Whole Foods, and Apple. Citizens Bank in British Columbia put RRSP product information on Facebook to boost brand awareness among young people, a cohort that was previously hard to reach.

How can social media be used to gain awareness with target consumers? Livia Grujich, co-founder and managing director of On Q Communications, told us, "It's not the tools that are important but rather understanding what people want and where the audience is. We have to see these networks as yet another tool in our PR chest – one that allows for 2-way communication, which is key to reaching and being effective in talking with our audience today."

The Adidas case study below shows how a shoe product launch was affected by an issue of quality but, thanks to the power of social networking, how the issue was immediately identified and fixed.

### Case Study: Adidas creates buzz within the ecosystem and saves the day

#### Campaign Tracking

**adidas** measured the effectiveness of its "Impossible Team" football campaign in the run-up to the 2006 World Cup in Germany using its web-tool suite that helps organizations understand who's producing content and who's reacting to it, as well as how influencers change depending on timing and content. **Adidas** mapped the 'ecosystem' (network of linked sites) and then tracked how consumers responded to its marketing efforts. It not only tracked its own brand but also those of its two key competitors, Nike and Puma.

Overall, conversation was positive, but some issues with the new +F50 shoe surfaced. Because **adidas** recognized the spread of viral marketing efforts by both itself and Nike, it was able to counter any negatives immediately, for example, by suggesting and emphasizing care tips.

## Social Network Activation

By building the football ecosystem, **adidas** had already identified the existing online social groups as 'very active' and 'highly interconnected'. Because no brand – **adidas**, Nike or Puma – was being discussed extensively, **adidas** prompted discussion about the campaign throughout the 'ecosystem'. A candidate was then selected among influential bloggers in the Italian ecosystem, invited to an **adidas** '+10' event, and given exclusive access to cover this event. His blog reflected his feelings of being very impressed by the event and his thorough enjoyment at being the only '+10' journalist. Many positive posts to his blog reinforced the approach's suitability. Overall, it helped build positive discussion online about **adidas** and the '+10' campaign, causing a good degree of "buzz" within the ecosystem. (Source: Y&R/VML)

Social media experts warn against seeing social media as just another, low-cost channel for selling products more effectively, even though sales can increase if the media are deployed properly. Dell reports it "sold \$3 million in products using tweets to 600,000 fans on Twitter..... (and) has made Dell one of the top 100 most-followed accounts on Twitter.....Other brands like Jet Blue, Whole Foods and Zappos also have huge followings on Twitter" (CIO Today). The point is that poor execution -- "creat(ing) fake entries, videos, content and comments to support their 'authentic' social campaigns" (Matt Jones, AdAge) -- brings poor results. The moral is that social networking is about brand and awareness. Customers will consider information if it is both useful and believable but react badly to sales-push messages that violate social networking's intrinsic qualities of socialization and trust.

### 3. Fostering internal relationships and culture

We asked Ian Barr, Managing Director of Cossette's RocketXL social media marketing group, whether a company like the retailer mentioned at the beginning of this article might, like many companies have done, get started with internal networks. He told us, "Imagine empowering your employees through internal social media vehicles and getting them involved in enhancing your company from the inside out. Ask them for ideas on how they would improve efficiencies, tackle marketing challenges or engage externally in social media conversations. Internal employees are customers too and many of them are already enthusiasts for your brand, whether you know it or not. They're just as frustrated by filtered messages and people not listening. You gain a lot of insights by jumping in and testing it out internally."

Participants view networking as more relevant when they receive invitations to join subscription-based internal communities. Sustaining an active community requires someone to lead it, perhaps from the IT department working with the CFO's direction, and basic social networking guidelines, for example, on matters of etiquette and confidentiality, such as what internal information is posted outside the firewall.

An internal cultural issue is the role of marketing. CMOs are getting a reputation for viewing social networks less favorably than their CEOs. According to the January 2009 Gauge survey, 15 percent of CEOs - *but only 10 percent of marketing decision makers* - say that social networking is likely to attract customers who are aware of their brand but normally don't buy it. This suggests a lack of understanding of the powerful market and cultural

changes that new media has brought about. The Chief Marketing Officer is the most outwardly facing person in the organization and needs to understand social networking to help the rest of the organization access the best information on it.

It is not just the CMO who needs to change. RocketXL's Barr says "The CEO will also have to look at the world in a different way. Because you can no longer attract many customers with a traditional sales message, the CEO will have to change his or her approach to finding out what customers are talking about, their sentiments, and opportunities to become part of the conversation. When customers know you are trying, they're more likely to listen to what you have to say."

Individualized customer relationships continue to be a challenge, judging by the 2009 Customer Experience Maturity Monitor Study conducted by Peppers & Rogers Group, SAS Institute and Jubelirer Research. Only 18 percent of respondents rate their capabilities as good or excellent in creating *individual* 'treatment tracks' to manage the customer experience across products and channels. This raises serious questions about many companies' readiness for social networking and its dependency on insight from individual interactions. Companies have extensive work to do on viewing customers as real individuals with something to say – and that will challenge basic marketing assumptions. They also have lots of work to do on changing the corporate culture to develop and drive this culture of marketing Captains (Courageous) before social networking can really take root in the C-Suite. Radical work will also be required of advertising agencies in leading their clients to greater cultural understanding of social networking and also in redirecting their own business models to adopt an individual, dialogue- based marketing strategy.

Social networking faces its corporate detractors, namely those who see it as a challenge to management control, or as being tainted by anonymous anti-social comments, or just a time-waster. But the fact is that longstanding notions of control are continually being overturned by the irresistible democratization of the web in the form of, for example, free downloads and unofficial complaint sites. It could justifiably be asked, "When did we ever really have control?" Better than fretting about the mythology of control is to monitor current external perceptions and seize the opportunity to step in and correct any misleading or erroneous facts.

#### **4. Looking at developing or acquiring new products and services**

Innovation is a prerequisite for business survival (see the article, "Putting and Innovation Culture into Practice" – IBJ January/February 2006) and potentially the discipline that will be most heavily impacted by social media. It is still early, but recent developments suggest that social media-assisted product development with communities of users will increasingly generate new, viable business uses.

One example is IdeaStorm, Dell's community networking website for "you, the customer to tell Dell what new products and services you would like to see Dell develop....we hope this site fosters a candid and robust conversation about your ideas." The web site identifies many categories of product and services to which participants can contribute, as well as blog and forum networking tools.

Increasingly, product developers are using social forums to spot reactions after they modify an offer, a price, or a feature in a product or service. They target the consumer's dislike of the sponsor's basic offer by engendering real dialogue with consumers who want to experience change and make recommendations on a personal level. Unilever's 'Dove

Campaign for Real Beauty' is successful for shifting the perception of Unilever from staid to *avant garde*, largely through directed viral communication with Dove's core audience. There is no grail here. Rather, it is a question of having the courage to put a product's worst face "out there" and encourage consumers to say something positive, for example, asking "real women" to contribute their time, opinions and personal photos to their cause. The results have created not just a viral response to developing women's beauty products but a reminder that real women buy real products.

Social media could well be the salvation of organizations whose product and service development has been impeded by declining R&D spending.

Our ongoing research has observed a secular decline in research and development spending by consumer-facing companies, especially consumer packaged-goods companies and retailers. This is borne out by a recent OECD report on the state of global innovation. In pointing out that recent global patent and trademark applications have been moving in parallel with GDP, the OECD report puts the issue plainly:

### **Investments in innovation are declining in many firms**

Business R&D is... being re-oriented towards short-term, low-risk innovations, while longer term, high risk innovation projects are being cut first. The decline in business R&D risks is affecting the stock of knowledge as highly trained researchers and innovators lose their jobs. Small, innovative firms are particularly hard hit because in many cases their primary asset is intangible in nature (e.g. an idea or a patent) and difficult to value, making it hard to borrow against, or sell, to stay afloat. The crisis can, however, magnify the competitive advantage of research-intensive firms who seize the opportunity to reinforce market leadership through increased spending on innovation and R&D.

Many of today's leading firms such as Microsoft or Nokia were born or transformed in the "creative destruction" of economic downturns. And several of today's leading technology firms such as Samsung Electronics, or Google strongly increased their R&D expenditures during and after the "new economy" bust of 2001.

(Source: OECD: Policy Responses to the Economic Crisis: Investing in Innovation for Long-Term Growth - June 2009)

Our view is that social media is the outgrowth and primary beneficiary of the present round of creative destruction – the more so because this is the first time the phenomenon is global in origin and impact. This means that marketers need to be especially attentive to efforts to increase the benefits of continuous consumer contact and engagement (or proven audience "amplification", a descriptor attributed to Avinash Kaushik, the Google analytics evangelist). This will favor companies who understand how to integrate a variety of individual audience members into definable clusters.

Companies who have used social media collaboration approaches to improve or develop new products and services point to easier identification of customers' priorities, access to skills and ideas that may not reside in the company, and faster time to market. This in turn can dramatically reduce the costs of acquiring and retaining customers. This gives even more urgency to the mantra of "innovate or die."

## The mayhem of metrics

In the early stages, social marketers often just want insights and do not actually care much about metrics. It is only as the value of the property grows, that they pay more attention to social networking performance measurement. So far, this has tended to mean traditional volume metrics, for example, traffic driven to the website, community traffic hit rates, opening rates, click-throughs, time spent on-line, responds vs. non-responds, postings, and comments rates. These are useful, but by themselves they can foster a 'more is better' mindset.

In contrast, successful social networking depends more on qualitative metrics for desirable signs of the tone, quality and customer benefit of the interaction (see panel).

### **Qualitative metrics point to interaction tone, quality and benefit to the customer**

Research shows that the CEO's top issues are sales effectiveness and the customer experience. So far, social marketers have mainly relied on traditional advertising metrics like customer satisfaction, brand awareness, the likeability of the brand, and "What is the likelihood of your customer recommending you to someone else (the net promoter score?", described by Frederich Reichheld of Boston Consulting).

More qualitative measures are called for, such as brand engagement, audience captivation, and level of interest that revolves around insight questions like why do people buy, what triggers a stretch purchase, and what strengthens relationships? These are typically backed up by metrics like customer share of wallet, changes in composition of customer lifetime value and satisfaction, channel effectiveness related to customer needs, time to market, pricing power, and brand equity.

Early-adopter organizations use measurement tools such as:

- Longitudinal data and collaborative models
- Return on marketing investment and customer investment and cash flow models
- Cause-effect maps

Polling technology is becoming more available, often related to search-engine marketing (a dying art form in our opinion) to help understand the words being used and their relative attributes – conveying a more accessible and analytical picture of grass-roots opinion around a brand than traditional focus groups.

While applicable to marketing generally, these and other qualitative or outcome measurements are essential to business justifications and fulfilling C-Suite expectations of social networking investment return.

Behavioral modeling of how consumers tradeoff different needs and results and interact with products has long been an element in traditional customer relationship management, though it has tended to be impersonal when it comes to individual customers. With social networking tools like Facebook, behavior modeling can not only help track individual consumers but can itself become part of the relationship process; for example, a customer who recommends another directly can be rewarded explicitly for opting in. "It is about seeking to marry the virtual world to the actual world using social media," we were told by

Mike Amos, CEO of Empathica, a consumer-brand engagement measurement firm. So doing, he says, "can put the customer back out front." Amos's reasoning is that big companies can really understand success when they see it – rather than wonder what caused the spike in activity and merely react.

Advertising agencies are also grasping the measurement nettle, investing in analytics and modeling to improve forecasting and set metrics which mean something to clients. Knowing precisely where to place an ad, for how long, and the cross media interplay caused, will help in quantifying conversion moments and translating those into cost-of-acquisition models. A few pioneering agencies are trying to address the issue of how data-collected and modeling algorithms can account for attributed as well as unattributed responses, actions that can be tracked to individual consumers and actions that just cannot be. This is a subject of the authors' ongoing research.

Our conclusion is that social media is getting more scientific in measuring consumer activity and behavior, even when customers' conversion "moments" may register at a subliminal level only. Computing power and event-driven tracking models can allow deeper insights than ever about how consumers, unwittingly, are ruling the roost. Senior decision makers can no longer avoid facing the challenge of knowing how to use the data to judge the depth and characteristics of interactions and brand perceptions.

### **Looking ahead**

As a useful business practice, social media is still in the early stages of development.

Barr, of RocketXL, sees huge scope for influencing organic search, rethinking website strategies, educating colleagues, and refining the art of conversation on-line. Future social toolsets are on the horizon that will produce even more tightly connected communities, says Ben Lucier, a Toronto IT consultant. We may also see more of a shift to do-it-yourself social networks such as ning.com, according to OnQ Communications' Livia Grujich. Advertisers and agencies will likely focus more on measurement technologies to identify conversion "moments" and replicate what just happened in order to put some science behind their decisions.

Will Gen Y respond to older people co-opting Gen Y's original idea and perhaps to taming the medium into respectability? Possibly, Y&R's Shostak says, Gen Y will look for less network control and more immediacy. For example, tweeting might be redesigned to have groups of people on smart phones communicating instantly – and no record of the conversation.

With all of this development in progress, C-Suite executives must look closely at consumer adoption rates to realize just how pervasive social networks have become as a medium in their own right. Social networking leaders generally have a philosophy of looking for sticky disruptions and never stopping looking. This requires quite a change in mindset in the C-Suite, especially for those who still see social networking as a fad.

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