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JULY 2012

Social skills

HAS SOCIAL MEDIA CHANGED MARKETING?

The rapid growth of social media has given rise to a stream of statistics. 800 million of us are active Facebook users; 300 million of us together send over 300 million Tweets per day. The sheer scale of activity – and low cost – has pushed social media up the priority list for marketing and communications teams. So where does that leave well-established marketing strategies and more traditional channels of communication?

An offer of something for nothing is always going to get attention. And most marketing directors' attention is duly caught by the promise of social media that can reach millions of people for free – especially if they have just forked out £8,000 a second to reach television viewers of the X Factor. Add in some anecdotes of companies experiencing "huge" sales uplifts and a natural desire to capture the moment, and social media's attractiveness only grows.

REFRESH THE (MEDIA) WORLD

With 800 million people using Facebook each month, and 300 million people on Twitter, it's worth asking whether the millions of pounds spent on television advertising, direct mail and other traditional advertising are worth it. Wouldn't you be better stealing a march on your competitors and piling into social media – after all, don't most of your best customers have social media accounts?

To answer questions like this, economists like experiments. In this case the experiment would be to find a company that has gone all out for social media, while its competitors have maintained a more traditional approach. Fortunately for economists, in 2010 Pepsi did just that, cancelling its annual Super Bowl TV advertising and diverting tens of millions of dollars to create an online social media initiative. Consumers were invited to suggest and vote for social causes to "refresh the world". 80 million votes, 3.5 million 'likes' and 60,000 followers later, Pepsi had won the attention of the online community. It had also lost 5% of its market share in the USA and about $350 million in sales.

Now, it may be that Pepsi chose the wrong topic, and a different approach would have had more success. But that is unlikely to be the whole story. Instead, just as 15 years of email campaigns haven't rendered direct mail redundant as some predicted (and some still do), viral video clips won't kill off TV advertising.

But email has changed direct mail strategies, and viral video will do the same to TV. And different forms of contact can work in different ways. Email may not build a brand in the same way that television advertising can, but there may be nothing better than a well-timed email for converting a sale. (Except for Mrs Smith who likes cutting out a coupon from a magazine. Or Mr Jones who carefully reads his post every morning.)

The challenge, then, is to use the right mix of messages across the right channels, and to recognise that customers use media in different ways. In 2011 Pepsi rebalanced its US brand marketing spend towards traditional media, putting $60m into sponsorship of the X Factor TV show. Wind forward to February 2012 and Pepsi's Super Bowl campaign involves a TV ad featuring Elton John and the latest X Factor winner combined with themed Super Bowl content on "Pepsi Sound Off", its own social media site created for X Factor fans to share their views.

MANY HAPPY RETURNS

Measuring a return on investment (ROI) for social media marketing is complicated. It's easy to get carried away with the thought of quick and exciting returns (see box), especially where social media is the last link in a chain that has led to a sale. But our inability to accurately measure the ROI for social media is no justification for ignoring it. Few companies try to calculate the ROI of their office furniture or staff welfare policies; yet we know why we invest in them – because it contributes to higher retention, happier workers and, most likely, better business.

In 2009, Dell claimed that it brought in over $3 million in sales from Twitter followers. Dell calculated this from measuring the sales generated from people clicking through its posts to its website to make purchases. Is this hard evidence of a tangible return on investment for social media?

Not quite. Critically, Dell had offered an "exclusive" 20 per cent discount to its loyal followers on Twitter. Of course, it is only natural to expect an increase in sales following a price cut. This discount happened to be advertised through Twitter. Although more costly, and far less sexy, a mail-based promotion offering "exclusive" discounts to those in prime-numbered houses may have achieved a similar uplift in sales. This is less of a victory for Twitter and more of a victory for straightforward promotional pricing.

So, other than being cheap, what does social media have to offer over and above traditional marketing channels? To date the most interesting positive effects seem to fall into three categories:

- **Building trust through social proof:** Consider the fact that we're more likely to trust an online review of a product written by a total stranger than a man on a TV advert. If your product really is as good as it gets, then let your customers do the talking. For the launch of its new Fiesta in 2009, Ford relied heavily on an online campaign based on user-generated content, handing 100 Fiestas to 100 "agents". Each had full use of the car for six months to complete monthly "missions", while recording their experiences on YouTube, Facebook, Twitter and Flickr accounts created by Ford. Despite the risks, this was a success for Ford, generating 6.5 million YouTube views and 50,000 requests for information about the car.

- **Unsolicited insights:** Traditional surveys and feedback forms often generate inherent psychological biases in the responses simply because the act of questioning creates an artificial focus. Allowing customers to talk to each other online can generate very different insights. Mrs Biggins may have been "quite unsatisfied" with her stay at your hotel and "not very likely" to recommend it; but her online discussion reveals that this was because her hairdryer was broken and the receptionist a little rude. That's not to say that all social media interactions are free of bias. Indeed many are more akin to playground gossip than objective assessments. But following the threads can be a rich source of views that would not otherwise be heard.

- **A shot at fame:** The CEO of Blendtec had the idea to advertise his food blenders in a rather unconventional way. Presenting a short series of videos on YouTube himself, he demonstrated the power of his product by blending not fruit, but every day appliances, such as golf clubs and iPhones into dust and iSmoke into smoothies. These "Will It Blend?" videos have been viewed 100 million times and Blendtec has since seen a sales lift of 1000%.

  However, there is always an element of luck and, as such, no silver bullet for ensuring your video is another Fenton and not another flop.

This also needs to be set against the risks and lack of editorial control that social media brings. When McDonald's opened a platform on Twitter for people to spread good news about the fast-food giant, the operation was realised to be a failure within the hour. Why? Because instead of being greeted by comments such as "OMG I just had 6 of the best Chicken McNuggets ever", they were greeted with a McFlurry of abuse. Critics took the hashtag and shared their dining horrors – from fingernails in burgers to food poisoning. The combination of anonymity and self-publishing that Twitter affords often seems to generate far more polarised opinions and far fewer in the middle.

CONVERSION TACTICS

To get the most out of any investment, it makes sense to set out what impact you expect to have. Are your Facebook "likes" really going to increase sales, or are they a better vehicle for sign-ups to email campaigns? Will your Twitter followers really click-through to buy, or do your Tweets simply generate traffic to your website and improve brand awareness?

A little clarity and honesty on these points can lead to a richer and more effective marketing strategy. One of our clients recently embarked on a new communications strategy aimed at increasing engagement across a broad customer base. By looking at customers' technology usage, media habits and preferences the company was able to create a new customer segmentation. The marketing team then took these segments as a reference point against which they could measure a portfolio strategy. While individual activities could be developed to hit individual groups, the overall strategy was developed to ensure that over a six month period the portfolio would have a measurable impact on awareness, engagement and transactional behaviour for every group.

This was not straightforward. While younger and more tech-savvy customers were often easier to reach through social media and online contact, they were also more likely to be receiving large amounts of content from elsewhere and to be adept at filtering what they wanted to engage with in fractions of a second. Catching their interest required more than a glossy webpage or a call to "join in". Conversely, many of the most affluent and valuable customers were those hardest to reach through direct contact, as they valued their privacy and spent little time on social media sites outside of their own family circles. Developing tools and content that really appealed to them was a key part of engaging with these groups, as well as combining them with contact through more traditional and familiar channels.

By taking an experimental approach, and running multiple trials in parallel, our client was able to learn quickly what worked and what didn't for different types of people. And looking at the differential impacts across the groups helped the team to both quantify the effectiveness of different campaigns and improve their estimates of return on investment.

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