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ADVERTISING & COMMUNICATIONS

## **Recent Marketing Thinking**

### **2010 Report #3: Social Media Marketing**

**Richard J. Scholl ■ July 23, 2010**





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## OVERVIEW

- Marketers who know how to engage customers/prospects on social sites and analyze ROI can effectively improve meaningful metrics including website visits, conversions and sales.
- Managing ROI is difficult and reliance on crude metrics and gut instincts can result in poor decision making.
- Specifically, marketers need to address these questions:
  - Does social media marketing pay off in conversions and revenue?
  - Which campaigns/channels perform best and which perform worst?
  - Does social media cannibalize other online marketing?
  - How do you measure display ad ROI if user doesn't click?
  - Which blog follower segments are most likely to buy products?
- Two thirds of Americans online participate in social networks (Experian Simmons).
- Social media is the fastest growing marketing channel. According to Forrester, spend will increase 34% annually through 2014 and will surpass email marketing by then.
- 67% of Twitter users who become followers of a brand are more likely to make a purchase; 60% of Facebook users who become fans of brand are more likely to recommend brand to friends; 74% of consumers are influenced in buying decisions after getting input from fellow socializers in social media.
- When connecting to websites, Facebook is identity of choice for about 46% of visitors.
- Two thirds of social network users have become fans or have shown that they like a company/band/product/musical group, etc. (Experian Simmons).
- Roughly 25% of users turn to social sites for recommendations.
- Marketers are becoming increasingly sophisticated and effective in approach to social media, syndicated video and blogs.
- Integrating online and offline channels, communities and tools often improves acquisition performance.



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- According to MarketingSherpa, here is the extent to which social media marketers target a specific objective and measure progress:
  - Increase website traffic: 73%
  - Increase revenue: 56%
  - Improve search engine rankings: 56%
  - Increase lead generation: 53%
  - Improve brand/product awareness: 36%
  - Improve brand/product reputation: 34%
  
- And here is how marketers rate the effectiveness of social media in terms of objectives achieved (percentages are for “very effective”):
  - Improve brand/product awareness: 49%
  - Improve brand/product reputation: 45%
  - Improve public relations: 43%
  - Increase website traffic: 41%
  - Improve search engine rankings: 35%
  - Improve quality of customer support: 32%
  - Increase lead generation: 25%
  - Reduce customer acquisition costs: 18%
  - Reduce customer support costs: 18%
  - Increase revenue: 12%
  
- Marketers feel that the following challenges to social marketing effectiveness are increasing (MarketingSherpa):
  - Measure and prove ROI: 77%
  - Convert followers/fans into customers: 71%
  - Get target audiences to engage/participate: 71%
  - Find time to implement social media programs: 62%
  - Lack effective social media marketing strategy: 62%
  - Get appropriate budget and resources: 58%
  - Find proficient/experienced social media marketers: 50%



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- How marketers view effectiveness of multimedia content in social media releases—web 2.0 version of traditional press release (MarketingSherpa):

|                   | <b>VERY</b> | <b>SOMEWHAT</b> | <b>NOT</b> |
|-------------------|-------------|-----------------|------------|
| - Videos          | 64%         | 28%             | 8%         |
| - Photos          | 52%         | 40%             | 7%         |
| - Graphics        | 47%         | 44%             | 9%         |
| - Webinars/slides | 45%         | 41%             | 14%        |
| - Podcasts        | 28%         | 55%             | 17%        |

- Why consumers friend/follow companies (MarketingSherpa):

|  | <b>MAX<br/>CONNECTORS</b> | <b>DAILY<br/>USERS</b> | <b>ALL</b> |
|--|---------------------------|------------------------|------------|
| - Learn about new products/services, etc.            | 61%                       | 61%                    | 62%        |
| - Company culture, environmentally responsible, etc. | 48%                       | 41%                    | 30%        |
| - Learn about sales/specials, etc.                   | 46%                       | 65%                    | 64%        |
| - Entertainment                                      | 37%                       | 34%                    | 35%        |

## STRATEGIES/TACTICS

- On social networking sites, ads can be targeted based on gender, age and interests—reflected by socializers' lists of fan pages.
- Marketers can engage customers/prospects with corporate fan pages and branded applications, and engage in dialog via Twitter.
- Videos can reach a larger, targeted audience with engaging content. They may be hosted on YouTube and elsewhere, syndicated across networks and, of course, featured on corporate websites.
- Blogs can attract a large, segmented audience. They offer the opportunity to demonstrate thought leadership, promote brands/products and engage in meaningful dialog.
- On countless user review sites, consumers express criticisms and praise of companies/brands/products/service. Marketers can be effective with expert commentary, technical guidance and display advertising.



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- Companies that invest the most in social media—seven or more channels—have best performance and revenues.
- “People fan or friend you not because they want to get bombarded with marketing messages. They want to feel like they are a friend...this is a channel where they’re communicating with people not as a faceless company, but as a personal connection” (John Fett, senior marketing manager, Experian Simmons).
- Try using interactive features to engage consumers across channels such as encouraging social media users to use money-saving coupons.
- Cross-purpose online reviews, e.g., at point-of-sale.
- Drive traffic to offline events via social media.
- Invite social media users to participate in a contest and tell their friends about it, e.g., best video contest. Note: recent and highly effective Domino’s campaign provides \$500 for best consumer photos of Domino’s pizzas.

## OTHER INSIGHTS

- Twitter behaves like search advertising in that users select topics, people and companies they wish to follow. When they see something relevant, they may click, leave Twitter and visit your website.
- Facebook users are different. They may click on ads, but they’re generally reluctant to leave Facebook. However, individuals share stories/comments about brands. Users may go to your website, but not before being influenced to do so. Facebook should be viewed as an acquisition channel and clickthroughs to website should be tracked. But it’s also a place to cultivate and nurture customers/prospects in the hope that they visit your site at some point, but it could require repeated exposure.
- Success hinges on effective budget allocation and decisions about marketing mix. It’s important to identify which campaigns/initiatives drive top and bottom line performance. This requires highly detailed web analytics to measure performance and understand complex behaviors.



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- If possible, marketers should measure performance and ROI with a comprehensive view of all online channels—including social media, search, email marketing and display ads. Campaigns can then be planned and launched based on unique business drivers.
- The vast majority of senior marketers and CMOs now—or hope soon to—evaluate their investment in social media marketing with quantifiable bottom line results, i.e., revenue, conversion and average order value. Marketers also want to measure social media ROI against performance of other online activities.
- Keys to measurement include (a) attributing relative credit to social media for influencing customers; (b) comparing social media and other online activity in terms of direct traffic; (c) understanding total impact of social media on both direct (clickthrough) and indirect (view-through) traffic; and (d) comparing clickthrough and view-through of social media campaigns to other impression-based campaigns such as syndicated videos, blogs, microsites and display ads.
- When social content in emails prompts recipients to share, social media sharing tools don't reveal email addresses, but some will tell you how many they have so you can gauge influencer potential.
- It's important to track conversions driven by email recipients in your database from their social networks. You can provide incentives to your best influencers.
- It's possible to track social engagement via invitations. You can track invitations sent by our email recipients and target potential brand advocates and email recipients who send the most invitations.

## PRIMARY SOURCES

Coremetrics  
gigya  
MarketingSherpa  
StrongMail