



*We Share Our Knowledge*

**Article no. 30**

# **"Social Networks" – The 3G of Marketing Channels**

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## 1. Introduction

Can you remember how many times you were told not to talk to strangers? How about no talking at the dinner table?

If they only knew then what most of us know now: that a conversation between people will become one of the most profitable direct marketing channels, or rather, that a conversation including a name brand will be one of the most influential ways for a marketing message to effect consumers' behavior.

Imagine yourselves in this everyday situation – you are standing, undecided, in front of a store shelf carrying a variety of product offerings. Now you have to decide – what do I buy?

- Which diapers – Huggies or Pampers?
- Which TV – LCD or plasma?
- Generic or organic cornflakes?
- Coca Cola or Pepsi?

In such situations, we usually rely on the recommendation of a friend, a family member or an acquaintance. A positive or negative impression from someone we know will probably tip the scales of our consuming decision.

## 2. The Social Network as a Marketing Channel

In a comprehensive study conducted in the US towards the end of 2006, it was found that two thirds of the marketing industry are driven by social networks. Consequently, the consuming behavior of 2 out of any 3 people is influenced by conversations they overheard or participated in.

If so, in the next few years social networks will become the most significant means of marketing. As with every other marketing activity, social networks, too, constitute of 3 basic components:

1. The Channel: conversation (in any marketing form)
2. The Message: using the company/brand name in the conversation (for better or worse)
3. The Target Audience: the listener.

## 3. Why Use Social Networks?

Just like with any other marketing channel, when it comes to message effectiveness, marketing manager's face several challenges exclusive to this marketing channel:

1. Conversations in which the brand/company name is mentioned are usually spontaneous, short and undocumented.
2. The contents of the message conveyed aren't monitored by the marketing manager, and can differ from one carrier to another (the message can be positive, negative or mixed).
3. Conversations between people are almost always put into motion by other advertising media such as TV, radio, internet, direct mail, call centers or any other point of contact between the organization and the consumer.

In order to resolve the issue of the efficiency of message transferal in social networks, The Keller Fay Group, an American consulting and research company, conducted a comprehensive research in 2006, in which 30,000 conversations were examined. The findings of this research

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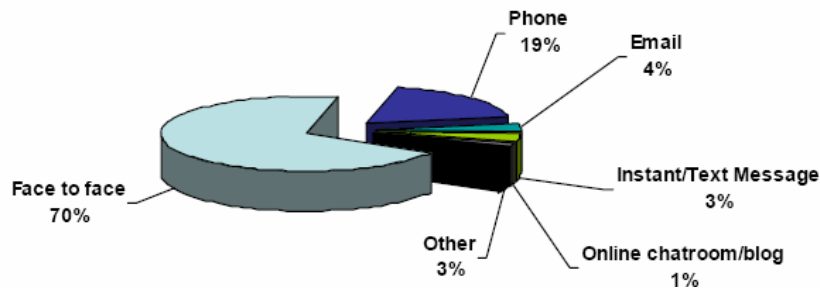
will be illustrated later on. Using these findings, we can now effectively evaluate the remarkable success of the social network as a marketing channel.

The parameters examined in the research were:

- The means of transferring the message
- Location
- Target audience
- Conversation polarity (is the message conveyed positive or negative)
- Reliability.

### 3.1 The means of transferring the message

About 70% of the conversations including the company/brand name were found to have been face-to-face. An additional 19% were conducted over the phone, 8% online (4% via emails, 3% via IM, 1% on forums and blogs), and 3% in other channels.



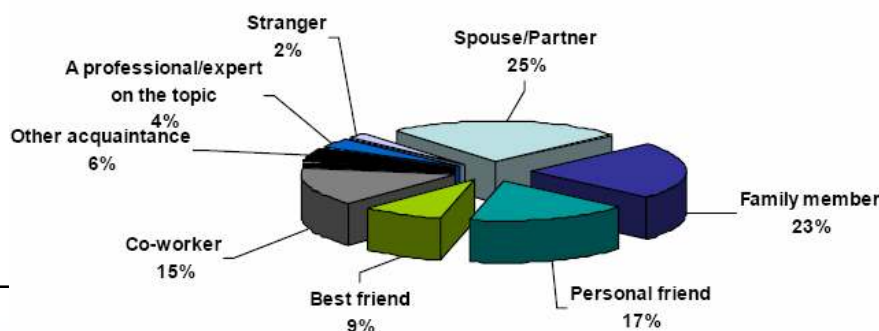
This finding is particularly important because until today, the only way for marketing managers to measure their brand's popularity in conversations was in forums. Anything else was pretty much immeasurable. But as it turns out, forums seem to be the least popular means of communication when it comes to social networks.

### 3.2 Location

Another important factor in understanding message efficiency is where the conversation takes place. According to the research, 50% of the conversations take place in the house of the message distributor, 17% are conducted in the workplace, 8% in another person's home, 6% while commuting, 4% in social locations such as pubs, restaurants or stores, and 15% in other locations.

### 3.3 Target audience

The target audience (the listener) of social networks consists of people related in different ways to the message distributor (i.e. the opinion leader). 26% of the listeners are his friends, 25% are spouses, 23% are family members, 15% are colleagues, 10% are acquaintances and experts in a field related to the subject matter, and 2% are strangers.



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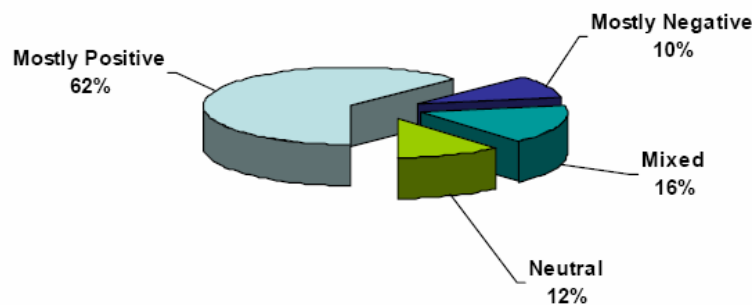
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### 3.4 Conversation polarity

Another important finding that may surprise many of you is the 6:1 ratio of conversations favorably mentioning the company/brand name, vs. unfavorable conversations. The 6 in this ratio stands for the favorable conversations.

To illustrate, out of 29,778 conversations reviewed, 62% included a clearly favorable depiction of the company brand, and 10% included a clearly negative one. The remaining 28% were evenly distributed between conversations in which no clear opinion or a mixed opinion was voiced.



The fact that most casual conversations include a positive portrayal of the company/brand is crucial for marketing executives, for two reasons:

- The possibility that the company name won't be mentioned at all in casual conversations appears to be much worse than being mentioned (in whatever context). There really is no such thing as bad publicity. The assumption that there is such a thing as overexposing the company/brand name in casual conversations has been completely refuted.
- The consumers are usually the ones spreading the good word, and they will recommend good brands to their good friends. In the few cases where the company/brand name is unfavorably mentioned, it will usually be followed by one or more recommendations for better alternatives. You really want your brand to be the latter.

### 3.5 Reliability

So, as it turns out, it's not only that most conversations concerning company/brands are favorable, but the reliability of the marketing message is also much higher than messages conveyed in any other marketing channel. The reason is that social networks are based on human relationships, which means there is usually a high level of trust between network members, especially in face-to-face conversations. Such trust, if any, could never exist in marketing communications between the consumer and the company.

For all the conversations reviewed in the research, listeners were asked to rate the level of reliability on a scale of 0-10, 10 being completely reliable.

A majority of 51% considered the conversations to be highly reliable (9-10), and another 27% noted a reliability level of 7-8. In total, 78% rated the reliability level of the conversations at 7 or higher. It's almost impossible to imagine such high reliability rates in marketing activities initiated by the company itself.

49% of the listeners who were recommended a purchase, noted purchasing the product based on that recommendation. 48% of listeners noted they will pass on the recommendation, regardless of whether a purchase has occurred. So not only are the response rates high, but the conversation creates a chain reaction that may influence sales volume in the long term.

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## 4. Conclusion

The benefits of marketing via social networks derive not only from the conceived reliability of the message, but also from its relevance. Conversations including a recommendation of a brand/company will usually take place prior to making a decision on a purchase, and therein lies the main strength of this channel over others regarding influences on consumer behavior.

Hence, many of you might wonder why, if the social network is such an effective means of distributing marketing messages, we still continue investing in traditional marketing channels (e.g. TV, radio, etc.) and underline marketing (SMS, emails, direct mail, etc.)?

The reason is that even conversations within social networks must start somewhere. It was found that 48% of the conversations are, indeed, motivated by traditional marketing channels: 11% are motivated by TV, another 11% by POS and promotions, 9% by the internet, 8% by printed press, 4% by emails and direct mail, etc.

This data is taken from a comprehensive research conducted by the Keller Fay Group in November 2006, and which was summarized in a series of articles:

1. The Steak is the sizzle. A study on product attributes that drive word of mouth success. By Keller Fay group in cooperation with BzzAgent. July 2006
2. The more, the better. Creating successful Word of mouth campaigns. By Keller Fay group in cooperation with BzzAgent. October 2006
3. Single source WOM measurement. By Ed Keller and Brad Fay. November 2006

## About Synergy

**Synergy** is an international consulting company, specializing in Analytical CRM solutions.

**Synergy** offers marketing oriented business ventures, formed by a team of leading local and international industry experts.

**Synergy** aims to provide its customers with the ability of acquiring commercial advantages by informative analysis of their customers' shopping data.

**Synergy** has vast experience in working with leading commercial organizations, both locally and internationally, and its clientele includes foremost industry leaders in the communications, financial and retail fields.

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