



We Share Our Knowledge

Article no. 9

The Marketing Role of Social Networks

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1. Background

In order to create marketing strategies suitable for our customers, we must first understand what the customer is influenced by during the decision making process. This might be the most important way to learn how and where to correctly invest our marketing efforts.

Recent research shows that more than 75% of customers will consult a friend before deciding on the purchase of a certain product or service. But the main issue here is whether organizations know how to utilize this fact to their advantage.

In recent years, it has become evident that large organizations are beginning to appreciate the importance of Word-of-Mouth marketing. However, we are still nowhere near effectively utilizing this information resource.

This article will shortly describe what social networks are, what the best way of creating such networks is, and how an organization can utilize these networks in order to create efficient marketing strategies for its customer base.

2. The Problem

We'll examine what would make a customer feel confident enough to purchase a certain product according to a survey conducted by eMarketer, in which each participant could choose multiple answers:

- A friend's recommendation (76%)
- Previous experiences you had with this company (68%)
- A recommendation in a newspaper/magazine (22%)
- Advertisements (15%)
- The company's website (8%)

In other words, most of our customers will consult a friend prior to making a decision about a certain purchase.

This type of promotion is called Word-of-Mouth marketing, and can take place between any two or more connected people, i.e., via a social network.

Conversely, companies invest millions of dollars annually in an attempt to market their products, although most of them neglect to consider the influence of word-of-mouth. Moreover, even the companies who have already taken notice of this matter are usually doing so based on a gut-feeling, rather than a statistically based analysis.

A good example is current word-of-mouth marketing tactics, such as viral campaigns. However, as the organization does not properly map the social network itself, it is very difficult for it to track and measure the results of such campaigns, and recognize its successes and its problems.

Consequently, as an initial step in the road to an optimal solution, we should map the social network accurately. But we must first understand what a social network is.

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3. What Are Social Networks?

A social network is a collection of inter-connected people.

Social networks comprise of points (people, potential customers) and connections between those points. These connections may be manifested in many different forms:

1. Email exchange
2. SMS exchange
3. Purchases
4. Others...

Below is a figure visually illustrating how a social network is formed:



A contact is created
between you and
another person



Your personal
Contacts



The social
network

Each of us has a personal contacts list. For instance, if we examine email exchange, each email I send will create a connection between me and the recipient of that email. That recipient can, in turn, forward that email to his contact list, thus creating another connection between him and his recipients. Consequently, a network of personal connections is created, or, in its official title, a social network.

4. So How Do We Use These Networks?

Now we know what a social network is. So what is the next step?

It is important to understand that the first step towards a solution is our ability to identify the existence of a social network within our potential customer base.

Once we've identified the social network, we can move on to the next stage.

5.1 Identifying a Social Network

This is quite a tall order, but no longer an impossible one. There are quite a few technological tools developed for the sole purpose of efficiently and quickly identifying social networks, without having to invest any additional resources.

So now that we have identified the social network, what is the next step?

The second step is isolating those network members worth investing our marketing efforts in. In other words, out of the potential customer base, we need to determine who the opinion leaders are.

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5.2 Identifying Opinion Leaders

Opinion leaders are network members regarded as having relevant knowledge, and who are probably the first ones to be consulted in regards to purchasing decisions.

Usually, most opinion leaders possess one or more of the following characteristics:

1. Exceedingly advanced technologically
2. Information junkies
3. Willing to pay almost anything in return for quality
4. Etcetera.

There are different technological tools that can help identify the opinion leaders amongst our customers.

Now that we have identified the opinion leaders and their connections within the social network, we can divert all of our marketing efforts to focus on those specific customers, assuming that they, in turn, will spread the word to other network members. This way, we can reduce marketing costs and refocus our resources more effectively.

5. Why Now?

Word-of-mouth marketing is no novelty. It is actually one of the earliest forms of marketing, going back as early as biblical times, when Eve suggested that Adam taste the apple, because it was very sweet...

Nowadays, there are a number of ways in which we can utilize word-of-mouth to effectively meet our marketing objectives:

1. We can use technological innovation to effectively detect social networks and opinion leaders.
2. It is a well known fact in our world that the customer is in control, deciding for himself what the right product is, and when and how to buy it. Therefore, traditional marketing no longer suffices for answering our customers' constantly changing needs.
3. The rapidly evolving world of internet created a whole new game plan, e.g., online forum debates, blogs, etc., which, in turn, produce new forms of word-of-mouth marketing.

6. The Result

Once we fully understand the social networks surrounding us and learn to identify the opinion leaders within those networks, we will be able to establish suitable marketing strategies that will spontaneously produce word-of-mouth marketing.

Additionally, we will also be able to allocate our financial resources towards strengthening connections with opinion leaders and recruit them as advocates for our business.

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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.

For more information, visit our website at: www.il-synergy.com, or email us at: info@il-synergy.com.

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