OCT 15-16, 2012 • NY

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conference

FROM SOCIAL BRANDS TO SOCIAL BUSINESS

The State of Social Marketing 2011 - 2012

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At the end of 2011, Social marketing stands at a profound crossroads. Some organizations are finally embracing the importance of social networks and, as a result, increasing investments in creative engagement, marketing, and service programs. Others see the future value, but lag behind in execution. At the vanguard, Social Businesses drive a virtuous cycle of discovery: Their successes in Social marketing lead to new data, which lead to insights, which lead to new and more effective programs as well as the business systems and processes necessary to improve internal and external collaboration.

In 2012, social media marketing, driven by these innovations, will only continue to mature. Bottoms-up learning about what really works in Social will be essential for this expansion. Research conducted by IBM in 2011, for instance, revealed a gap between consumer expectations toward the businesses they support in social media, and executive assumptions about what these consumers wanted. This "Perception Gap," as defined by the IBM study, demonstrates the importance of bottoms-up, informed social marketing programs, as opposed to the traditional top-down strategies tied to the usual monologue-marketing channels.

Not all customers are created equal. So, businesses are learning that there must be more than one approach to reaching and engaging customers through the emerging Social channels.

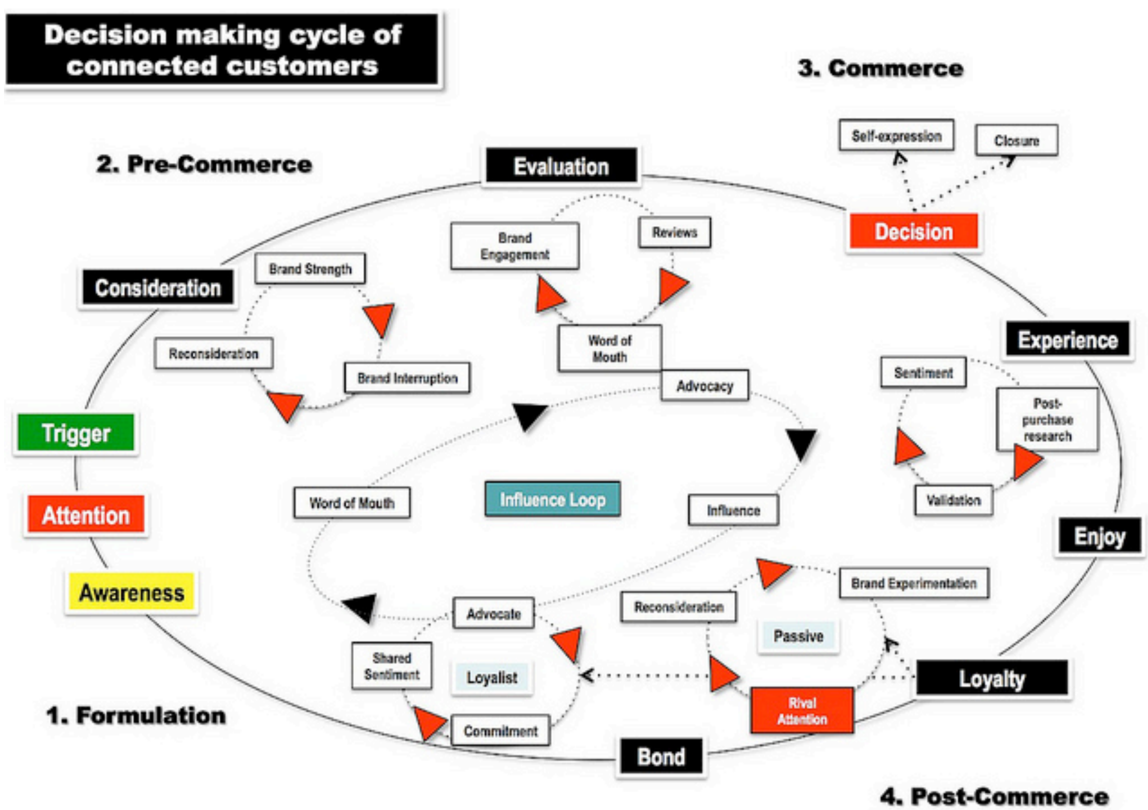
This year, at the second annual Pivot Conference, we explored the evolving landscape for consumerism as colored by the emergence of Social Consumers. Brands, agencies, academics and thinkers examined how Social Consumers find and share information, how they influence and are influenced by engagement, and also how they make decisions. In the end, it was clear that the Social Consumer is fundamentally unlike a traditional consumer and, as such, compels brands to rethink sales, service, and marketing strategies across social, broadcast, and mobile networks. At stake is a business' relevance to the Social Construct, which is the new key to consumer connection and success. For brands today, if you don't establish this connection, Social Consumers will just connect themselves and collaborate without you.

To help brands more effectively plan for improving customer engagement and experiences in 2012 and beyond, the Pivot team, along with The Hudson Group, surveyed 181 brand managers, agency professionals, and experts. Their answers paint a picture for how businesses intend to reach their Social

Consumers. Additionally, the results serve as a benchmark as you, the Social Business leader, assemble your strategies over the next year.

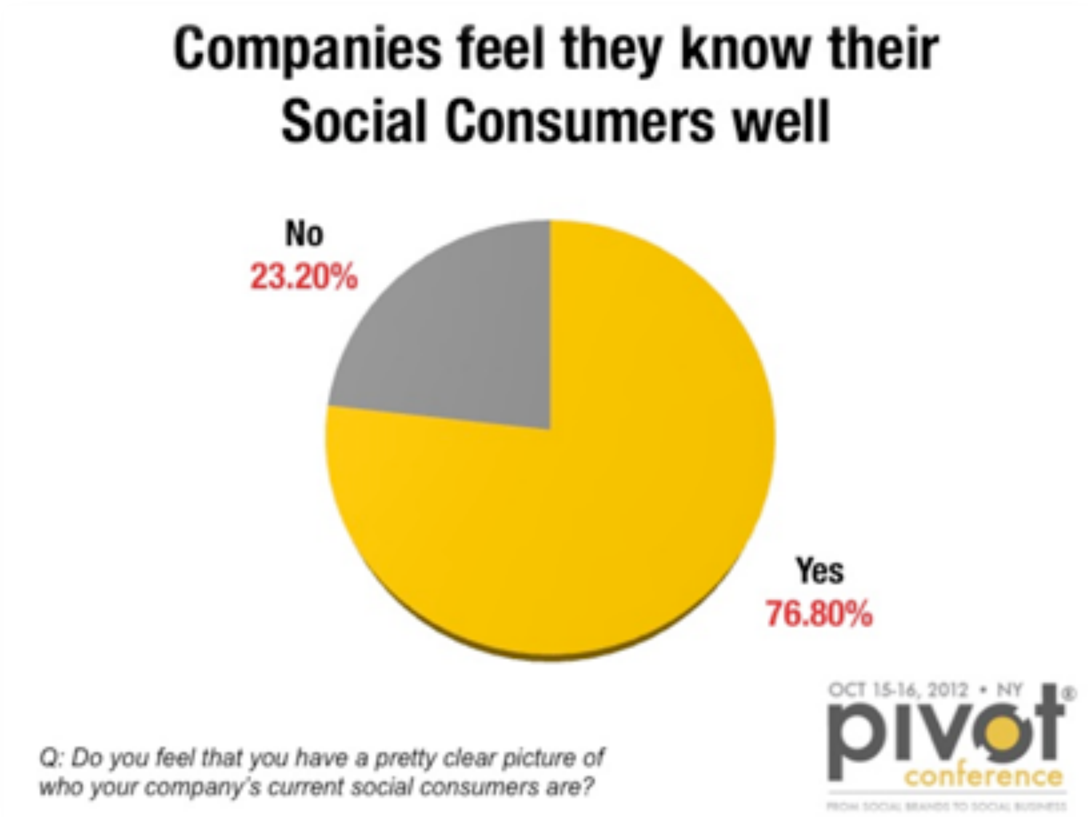
The Rise of the Social Consumer

Who is this Social Consumer and how does he or she differ from traditional counterparts? Let's start with a working definition. A Social Consumer is someone who first goes to their social networks of relevance to learn about products and services. Though somewhat influenced by their overall social graphs, Social Consumers emphasize the input of those who define their interest graph – like-minded individuals on any given subject who share common interests and experiences with them. In this way, Social Consumers evaluate the shared experiences of those they trust, and expect businesses to respond to their socialized questions. As a consequence, Social Consumers don't follow a linear approach through the classic 'interest to intent' funnel during their decision making process. Rather, they follow an elliptical pattern where their next steps are inspired by the insights of others, and their experiences are, in turn, fed back into the cycle to inform the decisions of others.

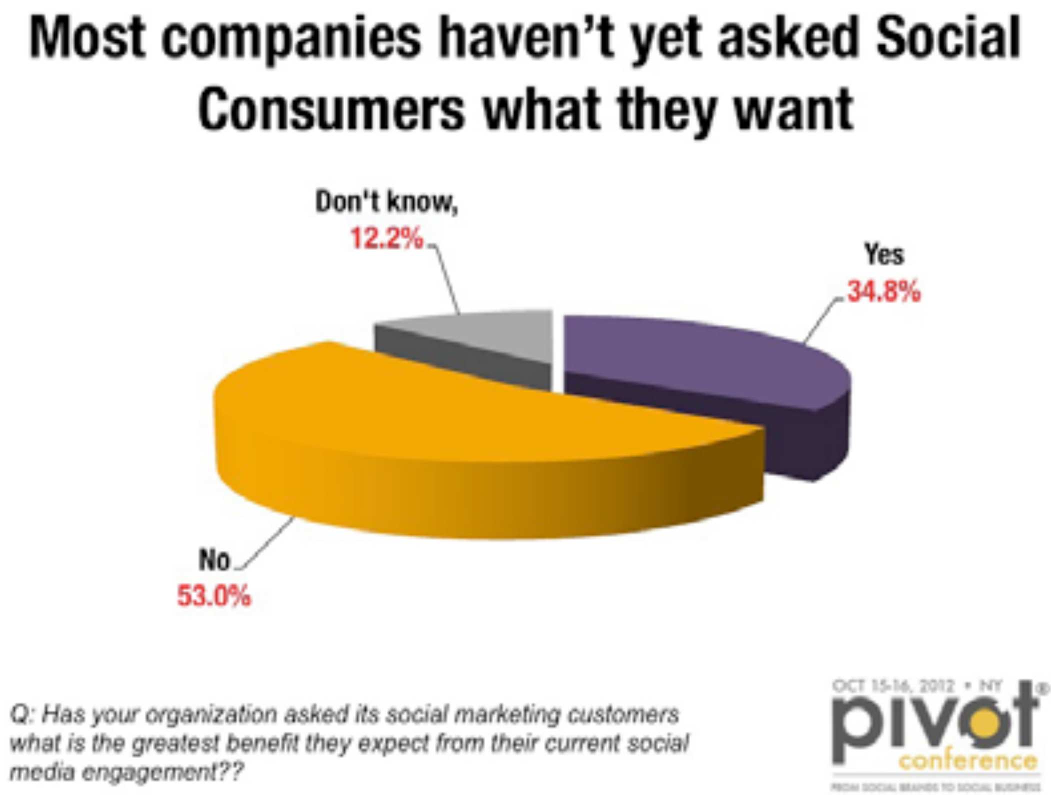


Originally published in Brian Solis' book, "The End of Business as Usual" – Printed with approval from Wiley Publishing

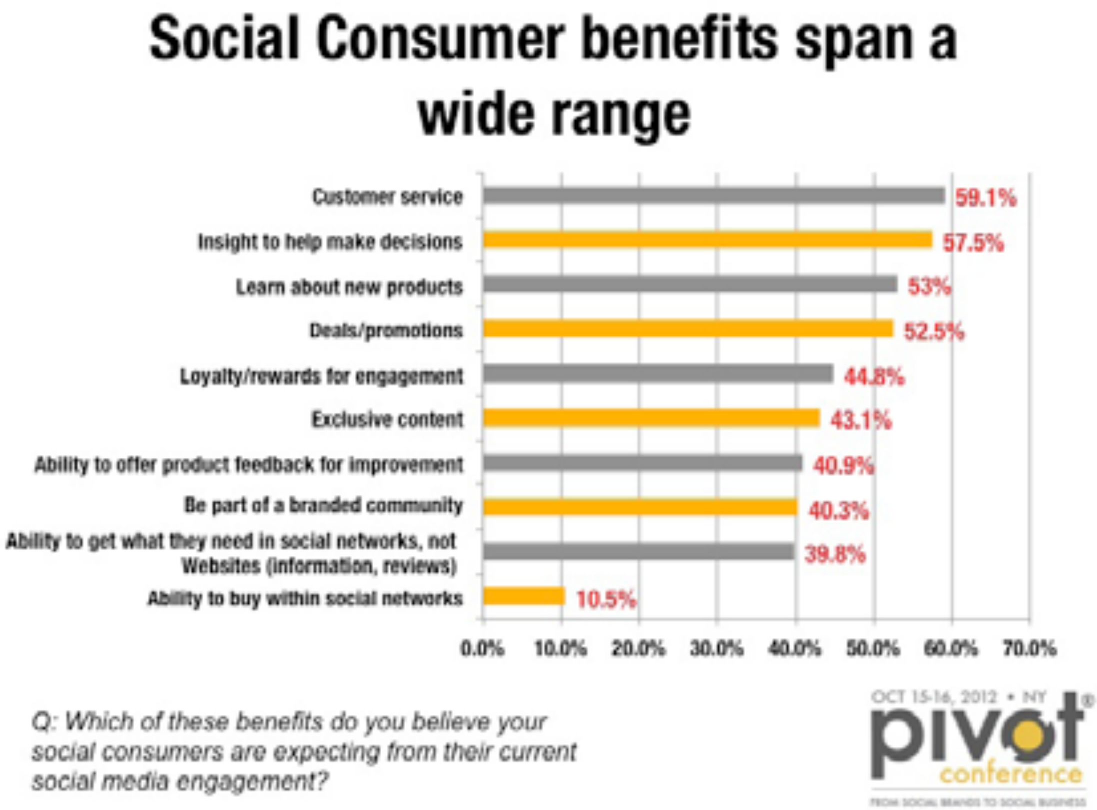
In the Pivot study, we asked if participants had a clear picture of who their Social Consumer is. An astounding 77 percent said yes.



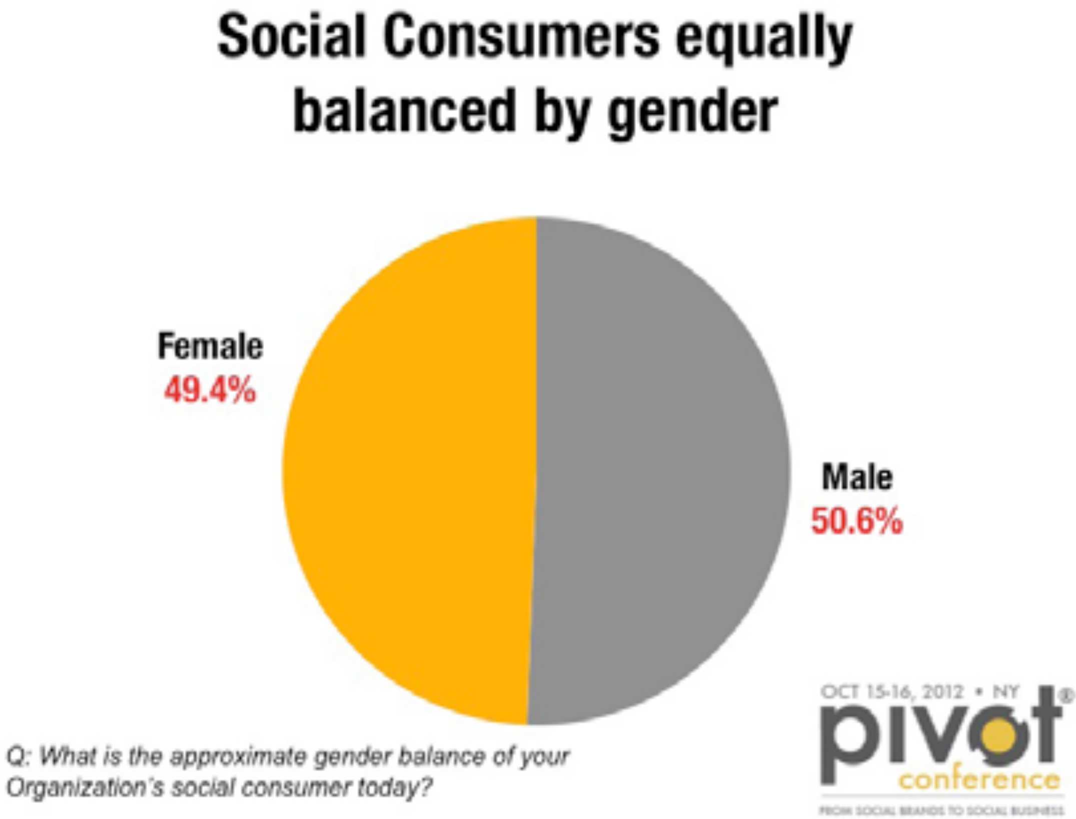
Comparing these results to the working definition presented above, which survey participants did not review in advance, as well as the Perception Gap produced by IBM, I wonder how these numbers would change if the question was asked now. Given the results noted below, it appears that respondents believe they know who their Social Consumers are, even though they may not have actually engaged them in a detailed conversation.



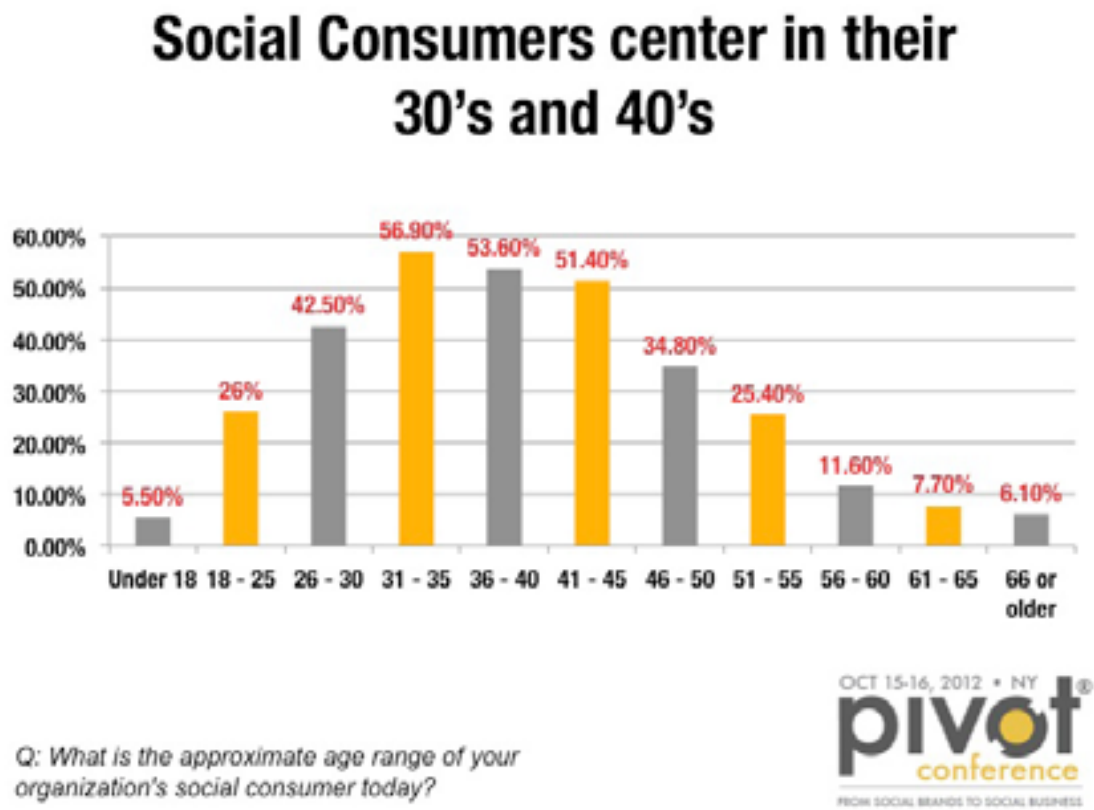
When the Pivot team explored specifically if respondent organizations asked Social Consumers what they expect from engagement, most responded, "No." This is intriguing because we have 77 percent of organizations who say they know what their Social Consumers want, but 53 percent haven't really asked. They do not—cannot—really know how to deliver value in social and mobile networks, thus pointing to IBM's Perception Gap. On the other hand, 35 percent did note that they asked Social Consumers about their expectations. Our belief is that these organizations will most likely outperform organizations that did not ask.



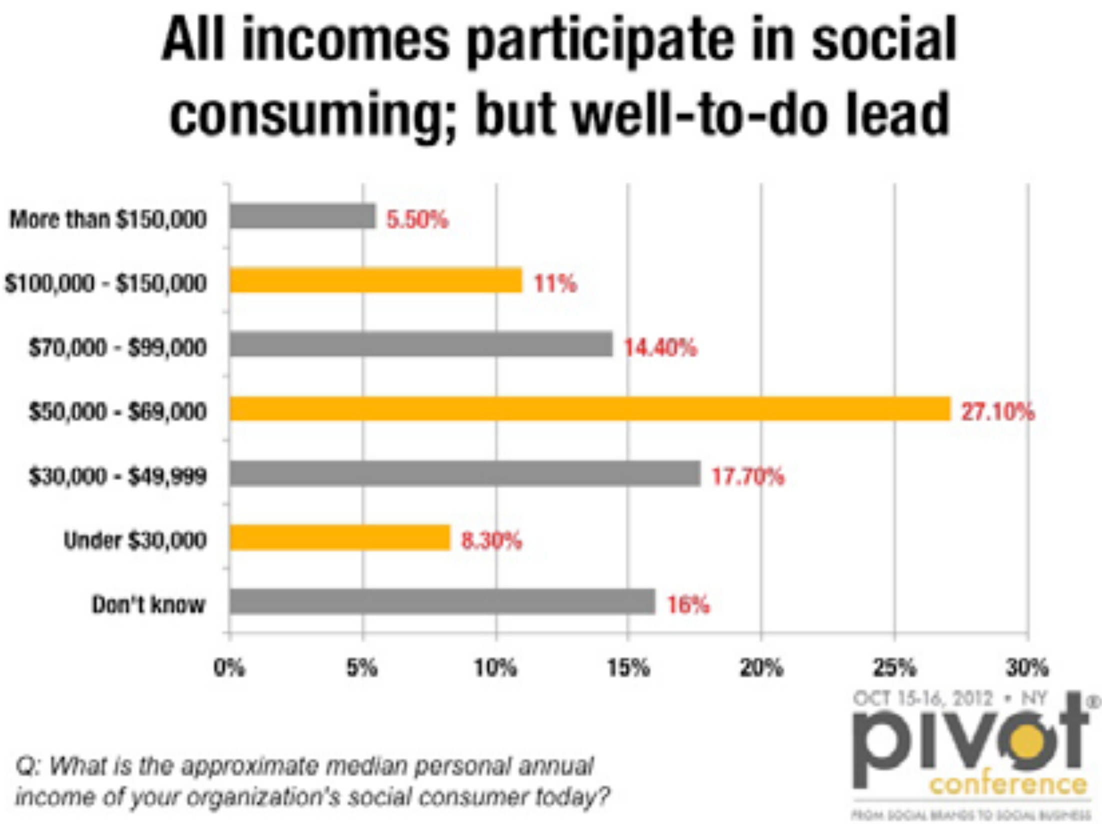
Businesses shared their perspectives on the benefits and customer expectations of social engagement in their responses to the survey. The results cover a wide spectrum of sales, service, and marketing benefits, with customer service, insight to make decisions, and the ability to learn about new products as the top three entries. Deals and rewards came in fourth and fifth respectively. Each of the benefits is important, however. Offering exclusive content, the ability to provide feedback for improvement and social commerce add to the complexity of reaching and engaging the varying needs of social consumers. We think marketers should look here at the whole tapestry, more than the individual strands.



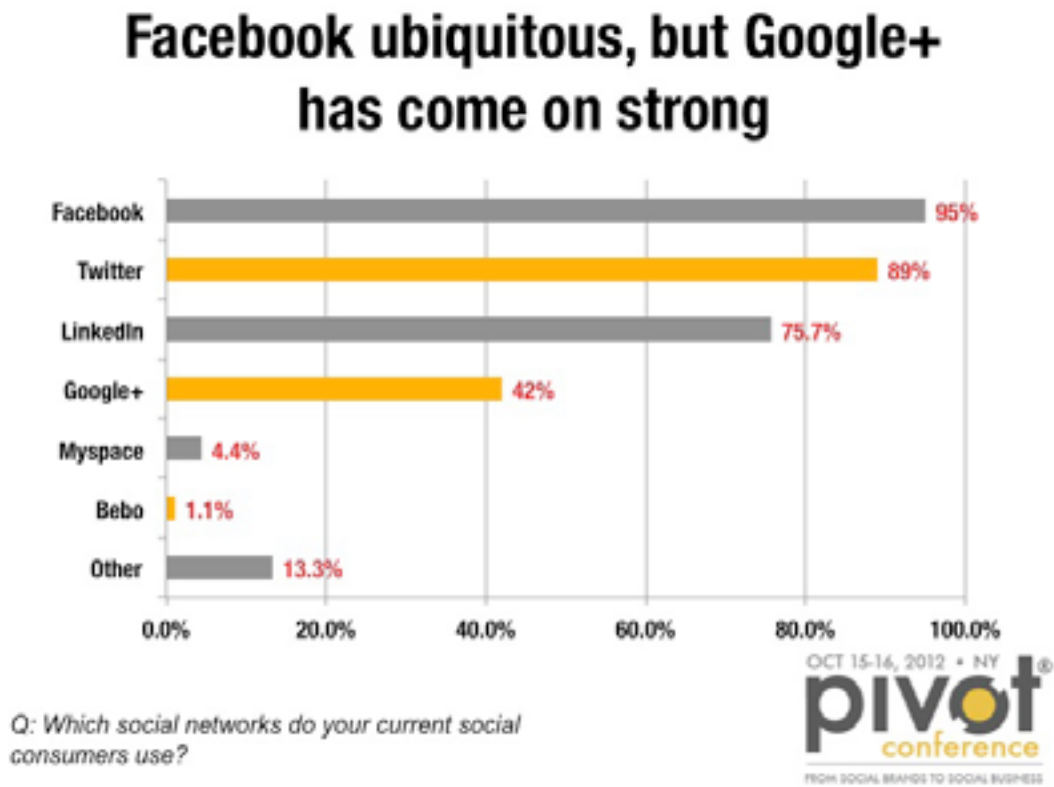
When asked about the gender of the social consumer, respondents believe their social consumers are equally divided between male and female. This is result is intriguing for many reasons, not least of which is the findings in previous studies that females skew higher across popular social networks such as Facebook and Twitter, as well as for most social commerce services. Are we seeing the emergence of more men in social networks? Perhaps.



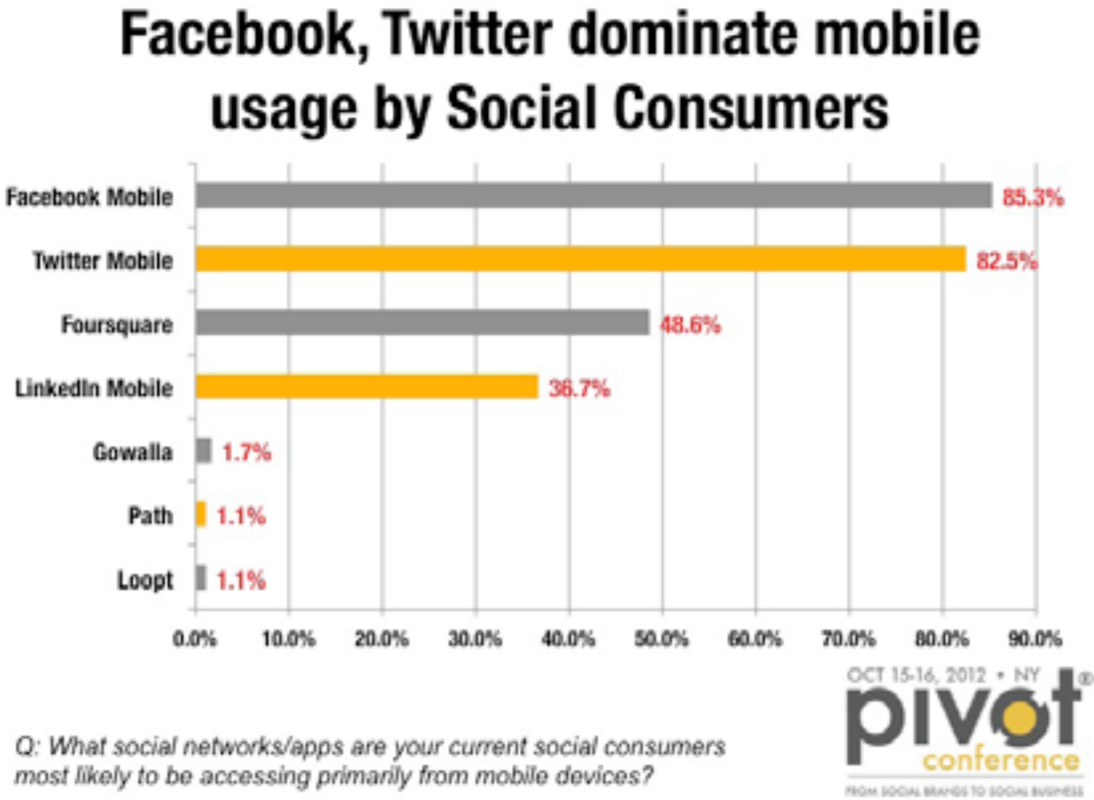
As we continue to examine the demographic makeup of Social Consumers, this study indicates they tend to be most commonly in their 30s and 40s. But there are strong showings of Social Consumers distributed across those 26-30, 46-50 and also 51-55. Clearly, social is no longer the province of just the young.



The household incomes of Social Consumers are scattered across the board. But in aggregate, it appears that Social Consumers lean toward desirable income levels. Median income from the study results is just over $60,000.



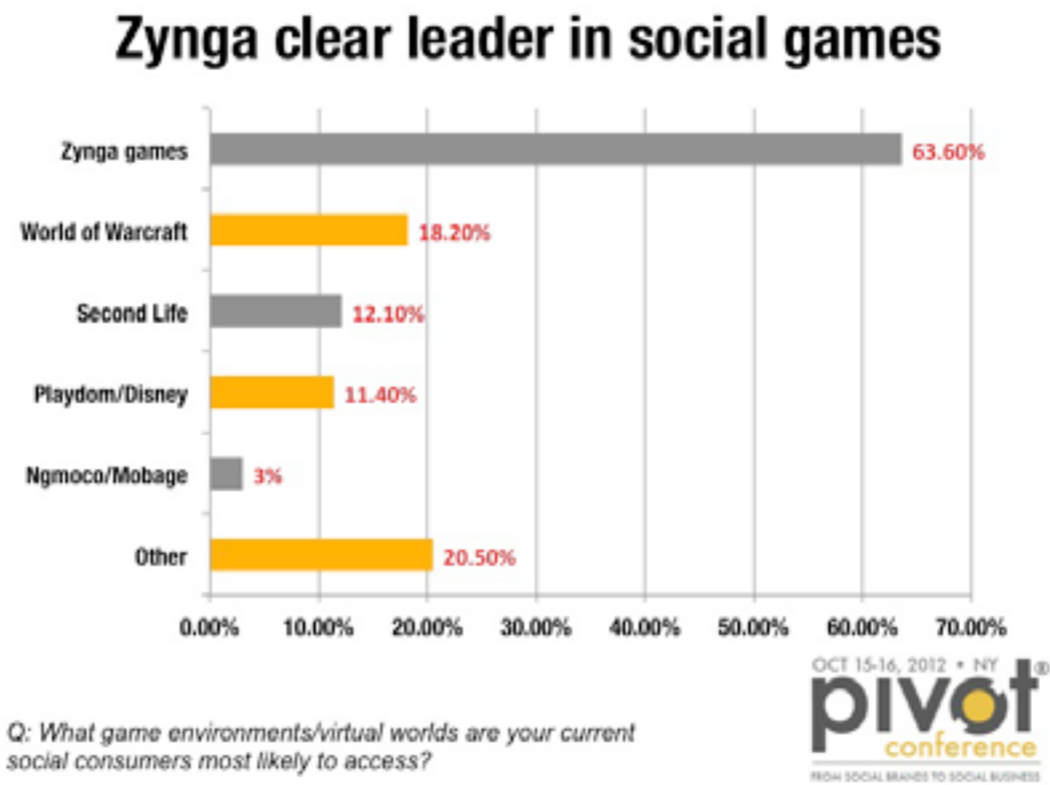
When asked which networks are frequented by their Social Consumers, participants stated that Facebook, Twitter and LinkedIn were numbers one, two and three respectively. Facebook and Twitter are viewed as essentially ubiquitous. At the time of this survey, Google+ hadn't yet opened up brand pages, but as of November 2011, businesses can develop official brand presences. Yet, even without the ability to do so during the survey process, businesses recognized the important role Google+ plays in the lives of their Social Consumers



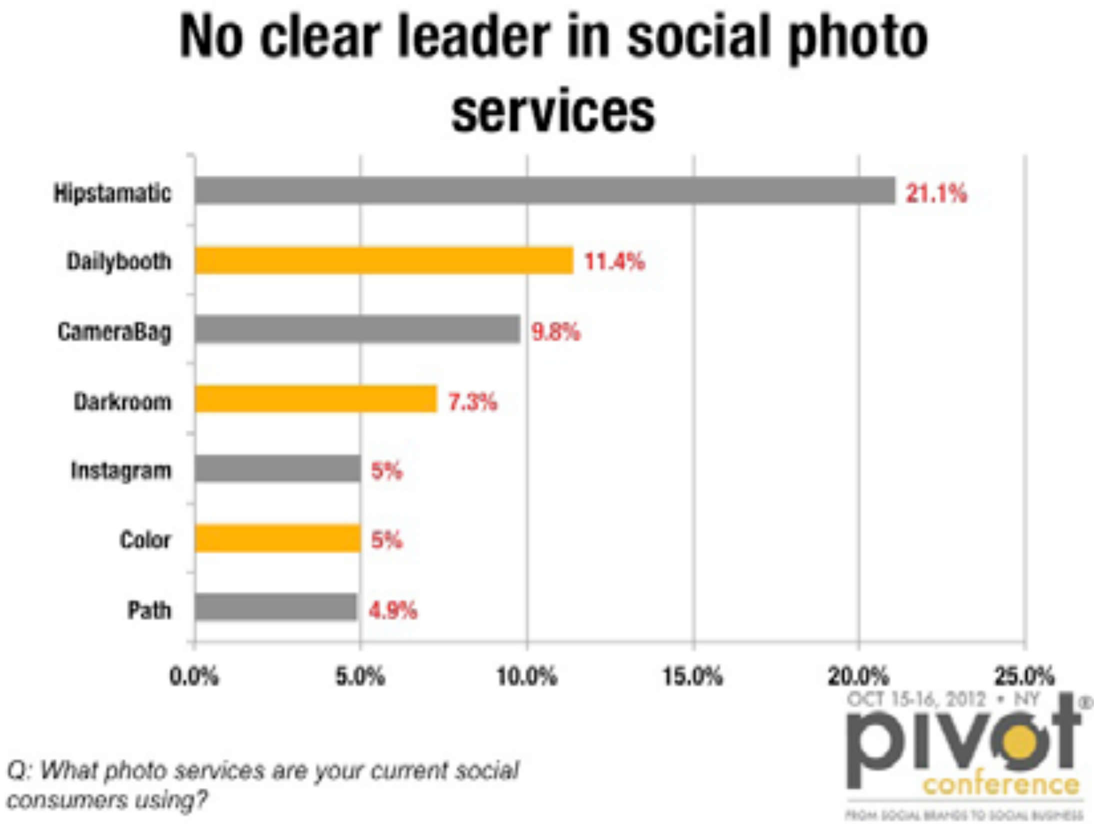
When it comes to Social Consumers' increasingly common mobile activity, Facebook and Twitter still maintain the top two spots. Foursquare, though, jumps into the third position ahead of LinkedIn, an indication that geo-location networks continue to rise in popularity.

Pleased To Meet You, I Hope You Get My Game

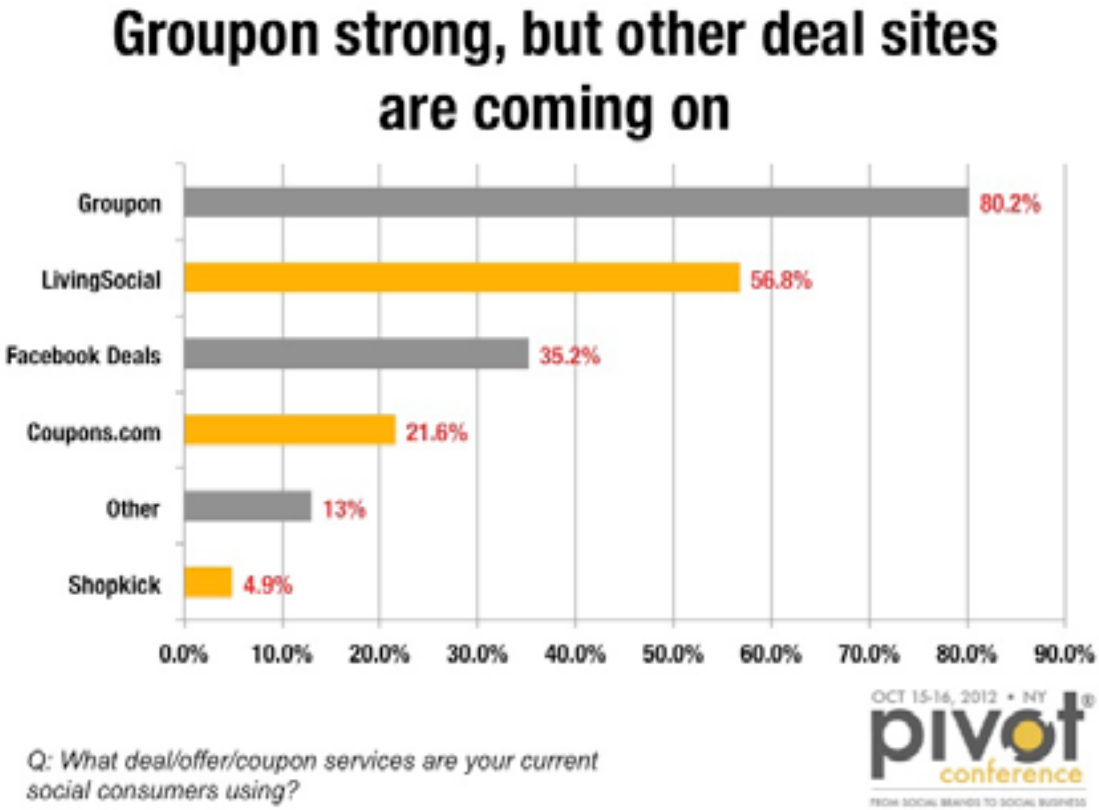
Gamification is becoming part of social networking, education, and loyalty programs due to its attractiveness to the Social Consumer.



Zynga is currently the overwhelming leader in capturing the time and attention of Social Consumers when it comes to gaming, probably a reflection of Facebook's current dominance. Intriguing here is that the second most common response is "other," a sign of the diversity in this arena.



Social professionals don't see a clearly dominant player amount the many current portable photo networks available for popular smartphone platforms. No option received even 25 percent of the responses. However, Hipstamatic is firmly positioned at the top of the list with almost double the usage of Dailybooth, which currently sits at number two, according to respondents. They seem to be leading a rather open field.



In the world of social and group-based deals, Groupon ranks number one among Social Consumers, but LivingSocial maintains a strong foothold in the number two spot. Facebook Deals was in third, but the service has since been discontinued by Facebook.

"After testing Deals for four months, we've decided to end our Deals product in the coming weeks," Facebook told Reuters in a statement published in August 2011, during the time the survey was already in the field.

96% feel social lifts brands; 67% feel real value a key for engagement

	AGREE COMPLETELY	MOSTLY AGREE	MOSTLY DISAGREE	DISAGREE COMPLETELY
Conversations do not drive meaningful business outcomes	2.4%	13.5%	41.8%	42.4%
Conversations help with brand lift and relevance	51.1%	45.5%	2.8%	0.6%
Consumers want something of tangible value in exchange for the connection	21.6%	45.0%	26.9%	6.4%

Q: How much do you agree or disagree with each of the following statements?

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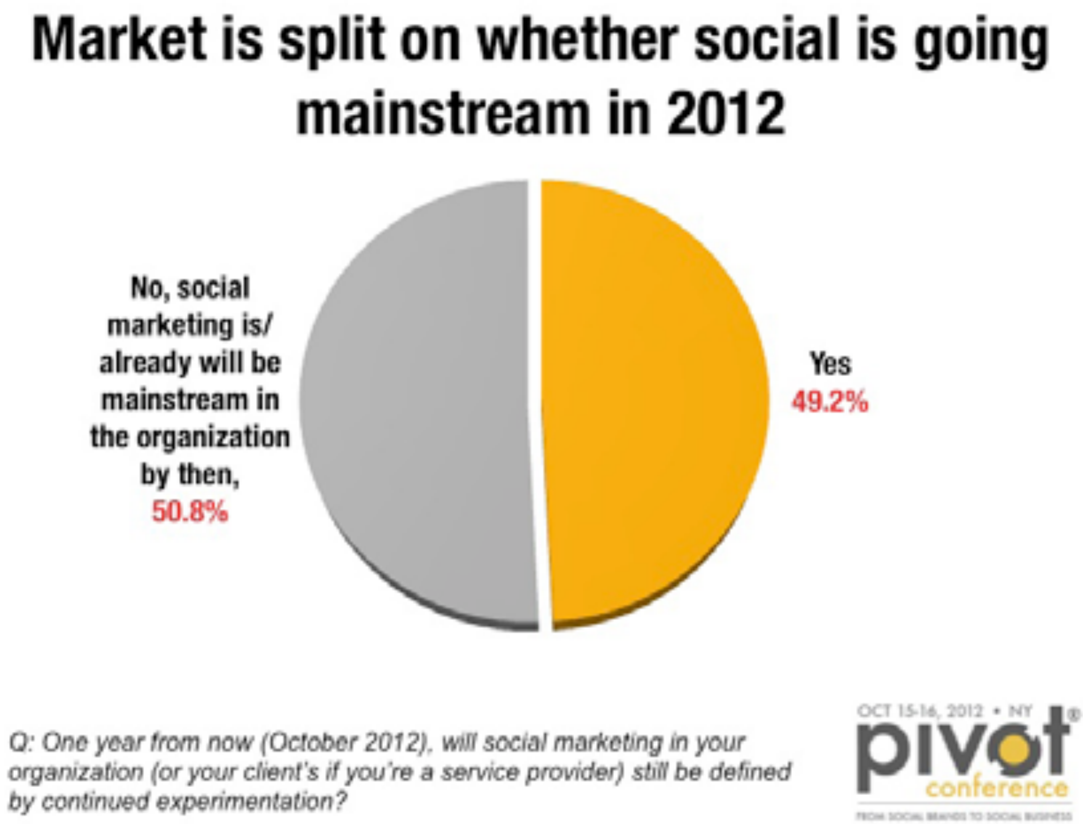
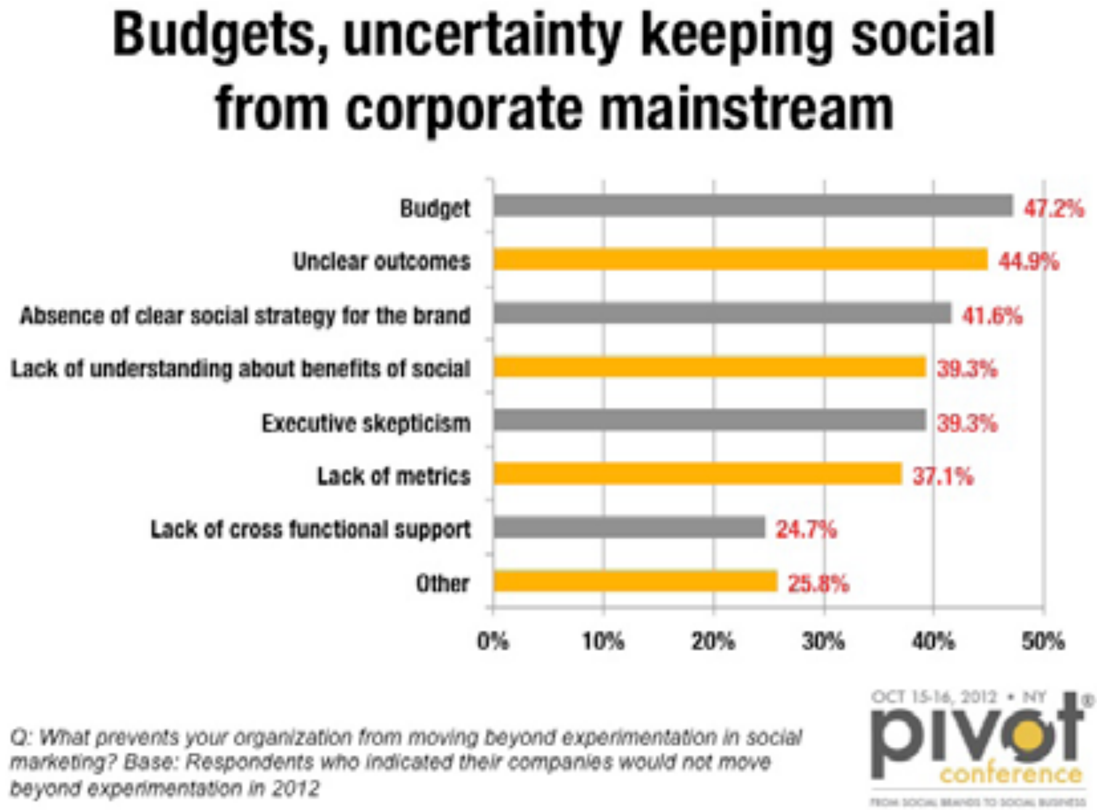
Engagement is not defined by conversations. Engagement is the act of a consumer and an organization or brand interacting within the consumer's network of relevance through a combination of conversations, content, or related information. Engagement, and here's the important part, is then measured by the takeaway value, sentiment, and resulting actions following the interaction.

Brands largely disagree with the belief that conversations in social networks alone drive meaningful business outcomes. The true test, of course, is whether or not outcomes are defined and if they are introduced into engagement as a desired click path. On the flip side of the coin, brands either completely or mostly agree that conversations help with brand lift and relevance responding with 51 percent and 45.5 percent respectively.

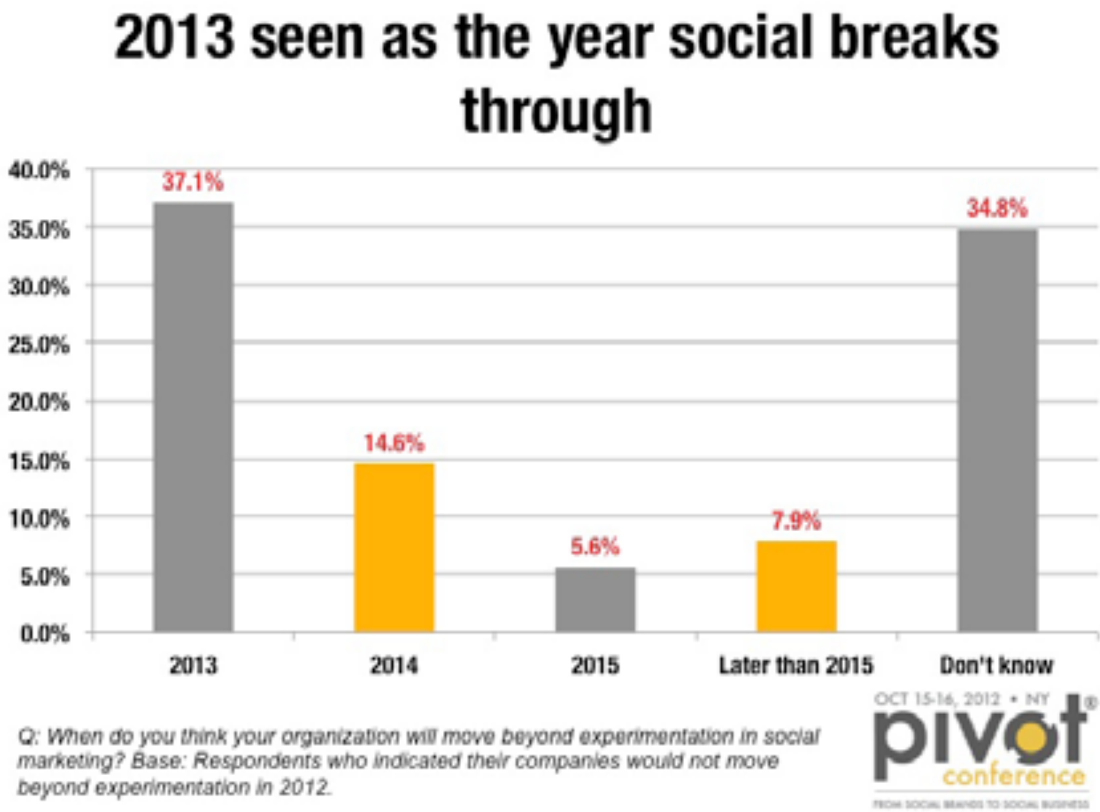
There's notable difference, however, in whether or not brands think their Social Consumers want something of tangible value in exchange for a social connection. 21.6 and 45 percent completely or mostly agree. 27 percent and 6 percent mostly and completely disagree. Our advice: When in doubt, ask.



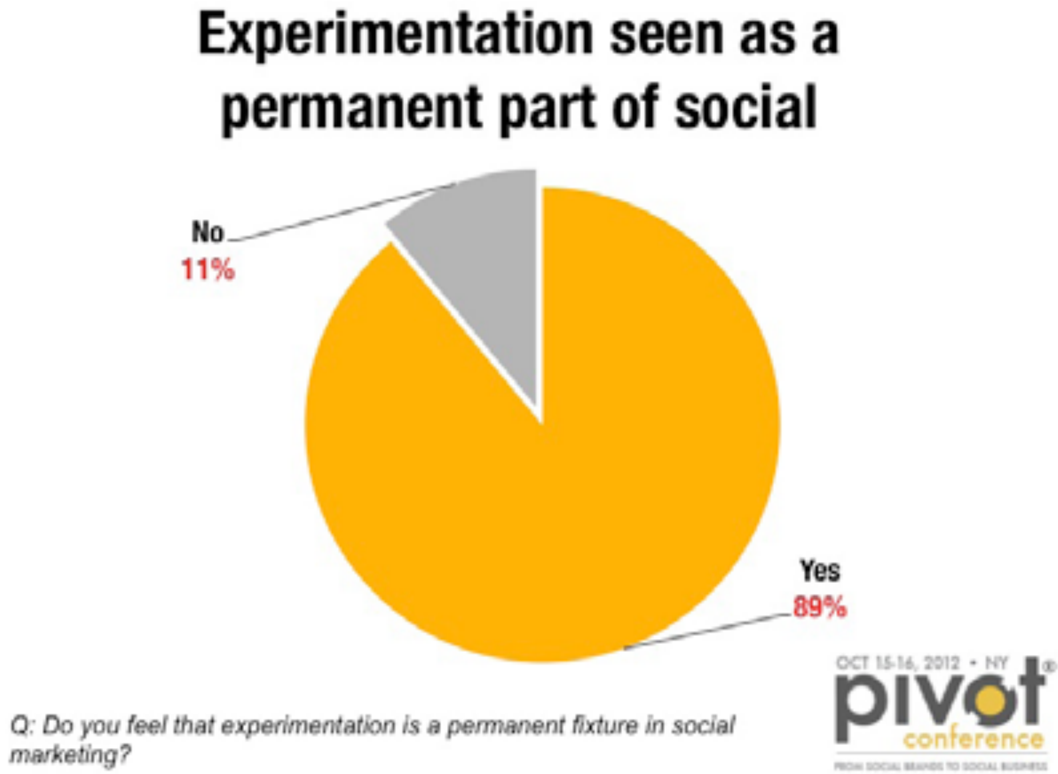
With all of the fanfare around social media, it would be easy for those living within the new marketing paradigm to assume that social media already was or soon will be mainstream within the organization heading into 2012. However, respondents were divided in their outlook. Just over half believed that social marketing is already mainstream within their organizations and just under half think that social marketing will still be experimental a year from now. This shows where we are in the social revolution: the reality of change is broadly accepted, but norms about fundamental issues still remain elusive. We know we are going to a new place, we just aren't yet sure exactly where and how fast.



When asked what was preventing the organization from moving beyond experimentation in social marketing, respondents' reasons were widely distributed. Budget was seen as a challenge, as was the inability to define or measure clear outcomes. We feel that, whatever your personal sense, each of these points is worthy of exploration and definition within the organization. This is the only way to ensure that the needs of Social Consumers do not go unmet. A working strategy and understandable benefits are critical to rallying support across the organization, especially among executives. Defined metrics tied to thoughtful strategies demonstrate progress. Listening combined with research will reveal the need for a cross-functional approach as data always spotlights the varying needs of Social Consumers – beyond marketing.



Confusion reigns today, but conviction lies on the horizon. 2013 is the year a solid set of respondents sees social marketing finally breaking beyond experimentation within the organization. Still, we can see the current uncertainty about the development of social: 15 percent look to 2014 as likely year for corporate breakthrough, another 15 percent see 2015 or later, and a sobering 35 percent still don't know what to think.



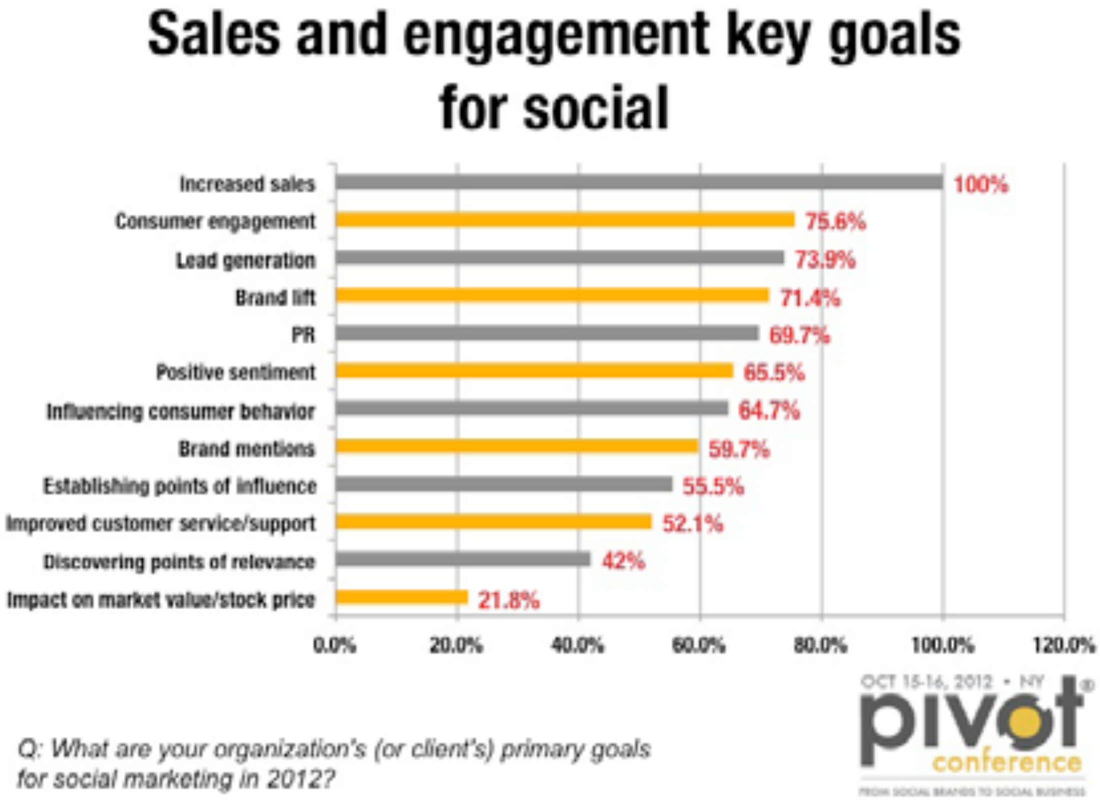
While respondents see social marketing as crossing into the organizational mainstream relatively soon, an overwhelming 89 percent of participants see social marketing as a permanent series of experiments. The takeaway here is that professionals, for the foreseeable future, feel that there is much to learn with regard to the Social Consumer and how to effectively engage and steer positive experiences and outcomes for social marketers. As one area of social moves into the mainstream, it will just open up new areas for experimentation.

Social marketing budgets growing

	2011	2012	2013
Less than 5%	37%	27.1%	18.8%
5% - 10%	21.5%	24.9%	23.8%
11% - 30%	12.7%	14.9%	18.2%
31% - 50%	5.0%	8.8%	8.8%
More than 50%	3.3%	5.0%	7.2%
Don't know / decline to answer	19.9%	19.3%	23.2%

Q: Roughly what percentage of your (or client's) current annual marketing budget is committed to social marketing?

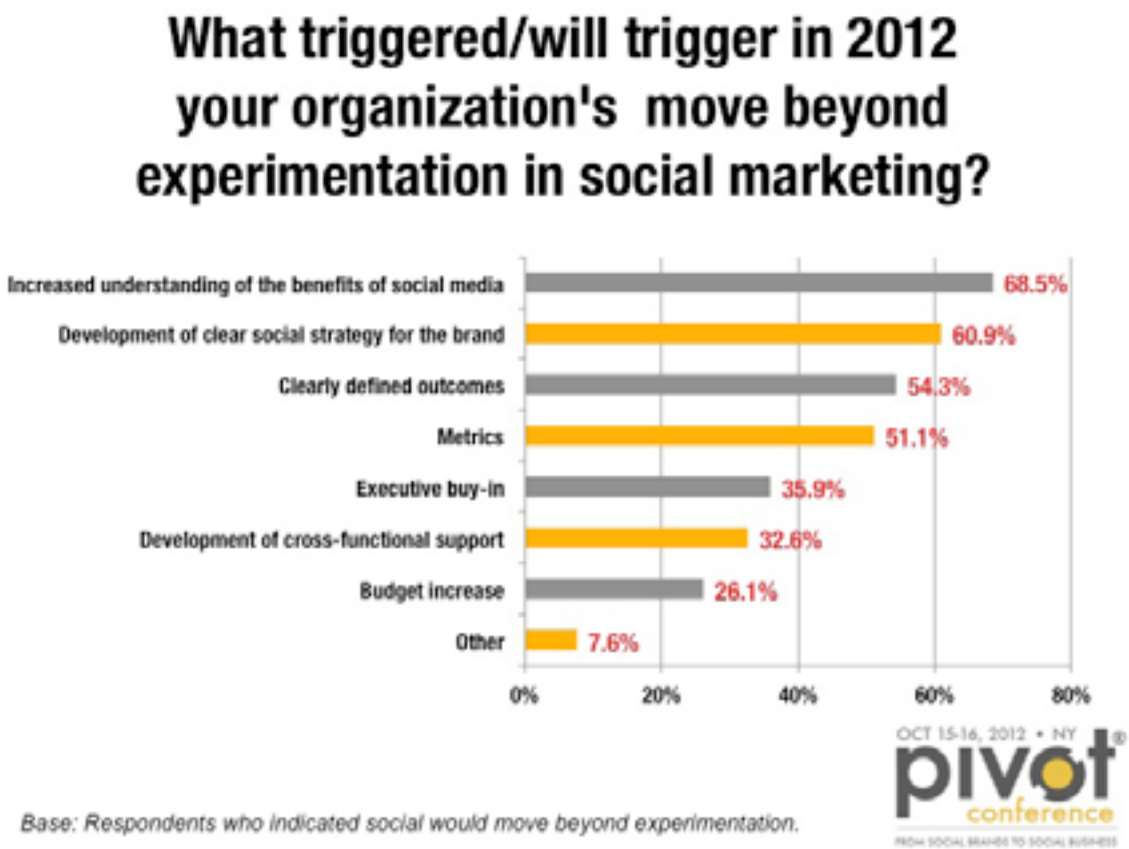
The trend in social media budgets is positive. The percentage of respondent companies spending less than 5 percent of budget on social drops by about half between 2011 and 2013 and the percentage spending over 50 percent more than doubles. The sweet spot hovers around 25 percent of budget, rising slightly over the next two years. All this indicates to us is that it remains early days in the development of social in organizations.



Looking ahead to 2012, brands are thinking through goals as they plan next year's social marketing programs. At the top of the list, at almost 100 percent, is the need to increase sales, which is a reflection of the need for marketers to demonstrate tangible ROI. Consumer engagement, lead generation and brand lift are also atop the list. Among the notable responses from participants, influencing consumer behavior is at just over 60 percent, establishing points of influence at just under 60 percent, and discovering points of relevance shown at 40 percent spotlight how new touchpoints will play a role in driving desirable outcomes and experiences. The overall sense of the responses is a tilt away from "soft" benefits toward harder edged benefits that drive the bottom line.

Surprisingly, improving customer service and support was toward the bottom of the list, but it is promising to see that the research does show that businesses are placing it in the upper half of 2012 planning. We see customer service as one of the potential breakthrough areas for social networks.

Make the Pivot



Here's the important takeaway: To successfully reach the Social Consumer and ensure that social media extends across the organization, look at this list as a series of steps rather than a hierarchical rank. Thinking through each item will force a more thoughtful approach to reaching Social Consumers and guiding positive experiences and outcomes. Budgets and support are the net benefits of following these action items.

1. Increase understanding of the benefits of the Social Construct within your organization.
2. Develop a clear strategy for social.
3. Define outcomes.
4. Tie strategies and supporting metrics to business objectives.
5. Earn executive buy-in with data, demonstrate the needs of Social Consumers, and show how others are successfully engaging them today.
6. Earn support across departmental functions by showcasing how the varying needs of the Social Consumer are unmet by key roles in the organization.

As you review these data and compare them to your 2012 plans, or if you're in the planning stages now, remember that benchmarking against peers is only one part of the process. The real opportunity lies among your Social Consumers by identifying their needs, and benchmarking them against your solutions for them and thus your business opportunity.