PERSPECTIVE

Insights for America's Business Leaders

Social Networking Strategies for Business:

Engaging Online Communities for Competitive Advantage

Executive Summary:
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It's Where Your Customers Are

When captured in 1952, Willie Sutton was asked by a reporter why he robbed banks, to which he famously replied, "Because that's where the money is."

Fast forward to today. If asked why they use social networking to build their brands, many CEOs would reply, "Because that's where my customers are." And they're right. The growth of the social networking phenomenon across the Internet – led by social media sites like Facebook, Twitter, YouTube and LinkedIn – has altered the playing field for business and consumer marketers of all stripes and moved social networking beyond critical mass.

U.S. business leaders are realizing that social networking is no longer the sole domain of adolescents. This digital culture is enabling their customers and prospects to form online communities, find and interact with others who share their interests, and talk to brands they care about. It is also forcing them to change the way they plan and execute their marketing strategies, since empowered consumers are now:

- Firmly in control of the message and the content
- Unwilling to be bombarded with marketing messages or be passive readers of media content
- Free to talk back to brands and ignore traditional brand advertising
- Willing and able to get purchasing advice for personal and business products and services from socially networked friends and colleagues

Most importantly, social networks are extremely capable of informing and influencing purchase decisions, as many participants now trust their networks more than the marketing strategists. Companies that ignore the potential of social networking as a critical component of their marketing plan, attempt it without planning diligently for its success, or simply fail to embrace it, risk losing more than just ground to their competitors.

This issue of **Perspective** will evaluate the impact of social networking on the business sector, provide insight, tactics and best practices to help you integrate a social networking strategy into your marketing plan, and illustrate how your organization can leverage social media tools to:

- Create brand-building opportunities
- Establish credibility and trust within online communities
- Implement social engagement strategies

What are organizations doing to capitalize on the marketing potential of social networking and how can your business benefit?

The Marketing Equation Rewrite

In a departure from its usual full media blitz, the Ford Motor Company chose a social media marketing strategy to launch the Ford Fiesta, a popular subcompact model outside the U.S. that is being introduced here in 2010.

In April of this year, Ford brought 100 Fiestas over from Europe and gave them to mostly young and hip drivers who had demonstrated proficiency with social-media networking sites. These "social networkers" were given free use of the cars for six months and encouraged to write about their experiences online and upload one video per month on YouTube. By October, the effort had

"generated content that had drawn more than 4.3 million video views on YouTube, more than 540,000 photo views on Flickr and more than 3 million Twitter impressions."[3]

According to Ford group vice president of global marketing Jim Farley, "60 percent of the public is now aware of the brand, even though the vehicle doesn't go on sale until early next summer. If you would have told me that we would have 100 vehicles in the U.S. ... and we would have 60 percent brand awareness in the segment, I would have said there is no possible way."[4]

To put this in perspective, reaching 60 percent awareness in traditional media would cost somewhere in excess of $50 million. The Ford Fiesta social networking campaign cost the company just a fraction of that amount.

In our real-time world of smartphones and netbooks, social networking can impact a company's trustworthiness, credibility and brand perception. And more business executives have taken notice. Over the last year, social media interaction actually ranked as one of the most popular new tools based on data compiled by Forrester Research in its U.S. Interactive Marketing Forecast 2009-2014. The company reported that "U.S. marketers are projected to increase social media marketing spend by 34 percent compound annual growth rate (CAGR) from $716 million in 2009 to $3.1 billion in 2014."[5]

Social networking sites that could be the prime beneficiaries of this spending increase include, but are not limited to:

Facebook, the trend-setting social networking service, lets you connect with colleagues, business professionals and friends who share similar interests. Often referred to as the "thinking person's" social network, Facebook is growing by 700,000 users a day (the fastest-growing demographic is adults 35 and older) and has over 300 million active users.

Forecast: U.S. Interactive Marketing Spend, 2009 To 2014 (US$ Millions)							
	2009	2010	2011	2012	2013	2014	CAGR
Mobile Marketing	$391	$561	$748	$950	$1,131	$1,274	27%
Social Media	**$716**	**$935**	**$1,217**	**$1,649**	**$2,254**	**$3,113**	34%
Email Marketing	$1,248	$1,355	$1,504	$1,676	$1,867	$2,081	11%
Display Advertising	$7,829	$8,935	$9,935	$11,732	$14,339	$16,900	17%
Search Marketing	$15,393	$17,765	$20,763	$24,299	$27,786	$31,588	15%
Total	**$25,577**	**$29,012**	**$34,077**	**$40,306**	**$47,378**	**$54,956**	17%
Percent of all ad spend	12%	13%	15%	17%	19%	21%	

Source: Forrester's Interactive Advertising Models, 4/09 and 10/08 (U.S. only)

LinkedIn, the business professional networking site, recently hit a major milestone by surpassing 50 million users worldwide, and is growing that figure at roughly one new member per second.[6] LinkedIn allows users to build online communities with other business professionals, create connections with clients, partners and colleagues, and make job referrals and recommendations on each other's behalf.

YouTube, the world's largest and most popular online video community, has become the second largest search engine in the world.[7] YouTube has moved well past posting silly videos. Companies are now using it to sell themselves, showcase their expertise and share their thought leadership by:

- Posting their CEO's perspectives
- Uploading recordings of their presentations
- Converting podcasts into videos to increase their reach
- Setting up their own channel URL to build their brand
- Adding links to their videos on selected social networking sites

Twitter, the micro-blogging site, has seen its footprint rapidly expand, reaching almost 19 percent of all active Internet users this past October – up from 11 percent in April 2009. According to new data from market research firm comScore, younger users – specifically those in the 12-17 and 18-24 year-old demographics – are Twitter's fastest-growing audience segment.

This notable trend comes at the expense of the 35+ demographic that was the original core of the Twitter universe, as the 140-character message cap was viewed as more conducive to business vs. social communication. However, comScore reports that unlike popular social sites such as Facebook and MySpace, Twitter is actually "aging in reverse," first gaining popularity with older users and only later teens and young adults.

From a revenue perspective, Twitter users spend 66 percent more dollars on the Internet than non-Twitter users. No longer just a platform for friends to stay connected in real time, it has evolved into an important component of brand marketing.

Social Networking Gains Traction

To maintain competitive advantage, companies are adapting their marketing plans to meet the cultural changes being driven by the effects of social networking. Many are re-engineering their operations and utilizing digital strategies with the goals of mastering social media, integrating an e-Commerce component, and profiting from it.

Using Personalities for Competitive Advantage

Creating brand-centric personalities was key to the online strategy developed by **Fiskars Brands, Inc.**, a leading supplier of crafting tools for scrapbook and hobby enthusiasts.

Based in Madison, Wisconsin, Fiskars was losing sales of craft tools – including its famed specialized scissors – to cheaper commodity products available at all major big-box retailers. To protect its market share, establish a price/value relationship and energize customers around its brand, the company launched an online marketing program in 2007 called *Fiskateers*. The centerpiece of this initiative featured four Fiskateer ambassadors who served as community leaders, bloggers and cheerleaders for scrapbooking. Anyone could join and become a Fiskateer, enabling them to:

• Share scrapbook projects online
• Read the ambassadors' blogs and offer comments
• Participate in discussion forums and events

If you're marketing a narrow topic like scrapbooking, it pays to have a personality (or personalities) be the face of your effort to attract and engage others and build an emotional connection with your products and your brand. And the results bear this out. Mentions of Fiskars products by name were up more than 600 percent in 2008 from 400 percent the previous year (not including the Fiskateer blog and website) on a per-week basis.

The Fiskateer community grew to over 5,000 members (up from 1,200 in 2007), with each serving as a "brandgelist" (an evangelist for their brand), spreading the message to other crafters and adding value to the customer experience. Sales were up too, although Fiskars had not published any numbers.

Responding Constructively to Correct Shortcomings

Some organizations, like the **Baxa Corporation**, a Denver, Colorado-based provider of health systems technology, invite customers to let their hair down and use their social media site to comment and share experiences on Facebook and LinkedIn.

The company's strategy strengthened their brand position among social networkers who are technologically sophisticated and forward thinking. Facebook was chosen because research showed that "visitors to social networking sites and communities have greater brand loyalty and purchase five times as often as average users."[8]

Both Facebook and LinkedIn also provided Baxa with comprehensive usage data and metrics – including demographics, performance, activity and trends – to track and analyze who is engaging with them online and how.

There is one significant tradeoff that Baxa had to come to grips with. The two-way communication inherent in social networking meant giving up control of their message and their brand reputation. Customers were free to either praise or criticize based on a bad or perceived negative experience.

Being astute, the company turned this negative into a positive by listening to customer feedback and responding constructively to correct any shortcomings.

Recruiting Job Candidates

Hiring managers use LinkedIn to research the credentials of job candidates, according to a recent poll from Jump Start Social Media. The poll, which surveyed 100 hiring managers at various sized companies on how they use social media to research potential candidates before making a formal job offer, determined that:

- 75 percent use LinkedIn
- 48 percent use Facebook
- 26 percent use Twitter

Life Process Of A Successful Community

High — Member Activity — Low

Strategy, Research, Launch, Kick-start, Growth, Ongoing management, Continual improvements

Conception — Adolescence — Maturity

Phases Of A Community

Source: Forrester Research, Inc.

Helping accelerate this trend is business management software leader **SAP**, which is using LinkedIn to help its integrators recruit SAP consultants. The company's business partners are using *LinkedIn Recruiter* to meet the needs of SAP channel partners with up to 1,000 employees.

This online recruiting tool searches the LinkedIn network for candidates based on individually definable criteria. SAP partners can also contact and track candidates using this feature. Additionally, the package includes LinkedIn Jobs Network, an online job posting service that partners can use to promote job openings to the LinkedIn community.

"The value is there," according to Pat Hume, senior vice president, Global SME Indirect Channel, SAP. "Working with LinkedIn helps to ease our partners' recruiting needs and provide them with alternatives to the traditional recruiting ways."[10]

Smartphones Power Up the Trend

As sales of the iPhone®, BlackBerry® and other smartphones increase, companies should calibrate their social networking plans to include a video component. This will enable them to leverage the growth of the mobile video viewing audience and optimize their social media strategy.

Smartphone functionality has made it fast and easy for people to update their Facebook and Twitter profiles while on the move. Eighty percent of Twitter usage is now on mobile devices as people tweet, update and connect from anywhere, anytime. Facebook reports that over 65 million users visit their site through their mobile devices and those who do are more active than non-mobile users.
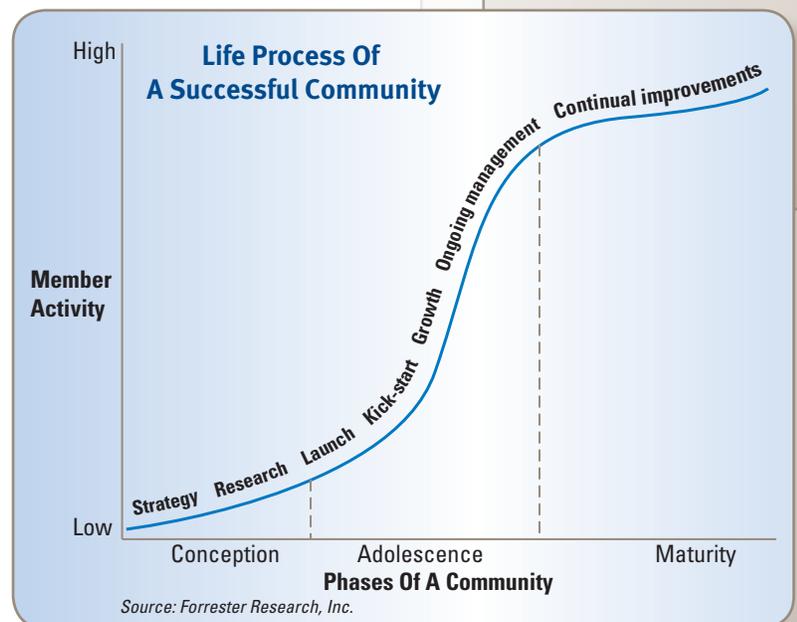
Riding the wireless communication wave, smartphone shipments are expected to surge to 164 million this year, up 13 percent from 2008, says market researcher Forward Concepts. And the future looks just as promising, according to ABI Research, who predicts that the mobile social-networking industry will become a $3.3 billion market worldwide by 2013.

Meanwhile, America's video consumption across the three screens of television, Internet and mobile continues to increase. The Nielsen Company reported that during Q2 2009, online and mobile video consumption were up considerably in terms of time spent and audience.

According to its *Anytime Anywhere Media Measurement (A2/M2) Three Screen Report*, Nielsen indicated that mobile video viewing continues to trend upward, with over 15 million Americans watching mobile videos in Q2 2009. This represents a 70 percent lift versus 2008 – the largest annual growth to date.

Overall Usage Numbers Of Users 2+ (in 000's) – Monthly Reach

	2Q09	1Q09	2Q08	% Diff Yr to Yr
Watching TV in the Home	284,396	284,574	281,746	0.9%
Watching Timeshifted TV	82,297	79,533	62,240	32.2%
Using the Internet	191,035	163,110	159,986	19.4%
Watching Video on the Internet	133,962	131,102	119,164	12.4%
Using a Mobile Phone	233,722	230,436	221,651	0.5%
Mobile Subscribers Watching Video on a Mobile Phone	**15,267**	**13,419**	**9,004**	**70.0%**

Source: The Nielsen Company

Best Practices for Successful Social Networking

Planning Discipline Still Applies
Start by establishing a set of attainable objectives grounded in answers to these questions:

• Is social networking the right online format for us?
• Can we commit to it and support, track and measure performance?
• Are we okay with it if it gets out of control?
• Are our clients involved with social networking? Where? Why? How?
• What do we want to achieve? Brand building? Lead generation?
• Who is our target audience?
• How can we match up our marketing strategies with audience interests?
• Is our competition involved and if so, where, how and with what?
• Are we able to dedicate the right resources to engage our online audience?

Use Younger Staff to Mentor You Up to Speed
Many business executives might be unfamiliar with the social-networking culture and therefore unsure how to leverage it. A growing number have discovered that their 20-something staffers who grew up with social media make great consultants. In fact, a survey conducted by the Center for Work Life Policy revealed, "40 percent of respondents had asked younger colleagues for help with text messaging, social networking and using iTunes."[12] This reverse mentoring takes senior executives beyond the basics and enables them to learn how to use social networking appropriately and then integrate it into their marketing plans.

Build a Blueprint for Attraction and Engagement
You can apply a layered strategy and start small by advertising in an online community or creating a blog to listen to your target audience and solicit feedback. This intelligence can help you plan future social networking activities more effectively based on a better understanding of the tone and content of the interactions taking place.

Once you've gotten your feet wet and analyzed the feedback, ratchet up your engagement by creating conversations with your audience and giving them something of value that's of interest to them. Here's your chance to build trust with both customers and prospects and establish your business as a resource for them. Any attempts at self-promotion or heavy-handed messaging will quickly shut the door on relationship building.

With your credibility as a trusted resource established, you can pursue more sophisticated strategies that might include full participation in an online community or developing your own social networking site. Ultimately, your focus should be squarely on increasing the quality and frequency of customer engagement. Becoming a conversationalist and making your company the "go-to" resource within your online communities will predispose members to your brand earlier in the due diligence cycle and increase their chances of buying from you.

Maintain Transparency

Winning customer trust is predicated on your ability to be transparent about your organization and its intentions. It won't take too long for social networkers to figure out and spread the word if you appear disingenuous, as **WalMart** learned the hard way.

In 2006, the company launched its "Wal-Marting Across America" campaign. It featured two bloggers on a cross-country journey who parked their RV in WalMart parking lots so they could interact with WalMart customers and record their experiences. However, the campaign was not what it appeared to be when it was discovered that the two bloggers were actually employees of the company's PR firm. The negative press that resulted did damage to WalMart's reputation and this effort is now remembered as one of the first examples of a "flog" or fake blog.

Keep in mind that taking your business social means acclimating your mindset to a new level of openness – whether good, bad or indifferent. Transparency takes the control of your message and brand out of your hands and cedes it to your social networking audience. Resist the urge for control and allow them their freedom of expression.

View Customers Through a Different Prism

Your customers now have the power to talk back at you and broadcast their opinions of your brand – even "out" your mistakes if they sense any level of impropriety. Therefore, you have no choice but to treat them differently and with greater respect than you may have shown in the past.

All it takes is one negative experience for a disgruntled customer to create a "Don't Do Business with Your Company" page on Facebook to damage your hard-earned reputation. So convert them to brand enthusiasts and deal with issues openly to reach mutually beneficial resolutions.

Be Prepared for Damage Control

It does not take much to put a brand at risk as open conversation travels at warp speed across the Internet. Organizations should be prepared to react quickly to any social-media-related contingency in order to regain control. Technology leader **Cisco Systems** found itself involved in a full-blown public relations cleanup that began with a poor decision made by an intern.

After receiving a job offer in the company's San Jose, California office, the intern tweeted her network that *"Cisco just offered me a job! Now I have to weigh the utility of a fatty paycheck against the daily commute to San Jose and hating the work."* This would normally appear harmless. However, the intern forgot to click the privacy box that would have made the message exclusive to her friends. Quickly, her worldwide tweet received a response from a Cisco employee who tweeted back, *"Who is the hiring manager? I'm sure they would love to know that you will hate the work. We here at Cisco are versed in the web."*

That simple communication on Twitter escalated into the "Cisco Fatty" incident that painted Cisco with some bad publicity for what was perceived as bullying. What should have been a non-event went viral overnight and even generated a call from Oprah Winfrey requesting both parties appear on her show. Cisco responded in a highly professional way, not trying to draw any more negative attention to the intern or itself so it could put the incident to rest. In order to improve Internet communication for its employees, the company developed a "Posting Policy" that outlined responsibilities and guidelines to help avoid creating any future incidents.

Use Your People as Online Community Leaders

Take the heart of social networking one step further beyond people interacting with people and brands. Online community members can benefit from business leaders who guide conversations and encourage more participation. Line up people from or affiliated with your company, such as executive team members, employees and company supporters, to join the discussion. Engaging directly with executives and celebrities – even the CEO – will be appreciated.

For forward-thinking companies, social networking represents a dynamic and potentially promising source of business. If you're not currently using social networking to help build your brand, now might be a good time to start. Many corporate blogs, online communities and other forms of social outreach are still relatively young, so no one has established a clear competitive advantage. The edge, however, goes to the early adopters.

This issue of *Perspective* is part of a series of publications for executive business leaders compliments of J.P. Morgan. Each in-depth report is designed to present you with relevant news you can use on emerging business issues. For more information, please visit us online at www.jpmorgan.com/NewsYouCanUse.

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