Marketing to the Social Customer: The Challenges of Social Media

Professor Raji Srinivasan
Knowledge to Go Seminar
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Social Media Explosion
Why do People use Social Media?

- Individuals all over the world, across all generations, especially GenX are swarming to social media.
- The top reason people use social media is to connect with friends and family followed by news, entertainment, and sharing opinions.
- It is about connections with friends and family – not brands.
  - Interacting with brands is the 11th reason.
Who is the Social Customer?

- Learns about new products and brands through social channels and trusts her social network to provide good information.
- Savvy and open to information that meets her needs.
- Expects brands to be present and active in social venues listening to her.
- Expects brands to listen and engage with her, especially when she needs them. And they better respond fast, in real-time, or she will either move on to a competitor, or tell her friends about her bad experiences.

- You may not know what you are doing, but your customers do –Lauren McKay (CRM 2009)
1. Customers emerging as infomediaries.
   - Customers as brand advocates.
   - Information contagion among customers.
2. Customers want utility, entertainment and worth (UEW).
3. Customers control information channels.
4. Customers as free agents, wooed by social media companies.
1. Customers as Infomediaries

- Customers empowered to send and receive information publicly to other consumers.
- Social information channels sometimes have greater credibility and trust than marketers’ information.
- Information being generated exponentially and curated online for eternity; sometimes even without any inputs from companies.
Customers as Brand Advocates*

- Brand advocates are people who habitually review products and share their opinions with others.
- Brand advocates are more than twice as likely to use social networks to share product information. Four times more likely to use online feedback sites and discussion boards, three times more likely to blog, and twice as likely to use Amazon and Twitter.
- Brand advocates write reviews more than twice as much as the average Web user. Brand advocates forward three times more of others’ communications.
- Brand advocates are 70% more likely to be seen as a good source of information by people around them. Brand advocates are 50% more likely to create a post that influences a purchase. Advocates are three times more likely to share product information with someone they don’t know.
- Brand advocates want to help others. They want to build their own brand.

Research by Dr. Kathleen R. Ferris-Costa, University of Rhode Island
Royal Caribbean and Royal Champions

- Royal Caribbean identified enthusiastic online supporters. 50 Royal Caribbean Champions chosen for both quality and quantity of posts.
- The Royal Champions community of online enthusiasts was invited to a big event, the pre-inaugural sailings of new ships.
  - The events generated abundant positive word-of-mouth, and online community leveraged for ongoing marketing initiatives.
- What happened next?
- Media Uproar
- Are all customers equal? Can some customers be more equal than others?
2. Customers: Utility, Entertainment and Value (UEW)

- Utility: what’s in it for me?
- Entertainment: why should I spend anytime on it?
- Worth: What can I get out of it? What can my network of family and friends get from it?

- Don’t waste my time, show me the money
LOFT by Ann Taylor
LOFT’s Response
Defriend 10 Facebook friends to get a Whopper?
3. Customers Control Information

- Information in social network is controlled by customers.
- Companies lack control over this information and this is evident to all stakeholders.
- Concerns about the identities of these “customers.”
- He/She who shouts loudly and rudely gets attention, regardless of the facts.

Hell hath no fury like a customer scorned (or perceived to be scorned)
Is US Airways' porn photo the worst of Twitter gaffes?

Jolie Lee, USA TODAY Network 8:40 a.m. EDT April 16, 2014

Corporate America embraces social media as a way to get the attention of consumers in an ever-more crowded digital space.

But those clever or hasty tweeted promotions also can create problems for a brand.

Just ask US Airways, the latest corporation to apologize for a post in bad taste that hit the Twittersphere.

After it inadvertently retweeted a pornographic photo Monday, US Airways is reviewing its social media policy, said Matt Miller, spokesman for American Airlines, which is merging with US Airways.

The US Airways example underscores how quickly mistakes go viral as companies interact with customers via social media.

"Brands are desperately trying to cut through the clutter, and they try to insert themselves into the conversation," said Carrie Kerpen, CEO of Likeable Media, a social media consultant for businesses, including Fortune 500 companies.

Social media gaffes can include messages that are off-putting or even offensive to intended audiences. In these cases, Kerpen said, brands need to listen more closely to how online conversations develop.

"The reality is that social media is a very human activity with real people having conversations," Kerpen said. "It leaves space for human error."

Big-name brands, including Kenneth Cole, Campbell, Chrysler and Home Depot, have had similar experiences with mistakes on social media.

MORE: US Airways apologizes for lewd photo on Twitter
US Airways apologizes for lewd photo sent via Twitter

US Airways has apologized after a pornographic image was mistakenly sent out from its Twitter account.

The image was tweeted at least once in response to a customer who complained to US Airways in a tweet saying: "You ruined my spring break, I want some free stuff."

American Airlines, which is in the process of merging with US Airways, offered both an apology and an explanation for the tweet.

"We apologize for the inappropriate image we recently shared in a Twitter response," spokesman Matt Miller told Today in the Sky by phone.

The lewd image was first tweeted at @USAirways from an individual's Twitter handle. US Airways then accidentally included the image in a response to another customer via Twitter.

"Our investigation has determined that the image was initially posted to our Twitter feed by another user. We captured the tweet to flag it as inappropriate. Unfortunately the image was inadvertently included in a response to a customer," Miller said.
4. Customers as Free Agents

- Social media network companies have legitimate, direct pipeline to customers, enabling free agency.
- Consider: Groupon partners with businesses to send a daily coupon e-blast to its members.
- Groupon’s members who buy the coupon get 50 to 70 percent off on a good or service, and Groupon splits the proceeds with the business.
- Leaving the business with about 25 to 50 cents on the dollar of price to their customers.
Groupon and Gap

Today's Deal: $25 for $50 Worth of Apparel at Gap
Groupon and Customer Relationships

- What types of customers will respond to promotions? Will they come back? What will be needed to retain these customers?
- What is the effect on profit margins with extensive profit sharing with Groupon?
- What is the effect on your current customer relationships?
- Who owns these customers? Are they your customers or Groupon’s customers? Does it matter?
Social Customers: Conclusions

- Potential to cost-effectively reach customers in their digital habitats and leverage them.
- Power in customer relationships shifting to customers. And, not just to big customers.
- Social media platforms are public, real time customer forums. Little or no control over increasing downside risk.
- Small, controlled, initiatives pay off. Bold initiatives may backfire, virally, calling for expensive damage control.
- Threat of disintermediation of customer relationships with the growth of social media network companies.
- In short, Social Media is in a state of flux with equilibrium in customer relationships evolving shaped largely by customers.
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