SOCIAL NETWORK MARKETING: Present and Future Trends
Social Network Marketing
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About Direct Marketing Association (DMA)

The Direct Marketing Association (www.the-dma.org) is the leading global trade association of businesses and nonprofit organizations using and supporting multichannel direct marketing tools and techniques. DMA advocates standards for responsible marketing, promotes relevance as the key to reaching consumers with desirable offers, and provides cutting-edge research, education, and networking opportunities to improve results throughout the end-to-end direct marketing process. Founded in 1917, DMA today represents more than 3,600 companies from dozens of vertical industries in the US and 48 other nations, including half of the Fortune 100 companies, as well as nonprofit organizations.

In 2008, marketers — commercial and nonprofit — will spend $176.9 billion on direct marketing, which accounts for 52.1 percent of all ad expenditures in the United States. Measured against total US sales, these advertising expenditures will generate approximately $2.058 trillion in incremental sales. In 2008, direct marketing accounted for 9.9 percent of total US gross domestic product. Also in 2008, there were 1.6 million direct marketing employees in the US. Their collective sales efforts directly support 9.3 million other jobs, accounting for a total of nearly 10.9 million US jobs.


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Finally, I would like to thank all of our survey respondents, without whom DMA could not produce its research.

Sincerely,
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Methodology

The results reported here are based on a series of Internet surveys fielded between July and December 2008, as well as a number of interviews with marketers and suppliers in December 2008 and January 2009.

The initial two survey deployments occurred in July and August as part of a larger survey on social networking and behavioral targeting. The larger survey received 124 responses, of which 44 respondents reported using social networking platforms in their marketing efforts. A follow-up survey dedicated to social network marketing was deployed twice in late December 2008, once through the Email Experience Council (EEC) and a second time through the DMA house list. The EEC also posted the survey link on its social networking walls. Together, these two deployments produced 312 partial or complete responses, of which 195 use social networks in their marketing. All respondents in December were offered an incentive of a free copy of DMA’s *New Media Emergence in Brand & DM*. Altogether, 54.8% of respondents in the two surveys use social network marketing.

A DMA researcher conducted the phone interviews with all the experts quoted throughout the paper. Dave Rhee and Dr. Barnes also responded via email to a series of questions. Interviews took place in December 2008 and January 2009.

The TD Bank case was an entrant to the 2008 International Echos Awards, where it was an award finalist.
Executive Summary

This report covers data, analysis, expert interviews, and cases on current social network marketing practices.

Key Findings

Marketing on social networking sites began in earnest three years ago, and each year since then the number of marketers using them has roughly doubled. While most of our respondents that market with social networks (60%) use banners on social networking platforms, the majority (70%) also join online conversations to interact and respond directly with customers.

Digital marketing budgets are projected to rise 34% in 2009, with 18% of the digital budget dedicated to social network marketing. The primary venue for this marketing is third-party platforms, such as Facebook, MySpace or LinkedIn, which 93% of respondents use, compared with 45% using niche platforms, 35% private platforms, and 30% internal platforms. The leading platform that marketers are using is Facebook by 80% of social network marketers.

The leading attraction of social network marketing is its interactivity, cited by 71% of respondents and its relatively low expense (68%). Its chief downside: it takes a significant amount of time to do well, cited by 61% of respondents, and it reaches only certain groups, cited by 53%.

Seventy percent of respondents felt that social network marketing was ineffective for direct response marketing, twice as many who felt that it was ineffective for branding. Experts, however, contend that direct sales can be effective if the marketing offers clear value and is not a hard sell.

Measuring ROI from social network marketing is possible using key performance indicators, such as page visitors, links, bookmarks, etc. This, however, understates its long-term value for brand loyalty and market research.

In order to take advantage of social networking platforms, marketers need to be more authentic in tone, responsive to feedback (i.e., customer-centric), and creative in ways to engage customers. And they need to feel comfortable in letting their customers have greater control in defining their brand.

The future will likely see three major trends: 1) more standardization of platforms allowing users to post simultaneously on multiple platforms, and developers to create social networking applications that can be used throughout the web; 2) Better metrics; and 3) the development of dedicated social network monitoring positions within marketers and specialized social media advertisers within the agency world.
Key Definitions

**Apps**: Or “applications”. They are developed for social networking platforms by outside developers. Examples include a quick tax calculator for an accounting firm, a calendar, or games.

**API**: Application programming interface. This makes social networking apps portable to different social networking platforms—and even ordinary websites.

**Custom apps**: Apps built for the individual needs of a business website.

**Niche social networking platforms**: Social networking platforms that focus on a specific professional, industry, or demographic segment.

**Open stack**: Standards that will let users link their information on various social networks and will also allow applications to work across social networks.

**Private online communities**: Social networks whose membership is controlled by an organization. Their purpose is to provide feedback and insights about a brand or an organization.

**Private social networking platforms**: Social networking platforms that serve the customers or members of individual companies or organizations.

**Social media**: Technologies that allow individuals to interact online or via mobile communications to co-create, share, or discuss information.

**Social networks**: Are groups of individuals that are tied together by a common set of interests, characteristics or activities, and who have the ability to interact with each other.

**Social networking platforms**: Social networking platforms provide the online space for social networks to come together.

**Social network marketing**: Marketing done via dedicated pages on third-party social networking platforms, banners on social networks, or via branded social networks platforms.

**Third Party social networking platforms**: Social networking platforms that are open to the general population, e.g., Facebook, MySpace, or LinkedIn.

**User-generated content**: Conversations, video, or other content created by the end-users of a media.

**Wall**: A personal message board shared with members of a user’s chosen network.
Introduction

All marketing is about tapping social networks, but new technologies and applications have made social networks much easier to create and nurture. In 2003, the social networking platform Friendster launched a new type of web experience that fostered far greater interaction and content creation than possible beforehand. Now, social networking platforms exist in all sizes and shapes. From Facebook with hundreds of millions of users, to niche sites that may have a few dozen, marketers have whole new opportunities to reach and interact with customers.

Marketers can advertise on these sites as they do on other sites: with contextual display ads. As behavioral targeting and contextual ad technology continue to develop, these ads will become more precise. The marketing potential of social networking platforms, however, far exceeds what is possible with contextual advertisements. Marketers can now enter conversations with large numbers of their target audience, leading to deeper brand engagement, more collaborative content creation, and potentially broader but more precise reach. This interactive aspect is revolutionary, if a bit difficult to monetize at the moment. Marketers need new strategies and tactics to grasp the opportunities.

This report looks at how marketers have jumped into this new medium. The following sections will report the results from two surveys conducted by DMA. The surveys covered topics ranging from how long marketers have used social networks to the methods they are using to ways they measure success. As much as the numbers tell a story, DMA felt that additional insights could come from experts and cases. All these sources are synthesized at the end to create a list of best practices and possibilities for the future.
Detailed Findings

Timelines

Our survey reinforces the newness of these sites as marketing tools. All of our respondents who use social network marketing began in the past three years. In fact, nearly 60% of these respondents started in the past year.

![Experience Advertising with Social Networks](image)

Source: DMA, 2009

The survey took place in two parts. The first was conducted over the summer before the extent of current economic problems became clear. In this survey, most respondents reported using social network marketing in minor ways. Roughly 90% spent and earned less than $100,000 in both 2007 and 2008 through marketing on social networking platforms. Our more recent survey conducted in December 2008 and early January 2009 showed clear growth in digital spending in general and social network marketing in particular. Even in the current crisis, marketers project increasing their digital spending in 2009 by 34.3% on average, compared with 9.9% for offline. Nearly a quarter of respondents report that they will decrease offline spending this year, compared with 2% who will decrease digital spending. Of this digital spending, 18% will go to social networking marketing in 2009.
Projected Increase in Marketing Budgets in 2009 (relative to 2008)

- Offline, N=88: 9.9%
- Digital, N=92: 34.3%
- Mobile, N=82: 3.8%

Source: DMA, 2009

Percentage of Marketers Reporting Decreases in Marketing Dollars

- Offline, N=88: 23.9%
- Digital, N=92: 2.2%
- Mobile, N=82: 1.2%

Source: DMA, 2009
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Annual Expenditures on Social Network Marketing, N=43

Source: DMA, 2009

Annual Revenue Generated Via Social Network Marketing, N=43

Source: DMA, 2009
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Types of Platforms

Dr. Nora Ganim Barnes, an expert on social network marketing trends at the University of Massachusetts Dartmouth, writes, “All social networking sites cater to a different audience and demographic. The search for the right network is important.”

![Chart showing the percentage of respondents using different types of social networking platforms.]

Most social network marketers look to general social networking platforms. In our survey, over 90% of social network marketers use these third-party platforms, which give marketers a variety of options. For minimum commitment, they can post targeted banner ads; the large general platforms such as Facebook have the most advanced contextual targeting. Or they spend a great deal of effort and try to create an ongoing conversation with their customers through dedicated pages, widgets, or forums. When asked about specific third-party social networking platforms, 80% of respondents reported marketing via Facebook, followed by Twitter (53%), LinkedIn (46%), and MySpace (40%). No other platform gets marketing business from more than 10% of our respondents. For a case of a dedicated campaign via a general platform, see the example of a TD Bank campaign on Facebook, on p. 20.

The same options exist with niche social networking platforms, which have membership around specific professional segments, industries, or demographics. Examples for these could be a network for lawyers to set up a state bar, or a network for writers. Forty-five percent of our respondents use these niche sites.
Fewer (35%) create private social networking platforms. A good example of a private platform is CorelDraw.com, a platform for users of Corel’s design products that recently won a Commendation of Excellence from the New Communications Review.¹ The 15,000 members of the community have access discussion boards, galleries, blogs, and wikis. With clear links to other CorelDraw groups on Facebook, Twitter, LinkedIn and other sites, and a top three ranking for searches on CorelDraw on Yahoo and Google, the site is at the center of discussion about the product. Users share their questions about the product, ideas on how to improve it, and art. Several members of Corel participate in discussions, respond to questions, and post blogs on the site. Beyond creating “passionate evangelists” for CorelDraw, Corel also hears firsthand about its products and has an ongoing source of market research. In order not to hinder these two goals, the site contains no advertisements or store.

Nearly 30% of our respondents created a social networking platform for their employees. Such sites deploy external marketing tools internally—to create a way for employee insights to reach people who could influence policy. Such sites can also achieve specific objectives, such as customer research, or collaborative product developing.

¹ [http://www.newcommreview.com/?p=1357](http://www.newcommreview.com/?p=1357). All the information for this example comes from this site.
When Best Buy wanted to identify consumer needs, it set up an internal social network linking over 14,000 active employees.² The BlueShirt Nation site opened a path for employee insights to reach people who could influence policy. Best Buy employees spend their days talking to their clients. The site not only provides market research, it also gives employees an outlet and sense of contributing to the larger group. As a result, employees active on the site have a lower turnover rate than other employees.

Private Online Communities

Private online communities are a very specific type of social network. Unlike the other networks discussed so far, the membership is composed of individuals chosen by a provider or company, and usually has a size of around 300-500 members. This gives the community a composition that makes it ideal for generating feedback about new projects or messages, as well as providing insights into the needs of an organization’s customers or members. “By engaging on a regular basis with some of their prime customers, companies transform their internal culture into one that is more customer-centric,” says Debi Kleinan of Communispace, a leading provider of online communities.

Unlike with many open-membership online communities, C-level executives occasionally take part in discussions. “Closing the feedback loop is important,” says Kleinan. “People feel good knowing that their ideas have influenced the direction of a major company.” This gratification alone is a strong enough incentive for members of the community to remain active and engaged.

Social Network Marketing

Pros and Cons

<table>
<thead>
<tr>
<th>Compelling Reasons to Use Social Network Marketing, N=41</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is relatively inexpensive</td>
</tr>
<tr>
<td>Using Social Networks, it is easy to reach a lot of</td>
</tr>
<tr>
<td>people in short amount of time</td>
</tr>
<tr>
<td>The interactivity creates instant feedback from our</td>
</tr>
<tr>
<td>customers</td>
</tr>
<tr>
<td>The technology allows for exciting dynamic content</td>
</tr>
<tr>
<td>Metrics are easy to track</td>
</tr>
<tr>
<td>Customer profiles are available for analyses and</td>
</tr>
<tr>
<td>modeling</td>
</tr>
<tr>
<td>It is easy to find our target audience</td>
</tr>
</tbody>
</table>

Source: DMA 2009

Social network sites offer unparalleled opportunities to engage and learn from customers. And it is cheap. These two factors—it’s low price and the interactivity that creates instant feedback—were the two leading reasons our respondents listed for using social network marketing. In fact, over 70% of our respondents use social networks to follow and respond to ongoing conversations by their customers.

Another compelling reason is the ability to reach a large number of people quickly, cited by 51% of respondents. CorelDraw.com magnified the scale of what Corel already was doing: providing customer service and listening to customers to hear what they wanted in Corel products. Over 40% of respondents also cited the technology’s ability to allow for dynamic content and to enable reaching the right audience. Several platforms have opened up their sites to third-party developers to create applications. The result is a very rich environment for innovation.
### Major Challenges in Using Social Networks, N=41

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Network marketing is too complex to know what to do next</td>
<td>17.1%</td>
</tr>
<tr>
<td>Not enough resources to do it well</td>
<td>41.5%</td>
</tr>
<tr>
<td>Concerns for customer privacy make it problematic to obtain customer data</td>
<td>22.0%</td>
</tr>
<tr>
<td>Only certain groups of population join Social Networks</td>
<td>53.7%</td>
</tr>
<tr>
<td>It is not obvious how to engage our customers</td>
<td>17.1%</td>
</tr>
<tr>
<td>Metrics are difficult to collect and analyze</td>
<td>43.9%</td>
</tr>
<tr>
<td>Sometimes we receive poor reviews which hurt our brand/product</td>
<td>29.3%</td>
</tr>
<tr>
<td>It takes a lot of time and effort to nurture our own community</td>
<td>61.0%</td>
</tr>
<tr>
<td>Customers ignore our banners easily</td>
<td>51.2%</td>
</tr>
</tbody>
</table>

Source: DMA, 2009

The advantage of entering a dialog through social networking platforms, however, is offset to some extent by the commitment it requires—a major challenge cited by 61% of our respondents. More than half of our respondents also noted that social networks are still only capturing a portion of their target audience, and that most viewers ignore banners and display ads on these sites. And as mentioned earlier, many (44%) feel that the metrics measuring the impact of social network marketing remains underdeveloped.

### Objectives of social network marketing

More than 70% of our respondents cite brand awareness as the central objective in social network marketing. More than half also signal the importance of brand perception and new customer acquisition.

Our respondents clearly felt that social network marketing is more about branding than direct sales. Roughly 70% of respondents felt that social network marketing was ineffective for direct sales (that is, they ranked its effectiveness as four or less on a nine-point scale). Half as many thought branding as ineffective through social network marketing. That said, some of our experts felt there was a place for direct sales in a social networking context if it is done in a way that shows the company is listening to what the costumer is saying on the site. Ryan Turner, Associate Director of User Experience at digital agency Zaaz, says, “Potential objections to direct sales (in social media) are overstated. People mind hard sells. If you can sell yourself as creating value, people actually appreciate it.”
Main Objectives in Social Network Marketing, n=145

- Brand perception: 55.2%
- Brand loyalty: 33.8%
- Brand awareness: 71.0%
- Customer acquisition: 56.6%
- Customer retention: 34.5%

Source: DMA, 2009

Effectiveness of Social Networks for DM & Brand

- Brand: Mean=5.32
- Direct: Mean=3.73

Source: DMA, 2009

Methods

The leading marketing use for social network platform remains display ads, which 60% of our respondents use on social networking platforms. With the information that members provide on social networking sites, marketers can precisely target ads. Moreover, these ads provide the most reliable source of revenue for social
networking platforms at the moment, so there is a large incentive to make them as effective as possible.

![Marketing Channels Used in Social Network Marketing, N=130](chart)

Source: DMA, 2009

The downside is that people may not respond to display ads on social network sites as they would on other types of websites. According to several of our experts (and 51% of our respondents), users generally concentrate on the parts of the site where they know information is being generated—the updates, media uploads, apps—and ignore banners. One way to get around this is to make the user interact with a display ad that appears in a spot where the visitor is paying attention. Jennifer Bartlett of Sometrics, a firm that specializes in advertising targeting and analytics for social media, says, “If you can make people interact, then the advertisement is much more effective.” She points to advertisements in gaming applications that, for instance, let poker players earn more chips.

Social network marketing can include far more than simply banner ads. Nearly half (48%) of our social network marketers enable or contribute to discussion boards. A further 35% provide a space for peer-to-peer customer support, while only about a quarter or less create custom apps or widgets.

**Metrics**

Measuring ROI for social network marketing is an inexact science. Marketers still have not gotten a good handle on how to monetize the full effects of social networking platforms. Display advertisements on social networking sites can drive direct sales, as can dedicated web pages, or even private social networking
platforms. But limiting social network marketing to direct sales misses what makes the medium special. Independent social media consultant David Rhee says, it can “limit you to being a pushy salesman...Then you are missing the point of engaging in a persistent conversation with your audience.” In our survey, more than 80% or respondents agreed that successful campaigns must promote user interaction and self-expression, and provide a unique experience—all elements of engagement.

![Key Ingredients to a Successful Campaign, N=44](image)

Source: DMA, 2009

Still, there are ways to create ROI for social network sites, albeit ones that underestimate its full impact. The key is the ability to link proxies for engagement with conversion rates. To do this, there needs to be either a checkout on the social networking page, or a link to the whole web architecture of the company. Using web analytics, a company then can see whether people with high levels of engagement are more likely to buy, and at what rate. Once this information is available, ROI is within reach. Ryan Turner writes in his blog, “From there you can look at the total number of community participants, total up their relative value, and subtract the cost of the community. Poof! ROI.”

Some companies create ROI by placing a monetary value for each activity, or key performance indicator (KPI). The wireless phone and web portal company Helio measured ROI through direct sales, such as phone sales and service upgrades, but also indirect or intermediary metrics, such as how many visitors checked coverage area, or number of impressions.

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3 For more details on measuring ROI, see Ryan Turner’s blog, WebSocialArchitecture.com, particularly this entry:
In our survey, the most common KPI, or success metric, is unique page visitors, used by all but one of our respondents. But many also look at behavioral evidence of engagement, such as bookmarks to the social networking page (26.8%), subscription to RSS feeds from the site (34.1%), whether or not a viewer produced content for the site (26.8%), and linking (43.9%).

Turner suggests asking visitors about their engagement through an entry survey and an exit survey given to different groups of visitors to a social network platform. Comparing the results can directly measure the impact on engagement.
Case: TD Money Lounge

Getting a social networking campaign right requires a clear goal and strategy, along with the flexibility to let the community develop organically once it is launched. TD Bank Financial Group put it all together in a Facebook Campaign that was a finalist in the 2008 International Echo Awards, a DMA-sponsored event that highlights leading direct marketing campaigns.

**Goal:** TD Bank wanted to reach and create an ongoing relationship with 18-24 year-olds, who are in the phase in life where they often choose the financial institutions that they will use for a long time.

**Strategy:** In the words of the campaign, “The strategy was to leverage the social interactive capability of Facebook in order to create an ongoing two-way dialogue with a young adult audience.” Specifically, TD Bank sought to create a group of regular members of a Facebook group, which would not only become long-term adherents of the TD Bank brand, but would also spread the word to others within their social network and provide information on what is relevant to age group.

**Campaign Structure:** The campaign worked on several levels. To attract users, TD Bank ran banner ads on other sites and sponsored stories, and even rented buses that would take students to retailers which participated in the program. The ads included offers for downloadable coupons, contests, and referral offers.

Once students arrived on the site, they saw several pieces of valuable content which included:
- Articles on themes such as careers advice, tips on roommate living, cheap living.
- Links to scholarships, career boards, and bank locations.
- Videos on financial tips.
- An app called Split it, which let roommates calculate how to split costs, and which would notify users when payments were due.
- The company also maintained a presence on its wall (discussion board).

**Results:** TD Bank exceeded the performance of its competitors by significant amounts. It also had the most recognized brand (among Canadian banks) on Facebook. It also now has over 17,000 members on its page.
Best Practices

Best Practice: Start with authenticity.

If conversation is the goal, authenticity is the starting point, not the end, according to Jonathan Burg, Senior Emerging Channels Specialist at digital agency Digitas. Online communities can sniff out pretense. When hiring a blogger, be completely transparent about it. If a marketer takes too glib a tone, or sounds too formal, or tries to stick to a message when the evidence weighs against it—all these will backfire.

The best (and most authentic) employee presence on a social networking site comes from the technical side or from the shop floor, according to Ryan Turner. Jon Burg suggests that the only time this may not be appropriate is in some B-to-B contexts, where conversations usually take place on the C-level to begin with. Social networking at that point becomes an extension of person-to-person lead nurturing.

Best Practice: Be open—to an extent

Openness is a key element of authenticity. Do not deny the obvious or stay quiet in the face of criticism. At the same time, keep some limits in place. Mr. Burg warns about the “close talker,” the company representative that dominates a conversation about a brand or takes the conversation in overly personal ways. Mr. Turner noted that many company workers reveal too much about themselves or their products’ flaws. Openness does not mean revealing everything.

Best Practice: Listen

Authentic conversations grow organically and are two (or more)-way. In order to really understand what their customers feel (and are about), marketers should let their customers dictate where the conversation goes. This requires a great deal of flexibility and the ability to “let go.” Those who do will hear their customers suggest new topics and content, give honest feedback, and provide insight into themselves. They may even influence how others engage with your brand. The marketer who doesn't listen misses all this.

Best Practice: Create access to a brand

According to Mr. Burg, this is what makes social networking platforms so powerful for marketers. “You need to foster social interactivity,” Burg says, “You can start with leadership pieces, open forums, blog posts.” He suggests first to look at internal sources for this, focusing on employees who are passionate
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about a subject. From there, you can bring in partners from the outside. A notable example is Ford, which hired Scot Monty to run their social media. In addition to his job with Ford, Mr. Monty remained an independent presence on the web with three blogs and a podcast.

Another way to bring in outsiders is by hiring influential bloggers to provide extra insights, hopefully bringing their followers to the brand as well. Hiring or targeting influentials, however, can be expensive and, as noted venture capitalist and author Guy Kawasaki argues in a recent blog, ultimately less effective than trying to capture the “nobodies” through social media. By creating spaces for conversations among hundreds or thousands of members, social networking platforms are a great way to reach the “nobodies.”

Best Practice: Avoid the hard sell

As noted earlier, hard sells do not work well on social networking platforms. People will tune out a social networking campaign that does not provide value. That does not mean you cannot sell; you just have to show value, and allow buyers to opt into the offer.

Best Practice: Reflect the ideal member

A social networking site reflects its members. If the purpose of a social networking page/site is to create a new network, the marketer should have a clear picture of the ideal member. This persona—the characteristics of the ideal member—should then define the look of the site.

The case of Helio illustrates the possibilities. Helio provided an alternative model for wireless services that included dedicated hardware and unique services. The company recognized early the potential of social networking platforms and established a strong presence on MySpace. According to Josh Schiesing, former Director of Web for Helio, “Everything on the site was geared to make the brand cool.” They created an app known as an excuse generator, which let users go to a website to choose a scenario that could be sent via text to a phone at a given time. Another offering was a social etiquette guide, written tongue-in-cheek, which also was distributed in Helio stores. Helio’s MySpace page linked to a music player, a picture-sharing system, and a limited social network called HelioSocial.com. At one point, Helio had the largest corporate profile on MySpace. All of the creative and applications were targeted to the young, hip user.

4 This argument can be found on Guy Kawasaki’s blog, How to Change the World http://blog.guykawasaki.com/2008/12/how-to-use-twit.html.
Best Practice: Dedicate resources

All this isn’t easy and represents a sea-change from traditional marketing. There is a growing feeling among marketers that to do social media marketing properly, you need to dedicate resources to the task. Dave Rhee says, “Engaging in conversations ‘in the wild’ takes skill, integrity, and a culture of openness and transparency—these are not readily available resources in a traditional marketing culture based around managing a message, controlling the flow of information, and engaging customers in the context of your own, highly-managed environment.” In a culture of continuous communication, marketers who learn to try to ride the wave rather than control it will succeed.

A few people, with a specialized set of skills, should keep a continuous eye on conversations on various social network sites and on blogs. Marketers can use tools such Google Blog Search/Alerts, which notify users of new posts regarding their brand.
Conclusion: Where is Social Network Marketing Heading?

Social networking platforms offer a level of interactivity that intrigues marketers. More marketers use these platforms each year, and in more ways. The primary method right now is the display ad. To get the most from these sites, however, marketers have begun to use these sites to have conversations, literally, with their customers. Even display ads have integrated an interactive component. For example, some marketers have used display ads as integral parts of games. The most effective social network marketers have a new mindset, marked by openness, flexibility, and full engagement with their customers.

Effect on Corporate Structure

Marketing departments will need to dedicate staff to monitor conversations online—or outsource to companies that do, for instance, through private online communities. A crucial part of customer service is a sense of empathy, and there is no greater way to express empathy than taking part in ongoing conversations online, listening to complaints and suggestions, and responding. Companies will need to become even more customer-centric.

This trend will extend beyond external communications. Internal social networking platforms, such as the one used by Best Buy, can provide a conduit for front-line ideas to reach strategic decision-makers. In effect, Web 2.0 tools have the potential to democratize decision-making in large companies.

Agencies will likely need to adapt as well, either by creating social media departments, or by thoroughly adapting the interactive mindset throughout. According to Mr. Rhee, “The most successful social media agencies will be those that are specialized, rather than merely adjuncts to interactive agencies. Interacting with individuals in a social micro-marketing context is qualitatively different from designing a website.”

Data and Measurement

As with all marketing, data will become increasingly important. While some companies have developed approximations for ROI and brand engagement from social network marketing, the data will become more accurate in the future as a result of a few trends.

One trend is the development of technologies that track online conversations. Sites such as BuzzMetrics, Cymphony, MindComet, and Radian6 trawl the web

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to track brand strength in real time. Their methodologies vary, but they essentially work by measuring the amount of mentions that a brand receives on online blogs, Twitter conversations, or discussion boards—and whether the tone is positive or negative based on filters. If and when search engines can begin to interpret the meaning behind online conversations and content—the semantic web—then the whole scope of tracking conversations can go to a new level. These tools give marketers quicker reflexes.

A second trend is the disaggregation of customer data from individual media. Data exchanges—companies that track behavior for individuals across a variety of media—capture a far wider swath of individual behaviors, especially those showing clear intent such as searches and purchases. These services, which are still in their early stages, offer benefits both in targeting as well as in tracking.

**Standardization**

A more general standardization of social networking sites and tools is already on the way. Several companies have initiatives to develop an “Open Stack.” This initiative will also let developers create social networking applications that can work on any social networking site—and even on ordinary websites. This so-called distributed social networking will let any site become a social networking platform. Several of these efforts include Google’s OpenSocial, Yahoo’s Open Strategy, and Facebook Connect.

In the coming years, social networking will become more standardized, integrated, and easy to use. Marketers will need to adapt to the new challenges—but those that do will have far more insights into their customers and data to judge their efforts. It’s an exciting time.