Social Media & Marketing: Online advertising and networking

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What is social media?

Social media describes the online technologies and practices that people use to share opinions, insights, experiences, and perspectives with each other (Wikipedia 2007).
They share one or more characteristics

Connectedness
FUTURE OF MEDIA:

MAINSTREAM MEDIA
- Music
- Voice
- Video
- Text
- Images

FORMAT
- Embedded
- Time Shifting
- Space Shifting
- Format Shifting

CONTENT
- User
- Audience
- Voting
- Blogs
- Journalism

DISTRIBUTION
- Channels
- Brand
- Media
- Mobile
- Media
- Mobile
- Devices

REVENUE
- Pay Per View
- Subscription
- Classifieds
- Advertising
- Direct
- Aggregated
- Free

SOCIAL MEDIA
- Conversation
- Annotation
- Relationships
- Self Exposure

Access
Production
Consistency
Professionalism

Future Exploration Network, 2005
Social Media’s elements

Interactivity

Interconnected
Web 2.0 World

Networks

Word of Mouth
6 Dimensions of Interactivity

Interactivity is one of the important elements in advertising studies as it has been used as a measurement of advertising effectiveness of the internet

- User control
- Responsiveness
- Real time interactions
- Connectedness
- Personalization/customization
- Playfulness
TYPES OF ENGAGEMENT

Adoption (Low Engagement)
- Bookmarking
- Tagging
- Adding to Group

Social (Highest Engagement)
- Adding Friends
- Networking
- Create Fan Community

Attention & Reputation

Content Creation (High Engagement)
- Upload (UGC)
- Blogging
- Fan Community Participation
- Create Mash-Up
- Podcasting
- Vlogging

Collaborative Filtering (Medium Engagement)
- Rating
- Voting
- Commenting
- Endorsing
- Favoriting

© Wiredset
## Evolution of E-Business

<table>
<thead>
<tr>
<th>Stage</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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<tbody>
<tr>
<td>Site Type</td>
<td>Static</td>
<td>Dynamic</td>
<td>Commerce</td>
<td>Personalized</td>
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<tr>
<td>Goal</td>
<td>Presence</td>
<td>Interactivity</td>
<td>Revenue</td>
<td>Customer Relationships</td>
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<tr>
<td>Complexity</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Very High</td>
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<tr>
<td>Impact</td>
<td>Small</td>
<td>Moderate</td>
<td>Significant</td>
<td>Transformational</td>
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</table>
Australian Population: Media Consumption

Data: Roy Morgan April – March 2007
Australian Population 14yrs+ media consumption in the last 4 weeks

<table>
<thead>
<tr>
<th></th>
<th>Newspapers</th>
<th>Magazines</th>
<th>Commercial TV</th>
<th>Commercial Radio</th>
<th>Internet</th>
<th>Cinema</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Heavy</strong></td>
<td>29%</td>
<td>31%</td>
<td>17%</td>
<td>16%</td>
<td>36%</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td>24%</td>
<td>38%</td>
<td>40%</td>
<td>15%</td>
<td>31%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Light</strong></td>
<td>27%</td>
<td>15%</td>
<td>35%</td>
<td>34%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Not Consumed</strong></td>
<td>20%</td>
<td>15%</td>
<td>8%</td>
<td>36%</td>
<td>17%</td>
<td>37%</td>
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</tbody>
</table>
Changes in heavy media consumption amongst the Australian population 14yrs+

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Series 1</th>
<th>Percentage Change</th>
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</thead>
<tbody>
<tr>
<td>Newspapers</td>
<td>-2%</td>
<td></td>
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<tr>
<td>Magazines</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>Commercial TV</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td>Commercial Radio</td>
<td>-14%</td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Cinema</td>
<td>-9%</td>
<td></td>
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</table>
What is social networking?
Social Networks is the ground for social capital

What is a network?
- Nodes (actors)
- Ties (relationships)

“A network is a set of relationships critical to your ability to get things done”
Network Properties

- **Structure** - Size, Density, Redundancy
- **Composition**
- **Focus**

“The shape of your network determines your access to information, resources, opportunities, and support”.

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**Diagram**

- **Q1. Discussions about important matters**
  - Bob
  - Bill
  - Me
  - Mary
  - Sue

- **Q4. Informal socializing**
  - Dan
  - Me
  - Bill
  - Erik
  - Mary
A SOCIAL NETWORK is a map of the relationships between individuals, organizations and other relevant NODES indicating the ways in which they are connected by financial, social or professional LINKS.
All Networks Are Collections of Nodes and Links
An introduction to social networking website analysis requires the presentation of a set of five principles:

1. Network organization
2. Virtual Identity
3. Social networking websites
4. Basic economic effects
5. Relevant metrics
6. Typology of social network
Social network business generally generates economies of scale

Economies of scale imply that the operating costs of the website are less than proportional to the number of users on the platform, e.g., the more users the website has, the less it has to spend per user.

This effect depends mainly on:

- The centralization and the independence of the website users: if the community functioning is strongly decentralized and relies on peer to peer relations, the CRM costs and monitoring costs will increase less than proportionally with the number of users. By contrast, if there is a strong need for monitoring and managing users’ interactions (e.g., moderation), the costs will tend to be strictly proportional.

- The existence of viral marketing: if viral marketing is strong in the segment of the market where the social networking website operates, the acquisition cost of new subscribers will be lower since users are going to ensure the advertising instead of the website.

28.11.2007 – Research paper
Networks are characterised by « network externalities » and congestion point

- Networks display two effects:
  - **Network externalities**: the interest in being a member of a network increases more than proportionally with the number of users.
  - **Congestion point**: an increase occurs up to the point where the network cannot support the number of users which depletes the service provided.

- The challenge for managers of networks is to reach the « critical mass » where there are enough users to produce this network effect, which implies to:
  - Ask a low price when the network begins to grow
  - Make users pay for the use of the services provided by the network, not the access to it.

![](image)

- **Price/revenues**: If price is too high, the network does not reach its critical mass since the demand is too low.
- **Price/revenues**: If price is low enough, the network reaches its critical mass and grows up to its congestion point.

**“Sponsor the access, charge the use”**
(Principle to manage a network)

28.11.2007 – Research paper
Managing social networking websites also requires alleviation of the mistrust of potential users:

- Evaluating the interest of a network before joining it is very difficult.\(^1\)
- Knowing if the services will meet users’ expectations is hard, even if they can estimate the value of the services promoted.\(^2\)

Managers have different tools to tackle these issues. For instance in online matchmaking they can:

- Offer free registration that allows users to look at the profiles (or some of the profiles) of other registered users
- Broadly communicate about their balanced user base between men and women

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Q: How can you be sure that registered members in online matchmaking websites are not all ugly?
A: Allow free registration and free profile base checking.

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1) Internet services are what economists call « experiment goods »: goods that you cannot evaluate until you have used it.
2) This is known as « asymmetric information ». Potential users know little about the network whereas managers know a lot.
The Long Tail

Who needs megahits?
In the past
Network Prime-Time Audience Share vs. Multichannel TV Household Penetration

Sources: Veronis Suhler Stevenson, PQ Media, Nielsen Media Research, Television Bureau of Advertising
Ratings of Top TV shows

Percent of TV homes watching

- I Love Lucy
- Beverley Hillbillies
- All In The Family
- The Cosby Show
- Dallas
- Last episode of M.A.S.H.
- ER
- Seinfeld
- CSI
Where are they all going?

The New Marketplace

Popularity

Head

Long Tail

Products
A powerlaw
Shown another way
The Missing Market
Rhapsody data, 2005

- Songs available at Wal-Mart and Rhapsody
- Songs available only at Rhapsody
The New Growth Market: Products you can’t find anywhere but online

**Rhapsody**
- Total inventory: 1.2 million tracks
- Typical Wal-Mart: 55,000 tracks

**Netflix**
- Total inventory: 55,000 DVDs
- Typical Blockbuster: 3,000 DVDs

**Amazon**
- Total inventory: 3.7 million book titles
- Typical Barnes & Noble store: 100,000 books

**Total sales**
- **40%**
- **21%**
- **25%**

Products not available in offline retail stores
The Long Tail

How Endless Choice Is Creating Unlimited Demand

Why the Future of Business Is Selling Less of More

CHRIS ANDERSON

“Anderson's insights influence Google's strategic thinking in a profound way. Read this brilliant and timely book.”
—ERIC SCHMIDT, CEO, GOOGLE
CONTROL
MONOLOGUE ADVERTISING

Linear progression from Advertiser to Consumer
Values: Bigger, better campaigns

- Advertiser/Product Creator
- Content Creator e.g. Designer, Video producer, Writer, Film Maker
- Media e.g. TV networks, magazines, films
- Consumers

CONVERSATION ADVERTISING

Organic feedback loop encouraging content sharing
Values: Transparency, integrity of brand promises, accountability

- Advertiser/Product Creator
- Content Creator e.g. Designer, Video producer, Writer, Film Maker
- Social Media platforms e.g. YouTube, blogs, MySpace
- Media e.g. major networks, magazines, films
- Consumer DJs share/sample/remix content
1-1 The traditional marketing funnel

Eyeballs → Awareness, Consideration, Preference, Action, Loyalty → Buyers

1-2 Complexity lies at the center of the marketing funnel

Eyeballs → Peer reviews → Recommendations from friends

Competitive alternatives → User-generated content → Contributors

Source: Forrester Research, Inc.
The Marketing Spiral

- Community
- Affinity
- Conversation
- Participation
- Engagement
- Interaction
- Awareness
THE BIG SWITCH IN ASIA

Experience:
Search, Sharing, Recommendation, Personalization, On Demand, Right to Reply

Choice:
Content, Media

Technology:
Digital, Payment, Bandwidth, Wireless, Storage

People Power

Vietnam, Indonesia, India, Philippines, Rural China

Thailand, Malaysia, Urban China

Singapore, Hong Kong, Australia, Japan, Korea, UK, US

AGE OF INTERRUPTION

20th Century

THE BIG SWITCH

RULES OF ENGAGEMENT

21st Century
cgc:

consume

create

use

reckon

express

consider

research

buy

aware
Turning the funnel upside down

Awareness, imagery and persuasiveness = brand equity

Social psychology and interpersonal skills = brand relationships
INSIDE THE MIND OF THE CONSUMER

WAIT, I DON'T SEE OUR BRAND OF PICKLE RELISH ANYWHERE

IS IT THAT SPECK IN THE CORNER?

THAT'S A FLY ON THE SCREEN. MAYBE OUR BRAND ISN'T A BIG ENOUGH PRIORITY FOR HER.

INCONCEIVABLE, THIS IS A "BRAND LOYALIST"
The “momentum” effect

Traditional marketing:

Social marketing:
Non-linear by nature

- Visit Brand Custom Community
- View Download (in brand’s community)
- Receive Brand Pass Along
- Pass Along
- Use on Own Page
- View Download (on user’s page)

“Each Interaction is an Impression”

Size = Incidence (# of people doing activity)
Social Networks – best for making meaningful connections

Which of these media services do a really good job when you want to...

Base: SN users age 14–40 (n=3,605)

“Show me when the sales are, what your selling, pictures of what you’re selling, pictures of what’s going on. Those would be the most important things, the sales and what you’re selling.”
— Cory, 17,

“It just hooks you in there and you’ll just sit there and you’ll look at people’s profiles or you’ll just randomly browse what’s going on, and you just can’t stop. And you’re looking at the watch and you thought you’d just sit down for a minute and you ended up sitting for an hour, like what the hell am I doing?”
— Paul, 25,

“I don’t want companies to advertise to me. I want them to be my friend.”
— Rob, 27,
In short......
Is all about the consumer
EXPERIENCE

CONVENIENCE

PERSONALISATION

RELATIONSHIP
experience design

where ideas come to life (at the intersection)

development

media

insights

technology

business

customer

brand

participants

objectives

metrics

values

aspirations

users

consumers