

WhitePaper

# Social Network Optimization

*Concepts for Driving Revenue From  
the Social Conversation*

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## Introduction

### The game has changed...again.

Just as businesses evolved their eCommerce operations from a flat website, to managing online transactions to finally reaching sophisticated digital strategies that encompassed their entire business, so too will they evolve through the new world of social media.

Consumers are embracing social media at a breakneck pace. They want the powerful personal connections facilitated by social outlets such as Facebook, Twitter and LinkedIn. They are overwhelmed from years of consuming from the impersonal, all-you-can-eat web buffet.

This online world of social networking offers great business potential but it is also undefined and evolving. Smart businesses will follow their consumers into this new realm to experiment, learn, evolve and create strategies for growing their business and building a better relationship with their customers. Businesses who don't follow consumers into this new online world will lose step with their competitors and potentially fade away. Do you remember those businesses that didn't embrace the Internet? No? Neither do we.

*The goal of ShopIgniter is to help companies extend their reach and generate revenue through their social eCommerce efforts.*

The following whitepaper will shed light on the rapidly evolving social media ecosystem and provide a lens through which you can view your forming strategy. It by no means provides the entire answer as this space is still unfolding, but it may help you understand where the road is headed and how your company can best position itself.

## How Did We Get Here?

The last decade will go down in history as the advent of the Internet revolution where everything changed in the media landscape. For years companies had relied on traditional billboards, print, TV and radio advertising to communicate with consumers and drive awareness, store traffic and revenue. The Internet required businesses to learn how to use new Web strategies to achieve these same goals—the use of online advertising, search engine optimization, email marketing, video and audio streaming and online stores and catalogs.

The Internet evolved beyond just marketing and media to support a number of business processes, including the supply chain and customer relationship process. Products and prices are now made available based off dynamic inventory changes and group management, merchandisers study consumer traffic patterns and shopping cart analytics to optimize the buying process, and the customer engages with businesses through online support portals, knowledge bases, web forums and chats.

These hit or miss tactics on engaging the customer and driving loyalty are key drivers for the new empowered consumer in the emerging social media space. Friends, consumers, and business colleagues are connecting with each other in a social conversation about their personal experiences. Through this conversation people are connecting to information and socially generated content that impacts their brand and product awareness, interest, decision-making and purchase behaviors. When businesses understand how they can move upstream from the purchase decision to impact this process of discovery and product consideration, they will understand the true value of social media.

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## Go Where Your Customers are Going

Led by Facebook and its half-billion registered users<sup>1</sup> the growth of social media continues at break-neck pace. According to Forrester Research, 8 out of every 10 people on the Internet use social media.<sup>2</sup> The figure is even higher in the 18-to-29 age bracket, where 86% use social networks. And, the trend is catching on with older users as the Pew Research Center shows that between April 2009 and May 2010 social media adoption in the 50-to-64 age bracket grew by 88% and doubled for users over age 65.<sup>3</sup> The simple fact is that as online consumers move with unprecedented speed to social media, online businesses will need to move as well or risk becoming irrelevant.

*The average American Internet user spends just shy of 1 out of every 4 minutes online in social media.*

The average American Internet user spends just shy of 1 out of every 4 minutes online in social media.<sup>4</sup> Put another way, up to 25% of an online shoppers internet time is spent on social media. With that much consumer time invested

in social media, it's only natural that the influence of Facebook and other social media outlets will increasingly impact how potential customers learn about new products and their decisions on how to spend their money.

Harkening back to lessons learned in the pre-Internet age, an April 2009 report by Nielsen showed that 90% of potential American customers trust word of mouth from friends and family over all other forms of advertising. More recently, an in-depth global Nielsen survey showed that consumers worldwide are more than three times

as likely to trust a recommendation from a social media "friend" about a business product or service than the company's own web site.<sup>5</sup>

With Facebook's built-in captive audience numbering in the hundreds of millions, businesses that sell online should be finding ways to leverage the power and reach of Facebook and other social media outlets to activate their customer networks to extend their reach and generate revenue.

## Change: the Bad and the Good

The shift to social media creates opportunities as well as hurdles for online business. It opens up new possibilities to research, test and measure customer behavior and attitudes.

On the other hand, increased consumer involvement requires online retailers to cede control over what message is being broadcast by the customer base to the customer base. The good news is that message will have a much stronger impact and broader reach beyond existing customers. The bad news is that message will have a much stronger impact and broader reach.

### Essential Truth #1: You do not control the message

Before social networks, word of mouth was restricted to a handful of people and its impact was limited to a maximum of fewer than 150 people, according to a noted 1993 study by University College London anthropology professor Robin I.M. Dunbar.<sup>6</sup> Messages going beyond that limited range were controlled by corporations and their advertising dollars. But now, with social media people can access the insight and feedback of a social network of hundreds of friends and thousands of friends-offriends.<sup>7</sup>

<sup>1</sup> Facebook Crosses the 500-million threshold, ComScore Says, The Wall Street Journal, May 18, 2010. <http://blogs.wsj.com/digits/2010/05/18/facebook-crosses-the-500-million-threshold-comscore-says/>

<sup>2</sup> The Broad Reach Of Social Technologies, Forrester Research, August 25, 2009. [http://www.forrester.com/rb/Research/broad\\_reach\\_of\\_socialtechnologies/q/id/55132/t/2](http://www.forrester.com/rb/Research/broad_reach_of_socialtechnologies/q/id/55132/t/2)

<sup>3</sup> Older Adults and Social Media, Pew Research, August 27, 2010. <http://www.pewInternet.org/Press-Releases/2010/Older-Adultsand-Social-Media.aspx>

<sup>4</sup> What Americans Do Online: Social Media and Games Dominate Activity, Nielsen NetView, August 2, 2010. [http://blog.nielsen.com/nielsenwire/online\\_mobile/what-americansdo-online-social-media-and-games-dominate-activity/](http://blog.nielsen.com/nielsenwire/online_mobile/what-americansdo-online-social-media-and-games-dominate-activity/)

<sup>5</sup> Friending the Social Consumer, Nielsen News, June 16, 2010. [http://blog.nielsen.com/nielsenwire/online\\_mobile/friending-the-social-consumer/](http://blog.nielsen.com/nielsenwire/online_mobile/friending-the-social-consumer/)

<sup>6</sup> Coevolution of neocortical size, group size and language in humans, Behavioral and Brain Sciences, Vol. 15, Issue 4. <http://journals.cambridge.org/action/displayJournal?jid=BBS>

<sup>7</sup> The Social Media Bible: Tactics, Tools and Strategies for Business Success, Lon Safko, John Wiley & Sons, Inc., 2010. Page 26. ISBN:978-0-470-62397-8 <http://books.google.com/books?id=YzL05x6QX7IC>

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This most-trusted advice is increasingly powerful and driving potential customers to certain vendors and away from others. As social media continues its record-breaking growth, the relative power of advertising likely could decline as companies continue to lose their long-standing control over the conversation.

At its core, social media means anyone has the power to share his or her own experiences, insights and opinion in a way that was only previously possible by huge media companies or advertisers in the traditional media of TV, print, radio and portal websites. Whether we like it or not, thanks to the capabilities of social media, the message cannot be controlled any longer.

### **Essential Truth #2: You will be held accountable**

All companies are now held accountable by the social community. With or without a company's blessing, customers are empowered. If you consider that some magazines have circulations of ten to fifty thousand subscribers and many self-professed experts on a certain topic can have as many or more followers, you understand the power that is now in the hands of someone actively using social media. When Hollywood director Kevin Smith tweeted about Southwest's handling of his weight as a safety risk, 1.6M of his followers instantly knew. A single Twitter complaint shared virally routinely makes enough waves that even the largest brands must respond. This power must be recognized by any player in online retailing.<sup>8</sup>

### **Essential Truth #3: You must be faster than fast**

Viral dissemination of information is fast and consumers are not hesitant in sharing. The Twitter Instant Speed meter reports that there are approximately 66,000 tweets every minute<sup>9</sup> Customers do not wait for executive approval before they voice their opinions loud and clear. Consumers also get bored, quickly. Everything you do will now need to be done faster whether it is customer service response, new product offers, new marketing campaigns, etc.

As you read this, your customers are likely already sharing both positive and negative stories about your company and they are using Facebook and other social

media outlets to do so. Although this may sound scary, in reality it is an opportunity to develop deeper relationships with your customers and activate your network to engage around your brand. Taking part in the conversation is far more powerful than buying display advertising. It is not only cost effective up-front, it continues to reap additional rewards by leveraging potential and repeat customer's most trusted sources—their friends and family—to sell your products and services for you.<sup>10</sup>

*...just putting shopping cart functionality into a social site and focusing on the transaction does not fully leverage a retailer's or brand's customer relationships.*

## **It's About the Conversation, Not the Transaction**

The ability to conduct a transaction within a social network is a good first step in leveraging the power of social networks. It moves a company's products or services to the social conversation by delivering immediate shopping opportunities within the social network experience. But it's only a first step as it does little to harness the power of social media to drive new sales.

Unlike old-school online retailing, which waits for the moment of purchase decision or explicit demand and then tries to shout louder than the competitors; social marketing actively engages higher up the awareness → consideration → purchase process to create a future customer before (and during) the explicit buy decision. Although social promotion and marketing strategies are new, time-tested real world common sense marketing concepts from traditional face-to-face marketing still apply as social media resurrects the marketing process that leads to a transaction.

<sup>8</sup> Web 2.0: Conceptual foundations and marketing issues, Efthymios Constantinides and Stefan J. Fountain, Oct. 24, 2007, Journal of Direct, Data and Digital Marketing Practice. <http://www.palgrave-journals.com/ddmp/journal/v9/n3/pdf/4350098a.pdf>

<sup>9</sup> Twitter Instant Speed Meter, <http://www.twespeed.com/> October 4, 2010.

<sup>10</sup> The New Rules of Marketing and PR, David Meerman Scott, John Wiley & Sons, 2010. Page 98. ISBN: 978-0-470-54781-6 <http://books.google.com/books?id=ZV-GPw5BYqoC>

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The days of dropping a web site on the Internet with a shopping cart and a “buy this” strategy hoping customers will find you using Google search are fading away; this method just isn’t effective anymore.

*“Word of mouth is the number one influence on the decision to buy ...Social media democratizes providing word of mouth to a much broader audience.”*

**Fritz Henderson,**  
**CEO SunCoke Energy,**  
*former CEO of General Motors<sup>11</sup>*

This is where Web 2.0 “Social eCommerce” comes in. It allows a business to join in on the social conversation with consumers. This “social network optimization” strategy engages customers with your company and brand in a personal way. Activation includes sharing information, creating incentives for purchasing or driving marketing behavior, influencing opinion, and possibly engaging the public through games or contests. The goal is to become part of the social network—to move from “faceless brand” status to “friend” status in your customers’ social network trust hierarchy. And, ultimately, to use that new influence to get your “friended” customers to sell your product for you—through word of mouth. This social network optimization will become more important than search engine optimization has been over the past decade.

It becomes clear that just putting shopping cart functionality into a social site and focusing on the transaction does not fully leverage a retailer’s or brand’s customer relationships. Focus on the conversation and the transaction will come.

## **Learning from Past Successes and Avoiding Future Failures**

In the past years quite a few companies have trail blazed successful social media strategies that can be learned from, customized for your business and built upon. The

immediacy and efficiency of the “always on” nature of social media opens up quick turn-around “Promotional Store” retailing models such as daily deals, demand base sales and private sales linked to incentive programs that were all but impossible outside of a handful of shop-at-home TV channels.

Successful early movers in social eCommerce are companies like Groupon, LivingSocial, Woot, and Gilt Group that tapped into the social dynamic of commerce. The tipping point was hit in August 2010, when mega brick-and-mortar retailer Gap leveraged the social power of Groupon, selling more than 450 thousand “grouppons” (demand based coupons)—netting Gap \$11 million in revenue and proving this technology applies to more than just local restaurant deals.<sup>12</sup> It’s also a wake-up call for companies of all sizes to begin to think about how to make use of these new retailing models to drive revenue with the social web.

### **Test, Measure, Optimize. Repeat.**

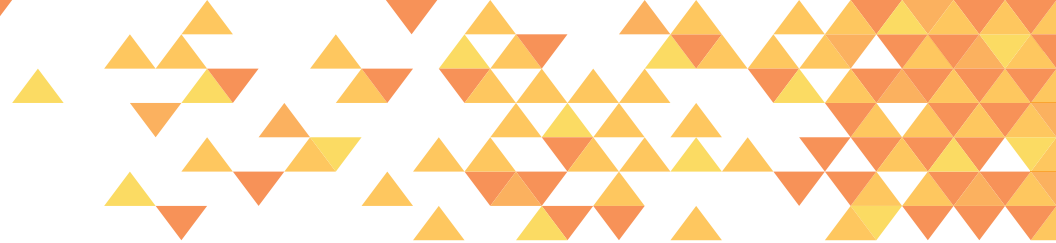
True, the Internet continues to evolve at break-neck speed. But one simple axiom in marketing has not changed, the rule “Test, Measure, Optimize and Repeat.” As a business adopts a social media strategy, it must be willing to try things, measure the success, look at the results and decide what strategy best allows the company to engage in social eCommerce in a meaningful way.

Companies must consider which options will work best for them, including the possibility of social loyalty and referral programs, customized daily deals, or managing private sales for special groups of preferred customers. Look at ways you can extend your reach by incenting your fan base to share with their networks, and test what actually incents them to do this. Start with a small series of tests and keep track of what you learned, and how you measured it. Compare the results with other forms of advertising you do, looking at impressions, click throughs, new registered users, new customers and sales—all compared against the dollar investment. If you manage social media right, the only cost to getting exposure through the “publishers,” or the people, is the time you spend in to giving them reasons to talk about you.

<sup>11</sup> Social Media Metrics: How to Measure and Optimize Your Marketing Investment, Jim Sterne, John Wiley & Sons, 2010. Page xix. <http://books.google.com/books?id=OkkZhB2Yw7IC>

<sup>12</sup> Groupon Preps for More National Marketers After \$11 Million Gap Promo, Advertising Age, August 25, 2010. [http://adage.com/digital/article?article\\_id=145552](http://adage.com/digital/article?article_id=145552)

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## **Technology to OPTIMIZE YOUR SOCIAL NETWORK**

When looking for the right technology to activate your eCommerce opportunities, it is important to consider a few things. First, look for a vendor that can provide not just a shopping cart inside of Facebook, but a fully functioning store with the merchandising flexibility. Be careful not to create a “siloed” ecommerce store that is an unsupportable blind spot for the rest of the company. What happens when these programs become successful and need to scale? Can it be integrated into your existing ecommerce operations, including inventory and order processing?

Beyond just enabling transactions and store-front capability, does the technology offer a solution that helps you to activate your network. Can you deploy socially conducive retail models like VIP sales or time based sales? Can you set share-able coupon programs or incentive structures encouraging customers and fans to make purchases or help you acquire new customers? Most importantly, can all of this be expressed into your social site presence as well as your existing ecommerce presence because you don’t want to ignore these powerful tactics on your main site?

## **Conclusion**

The ecommerce game has changed and successful retailers and brands will have to change with it. Companies will have to accept the new social networking reality and the essential truths: 1) You do not control the message, 2) You will be held accountable, and 3) You must be faster than fast.

Companies must move beyond a purely transaction-based mentality. Successful future strategies in eCommerce will “optimize your social network” by initiating and nurturing social media conversations about your company’s offerings. The companies who win will be the companies who invest in people and technology along with other time-tested marketing techniques to create fully integrated, customized social web strategies that address the entire funnel from discovery to repeat purchase to drive revenue.

## **About ShopIgniter**

ShopIgniter provides the Social eCommerce Suite of flexible products that include a Social Promotions Engine to power shareable coupons, group based promotions, referral and loyalty incentives, private and time-based sales; a fully transactional Facebook Store; and a cloud-based eCommerce Platform; all of which can power a stand-alone ecommerce business or be integrated with existing eCommerce systems.