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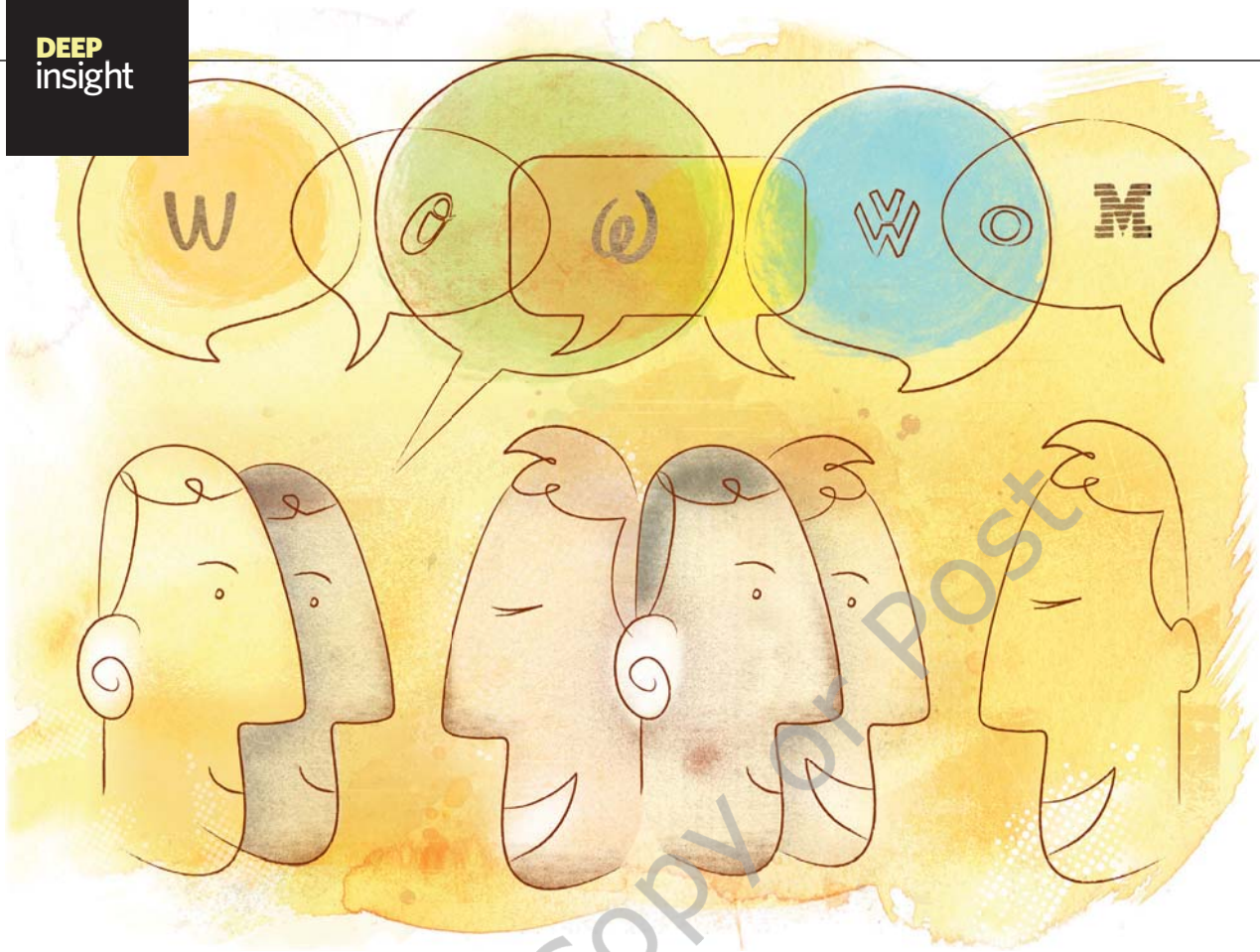
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THE POWER OF WORD OF MOUTH

Adding Social Media to the Marketing Mix

By GUILLERMO ARMELINI and JULIÁN VILLANUEVA

Until recently, when you wanted to publicize your company or its products, you would launch an advertising campaign in traditional media, engage in some corporate communications and PR, and run promotions and point-of-sale activities. Savvy marketers would add online advertising and might even try to monitor their online positioning and Web traffic through search engine marketing (SEM) and search engine optimization (SEO).

Now, with the emergence of social networks, such actions seem almost quaint. These days, you don't even exist in consum-

ers' minds unless you chat with them on Twitter, have followers in Facebook or publish a blog. Using Gross Rating Points (GRPs) to measure your advertising impact is so last century; what matters today are how many "likes" you're getting. Advertising agencies are touting creative new apps, which they say will help you keep customers.

Some say we are witnessing a revolution that will change the way we do marketing; that social network marketing has made traditional advertising obsolete. But before we get too carried away by the hype, we need to examine the evidence.



Adding Social Media to the Marketing Mix

The Rise of All Things Social

In a very short time, social media have captured market share and attention among all kinds of consumers and companies. According to ComScore, 84 percent of European Internet users belong to at least one social network, and the number of visitors to social networking sites is growing by the month, reports Nielsen. To give an idea of just how quickly, in April 2010 social media were being used by 24 percent more people than in April 2009, while hours spent per user was up 66 percent.

Because social networking requires time and active engagement, it competes directly with traditional media for share of consumption and attention. Part of the time people used to spend on traditional media is now being spent on social media. Given this change in consumption habits and the fact that social media are more interactive, there is a danger that messages sent using traditional advertising will fall flat.

Take the Oscars: The 2011 Academy Awards counted four million fewer viewers than the previous year, especially among 18 to 49 year olds, whose audience share dropped 12 percent. Meanwhile, hundreds of thousands of Twitter users broadcast their impressions of the ceremony live. Quite simply, many viewers preferred to interact through social media, sharing their thoughts, opinions, criticisms and suggestions. They wanted dialogue, not a monologue delivered from the stage.

■ EXECUTIVE SUMMARY

Social media have rapidly gained share and attention among all kinds of consumers and companies, often at the expense of traditional media. Recognizing this, companies have started to redefine key aspects of their marketing mix. With advertising and online word of mouth competing for shrinking marketing budgets, many companies regard having an active presence in social media as a viable alternative to traditional advertising.

Yet the authors believe this would be a mistake, as the two

strategies are complementary rather than substitutive. A comparison of advertising and word of mouth shows that social media obey very different rules from traditional advertising. Social media can start conversations or build brand recognition, but the results are much more difficult to predict or measure. With that in mind, the authors recommend how to define a social media plan, citing examples of companies that got it right – and offering cautionary tales of those that got it wrong.

Redefining the Mix

Research has highlighted the fact that a product or service being talked about has a direct impact on sales. Movies are one of the best illustrations of how word of mouth, or WOM, affects sales, given the key role that personal recommendations play in getting potential spectators to actually go to the theater. Even the Oscars are essentially a sort of movie industry WOM. Simply being nominated for an Oscar – never mind actually winning it – generates more audience and more revenue. This signaling effect is now being reinforced and amplified by social networks.

Based on movie releases, we carried out a study to measure the impact – and interrelationships – of three key variables on movie success: advertising investment, publicity (i.e., media presence without prior payment) and the conversations generated among potential and actual spectators.

One of our conclusions was that WOM about a movie in social networks always has a positive impact on box-office revenue. Even more surprisingly, the impact turns out to be independent of advertising investment.

Given this reality, many companies have started to redefine key aspects of their marketing mix to include social media, adjusting their budgets accordingly. According to Burson-Marsteller, 79 percent of the top 100 Fortune 500 companies already use Twitter, Facebook, YouTube or corporate blogs to communicate with their customers. Two-thirds have at least one account on Twitter, which is the platform most used by companies. And 54 percent have a Facebook page.

The digital marketing and media research group, eMarketer, estimates that global advertising investment on social networks will top \$6 billion in 2011 – representing almost 9 percent of all Internet marketing – rising to almost \$10 billion in 2012. In the United States, social media spending now accounts for close to 11 percent of the online marketing budget and is expected to represent even more in 2012.

An Alternative to Advertising?

Maintaining an active social media presence is commonly considered an alternative to traditional advertising as a means of achieving brand awareness. In our view, this is a mistake. Facebook, Twitter and other microblogs