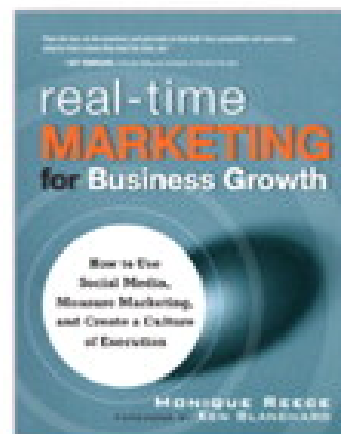
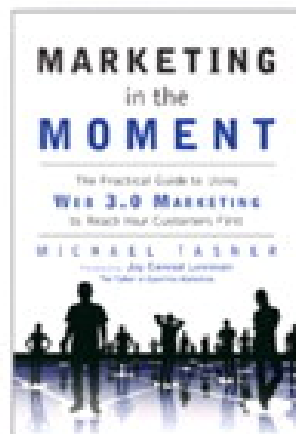
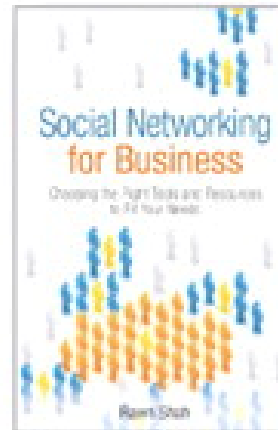
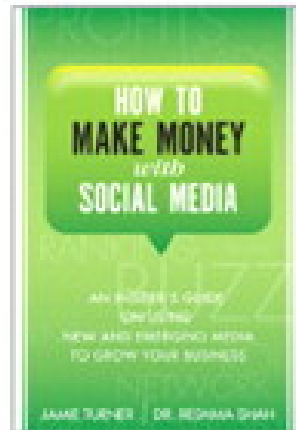


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Prepared for mswier@harpercollege.edu, Mike Swier

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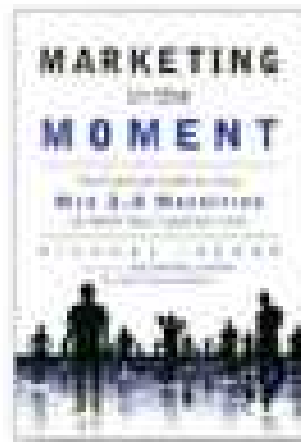
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Praise for
*How to Make Money
with Social Media*

“Return on investment in social media is like the weather: Everybody talks about it, but nobody is doing anything about it. With this book, Jamie Turner and Reshma Shah set you up for success with some key fundamentals, and then give you some very specific and illustrative examples on how to calculate the ROI of your social media efforts.”

—**Scott Monty**, Global Digital Communications,
Ford Motor Company

“Social media isn’t a fad. It’s not going away. This book adds tools to your thinking on the matter.”

—**Chris Brogan**, *New York Times* bestselling coauthor,
Trust Agents, and publisher, chrisbrogan.com

“Jamie and Reshma have the communication and marketing chops to help anyone leverage social media. Their book reads like a dialogue, not a lecture—just like good social media should. If you’ve been looking for smart, insightful marketing advice in this space, look no further. You’ve found it.”

—**Andy Goldsmith**, Vice President, Creative & Brand Strategy,
American Cancer Society

“Turner and Shah have crafted a pragmatic guide for marketers, big and small, to use social media to grow a business. Readers will find practical examples and illustrations in detail or easily scanned through the text. Most importantly, the authors address accountability: As marketers must show return on marketing investment, Turner and Shah create a detailed framework to effectively implement and measure social media to generate value for a firm.”

—**Chad Mitchell**, IBM Global Business Services and former
Principal Analyst, Forrester Research

“Reshma Shah and Jamie Turner have written a practical, down-to-earth guide on how to make money on social media, with the emphasis on practical and down-to-earth. I welcome and recommend it.”

—**Al Ries**, marketing consultant and coauthor,
War in the Boardroom

“There are a lot of reasons I like this book, but I’ll give you just two now: First, I like its no-nonsense approach to connect social media and your business goals. And second, it doesn’t toss around too many ridiculous acronyms, jargon, or business-speak (which is a pet peeve of mine). Instead, it’s written in an accessible voice and engaging style.”

—**Ann Handley**, Chief Content Officer, MarketingProfs, and
coauthor, *Content Rules: How to Create Killer Blogs, Podcasts,
Videos, Ebooks, Webinars (and More) That Engage Customers
and Ignite Your Business*

“Social media is a means to an end. Turner and Shah do a brilliant job of concisely getting us to that end. Read this book and you will profit from social media.”

—**Erik Qualman**, author, #1 international bestseller,
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“*How to Make Money with Social Media* is a very practical, user-friendly book on how to use social media for brand building. It is comprehensive, yet conversational, and a joy to read!”

—**Jag Sheth**, Professor of Marketing, Emory University

“*How to Make Money with Social Media* addresses one of the most important issues facing today’s businesses. It is an extremely well written guide for managers who need to know how to understand, use, and measure the impact of a medium that is changing the media environment forever.”

—**Mickey Belch**, Professor of Marketing,
San Diego State University

“This is a must-read for marketing professionals hungry for practical approaches to use social media to build their businesses. Turner and Shah dispense with the hype and focus on what matters most.”

—**Ted Woerhle**, CMO, Newell Rubbermaid

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HOW TO MAKE MONEY WITH SOCIAL MEDIA

**AN INSIDER'S GUIDE ON USING
NEW AND EMERGING MEDIA
TO GROW YOUR BUSINESS**

**JAMIE TURNER
AND
RESHMA SHAH, PH.D.**

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*To my wife, Dayna, who means the world to me.
And to my children, McKensie, Grace, and Lily,
who, for years, have put up with all my
“wise” sayings.*

—Jamie Turner

*To my wonderfully supportive husband, Hitesh
Shah, and my darling daughters, Maya and Anya.
Thank you for the time away.*

—Reshma Shah

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ACKNOWLEDGMENTS

Okay, this is strange. Here you are, holding this book in your hands, and you've decided to read the Acknowledgments section instead of reading the scintillating content in each and every page of this amazing masterpiece.

Huh?

That means you're either standing in a bookstore waiting for a friend to finish their business in the restroom, or you're hoping we remembered to include your name somewhere in the upcoming paragraphs.

Well, this may come as a surprise to you, but what you're reading is actually the most important section of the book. We're not kidding. After all, writing a book is an amazingly collaborative process. Even though we're the ones who get our names on the cover, this book was written, rewritten, rewritten (again!), and then rewritten one more time all with the help of a wide variety of people. And that was before it even got to the editors, which either means we're terrible writers (entirely possible, by the way) or that we had amazing amounts of great advice and help from our friends, family, and business associates.

With that in mind, we'd like to honor all those who were responsible for this book. Each and every one of you has helped in ways we can never repay. (And, oh, by the way, we're serious when we say we can never repay you. You aren't getting a dime. And Mom, that includes you.)

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ABOUT THE AUTHORS

Jamie Turner is the Chief Content Officer at the 60 Second Marketer, the online magazine for BKV Digital and Direct Response. He is a leading authority on branding, marketing strategy, and social media who has helped companies such as AT&T, CNN, Motorola, Cartoon Network, and The Coca-Cola Company grow their sales and revenue with outside-the-box marketing techniques. He has been profiled in the world's best-selling marketing textbook and consults with well-known brands around the globe. He is a regular guest on TV and radio programs that focus on marketing and social media, and he is an in-demand keynote speaker for global corporations, events, and trade shows.

Reshma Shah, Ph.D. is an assistant professor in the area of marketing at Goizueta Business School of Emory University. She is also a founder and partner at Inflexion Point Marketing Group. Dr. Shah's marketing insights and strategies have helped companies such as Ciba Vision, GE, IBM, Turner, The Coca-Cola Company, and UPS, among many others, improve their marketing return on investment. Her articles have appeared in several academic journals in the areas of marketing alliances and brand extensions. Dr. Shah was also the recipient of the Distinguished Educator Award at Emory University.

Mr. Turner and Dr. Shah are also cofounders of ASchoolBellRings.org, a nonprofit that builds schools and educational programs for impoverished children around the globe.

IF YOU'RE LIKE A LOT OF PEOPLE, YOU PROBABLY HAVE SOME QUESTIONS ABOUT SOCIAL MEDIA. YOU MAY BE ASKING WHETHER SOCIAL MEDIA IS OVERHYPED, WHETHER SOMETHING ELSE WILL REPLACE IT, OR WHETHER IT'S JUST A BIG, FAT WASTE OF TIME.

INTRODUCTION

But the important question is, “Can I make money with social media?” After all, what’s the point of setting up, launching, and running a social media campaign if it’s not going to make money?

Well, we’ve got some good news. You *can* make money with social media—if you follow the right plan. The problem is that many people think that simply updating a Facebook page or uploading a YouTube video is a social media campaign.

It’s not.

A well-run social media campaign is a program that’s well thought out, well executed, and well managed. It’s set up with a clear set of objectives, strategies, and tactics. Most importantly, it’s designed to ultimately accomplish one thing: to make money. Everything else is just a stop along the way.

Maybe you’re thinking, “I’m just a small business owner, and all of my time goes into running my business. How can I possibly make the time to learn and use social media?” We can tell you from our own experience that social media doesn’t have to be time-consuming, especially if you set it up properly from the start.

Or you might be thinking, “I run a huge division of a large global organization. I just need to hire the right people to do my social media.” But you can’t *delegate* social media until you *understand* social media. And we’re here to help you do exactly that.

You might even be thinking, “I work in a business-to-business company where it’s all about requests for proposals (RFPs) and low price. Social media doesn’t have a place in our company.” We’re here to tell you that social media isn’t just for business-to-consumer companies. In fact, social media can be an extremely effective sales tool for business-to-business companies, too.

If you picked up this book looking for an encyclopedia of marketing theory, this might not be the book for you. Or if you picked it up looking for a simple introduction to the basics of social media, it might not be the book for you, either. But if you’re looking for a book that will give you a practical roadmap designed to help you set up, launch, and run a money-making social media campaign, this could be just what you’re looking for.

A FEW TIPS ON USING THIS BOOK

We’ve divided the book into several segments that explore concepts such as the social media landscape, how to get set up for success, different social media platforms, how to integrate social media into your marketing plan, and how to measure social media. All these sections are designed to give you a practical roadmap to help you get going with a successful social media campaign.

We’ve also included a variety of callout boxes to highlight key ideas in the book. Sometimes you’ll see boxes that read “The Big Idea”; other times you’ll see boxes titled “Did You Know?” And still other times you’ll see boxes titled “Money-Making Tip.”

They're all designed to help frame some of the issues in that section of the book.

You'll also see a number of references to additional content located on the 60 Second Marketer Web site. The 60 Second Marketer is an information station for the marketing community sponsored by BKV Digital and Direct Response. We've included several additional pages on the Web site that expand on topics covered in the book. Interested in learning more about a certain topic? Stop by the links mentioned in the book, such as www.60SecondMarketer.com/SeventhDeadlySin or www.60SecondMarketer.com/SocialPromotions.

Finally, you'll notice that we end each chapter with key concepts and action steps that are designed to recap the chapter and review the specific steps to take based on those concepts. The key concepts and action steps aren't there just for grins—use them!

Okay, we've covered a lot of ground here. You're probably eager to get going.

You ready? We are, too. Just turn the page and we'll get started.

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PART I

THE SOCIAL MEDIA LANDSCAPE

IS YOUTUBE A WASTE OF
TIME? IS TWITTER JUST
A FLASH IN THE PAN?
CAN FACEBOOK BE USED
TO GROW SALES AND
REVENUE? CAN SOCIAL
MEDIA BE MEASURED?
MORE IMPORTANTLY,
CAN YOU GENERATE A
POSITIVE RETURN ON
YOUR INVESTMENT WITH A
SOCIAL MEDIA CAMPAIGN?

CHAPTER 1

WHAT SOCIAL MEDIA ISN'T

If these are some of the questions you've asked yourself, then you've come to the right place. Because this is a book designed to answer your questions about social media. More specifically, it's a book that's designed to help you set up, launch, and run a social media campaign that *makes money*. After all, what's the point of running a social media campaign if it doesn't drive revenue?

Social media is a big, complex subject, but before we take a look at the *new* world of social media, let's take a look at the *old* world of traditional marketing. By looking back before we look forward, we'll have a better sense of where social media is going to take us in the future.

MARKETING HAS CHANGED MORE IN THE PAST 5 YEARS THAN IN THE PREVIOUS 100 COMBINED

It's hard to believe, but more marketing changes have occurred in the past 5 years than in the previous 100 years. For perspective on this, let's look back to the starting point for modern marketing. On Christmas Eve 1906, Reginald Fessenden made the world's first radio broadcast. Fessenden sent out a short radio program from Brant Rock, Massachusetts, that included his rendition of "O Holy Night" and ended with a reading from the Bible. And with little more than that, radio was born. Suddenly, companies such as Sears, Coca-Cola, and Ford had the capability to send their advertising messages to millions of people at once.

More than 20 years later, the first television station launched in Schenectady, New York. That station, owned by General Electric, was able to broadcast images as far away as Los Angeles. By September 1928, the station was making four broadcasts a week, although the general population wouldn't widely adopt television until the 1950s.

Then for the next several decades, nothing happened. Sure, there were a few leaps forward (such as the advent of cable TV), but the media used to connect companies to consumers didn't change in any quantifiable way for the entire twentieth century.

Fast-forward to today, when new media appear online monthly or even weekly. What's driving this rapidly changing environment? Put simply, it's the combination of broadband Internet and the wide adoption of personal computers, smart phones, and content tablets such as the Kindle and the iPad. These technological leaps forward have changed the way consumers both receive information and interact with the brands they love.

With change comes opportunity. But if you don't know how to harness these changes, you won't be able to take advantage of the opportunity.

Do you want to learn how to make money with social media? Would you like to find out how to measure the return on investment (ROI) of a social media campaign? Or would you like to see a road map to help you integrate a social media campaign into your existing marketing plan?

To do these things, we start by giving you a deeper understanding of what social media *is*. And the best way to understand social media is to start by talking about what social media *is not*. After all, social media is defined in many ways, so let's zig while other people are zagging and talk about what social media *isn't*.

Did You Know?

Even though the first television broadcast took place in 1928, TV wasn't widely adopted until the mid-1950s.¹

WHAT SOCIAL MEDIA ISN'T

Some people will tell you that social media is a “here today, gone tomorrow” fad, but those are the same people who are waiting for the eight-track tape deck to come back.

No, social media isn't a flash in the pan. In fact, it'll just keep evolving into something better, which is exactly what happened when personal computers (PCs) first came on the scene.

When PCs first arrived, word processing was about the only thing they were really good for. But then someone figured out a way to connect a few of them. When people started connecting them into expanded networks, they began to understand the true power of the technology.

One of the first services to try to leverage large-scale computer networks was CompuServe, which experienced relatively stable growth during the 1980s and 1990s. CompuServe plugged along fine until America Online (AOL) came along. AOL was the first company of its kind to leverage the power of a user-friendly interface. Thanks to that strategy, AOL grew from 10 million subscribers in 1996 to 27 million subscribers by 2002.

But things didn't last for AOL. When people realized that it was merely an add-on to the Internet, they decided to plug in directly. When *that* happened, the power of interconnected PCs really began to take off. First came early brochure-ware sites; then came blogs; then forums; then bookmarking, tagging, photo sharing, podcasting, virtual worlds, widgets, and ... well, you get the point. Things started to *change*. And they changed in ways that we couldn't even imagine when the personal computer first came around.

That brings us back to our point: The evolution of the personal computer from a simple word processor to a complex web of interconnected minicomputers is similar to the evolution of social media from simple networks to the Web 3.0 technology it's becoming today. Both technologies continue to morph and evolve. And both technologies are here to stay.

With all that in mind, let's keep talking about what social media is *not*.

Social Media Isn't Traditional Marketing

As we've mentioned, traditional marketing is about having a monologue with your customers and prospects. Social media, on the other hand, is about having a *dialogue*. When you have a dialogue with a customer or prospect, the communication is much more fulfilling (and much more profitable).

In the old days, marketing was handled out of a single location (usually called *headquarters*) where a central authority analyzed customer research, sales trends, and demographic information to arrive at a unique selling proposition (USP).

Rosser Reeves of Ted Bates & Company invented the unique selling proposition. The idea was that, by identifying a single, unique point of differentiation for your brand, you could separate your brand from the competition. Reeves used this technique to create a campaign for Anacin that tripled its sales and, during one seven-year run, generated more revenue for Anacin than *Gone with the Wind* had generated in a quarter of a century.

The Big Idea

Traditional marketers focused their energies on what people *thought* about their brands. Contemporary marketers focus their energies on how people *engage* with their brands—online, in stores, at home, and through other channels.

For most of the twentieth century, traditional marketing was pretty simple: Figure out your USP, get the creative people at your agency to come up with a good TV commercial, and run the heck out of it during prime time.

Given how simple marketing was back then, it's no wonder the guys on Madison Avenue had time for three-martini lunches. They didn't have much else to *do*.

But social media is more complex and more fluid than traditional marketing. And it requires an entirely new mindset.

That brings us to our next point

Social Media Isn't Just for Young People

A recent study indicated that the fastest-growing segment on Facebook is women older than age 55 and that the largest demographic on Twitter is the 35–49 age group. So, no, social media isn't just for young people. It's for anybody who is interested in using new technologies to grow their sales and revenue.

However, people older than age 35 do take longer to adopt a new technology. Part of the reason is that most humans don't like change, but another reason is that the neural patterns in their brains are already structured for traditional technologies. New technologies require rewiring the brain.

So let's keep going. What else is social media *not*?

Social Media Isn't a YouTube Video

We can't tell you how many times we've heard someone say, "Sure, our company does social media. Just last month, we uploaded our CEO's annual speech onto YouTube."

For starters, let's get something straight: The only person who watched the CEO's annual speech on YouTube was the CEO and, perhaps, his or her family members. Nobody else tuned in. We're serious. Sorry to break the news to you.

Second, just because someone uploaded a YouTube video doesn't mean it's a social media campaign. Social media is about communicating across a wide variety of channels for a sustained period of time. It's not about tossing up a Facebook Fan Page or completing a LinkedIn Company Profile. It's much more than that.

A social media campaign is similar to a marriage. You can't expect to have a good marriage if your primary means of communication is a single conversation for ten minutes every morning. (Trust us, that doesn't work—we know some people who have tried.)

What *does* work is a prolonged, sustained, *two-way* conversation across multiple channels that enables both parties to feel as though they've contributed and they've been heard. When you can accomplish that, your social media campaign is in very good shape.

Did You Know?

A recent University of Massachusetts study indicates that 22 percent of the Fortune 500 have a blog.²

Social Media Isn't Always Online

For many of our readers, social media implies some form of *digital* social media or communications enabled through *online* technology. However, we can't forget that a great deal of social media marketing happens offline—after people have turned off their computers.

In a recent study from the Keller Fay Group and OMD, offline communications are still the predominant mode of marketing across a variety of age groups. This study indicated that word-of-mouth is considered to be “highly credible” more often than online conversations.

Despite these trends, we believe numerous experts exist in the area of offline word-of-mouth and that a number of strong books in this area have been written. Therefore, for the purposes of this book, we focus on digital tools and techniques reflecting the booming growth of *online* social media demand.

Social Media Isn't Something That Can't Be Measured

Okay, we're giving our editors heart palpitations because we used a double negative in this heading. But that doesn't mean

it isn't true. Social media *can* be measured—and, depending on whom you ask, you can measure it in a dozen or even a hundred different ways. (Hey, look! We said *whom* instead of *who*.)

The great news about social media is that, when you take the time to measure it, you might discover that it is a significant source of profits. Significant profits can make you rich. And we can all agree that money is the only important thing in life.

Okay, that was a joke. Money isn't the only important thing in life. But you get our point—if you measure social media, you can track your ROI. If you track your ROI, you can increase profits. And that's certainly not a bad thing.

We could go on and on about what social media *isn't*, but then the title of the book would be *What Social Media Isn't*, which doesn't strike us as very appealing. So let's keep the ball moving forward and dive into the topic at hand, which is how to make money with social media.

ENDNOTES

1. See http://en.wikipedia.org/wiki/History_of_television.
2. See <http://centerformarketingresearch.wordpress.com/2010/05/18/social-media-continues-to-be-used-with-higher-education-recruitment/>.

THE OWNERS OF THE NEW RED'S PORCH,¹ LOCATED IN A REFURBISHED FIRE STATION IN A TRENDY PART OF TOWN, HAD A BRILLIANT IDEA. THEY WOULD USE THE VIRAL POWER OF SOCIAL MEDIA TO GROW VISIBILITY AND AWARENESS OF THEIR NEW RESTAURANT.

CHAPTER 2

THE EVOLUTION OF MARKETING

Their idea was simple, elegant, and oh-so-viral. They would send tweets that they'd provide a free drink extravaganza at their restaurant if they could get just 100 Twitter followers by the following Monday.

Free drinks. Open bar. No charge.

IN THE WORLD OF MARKETING, THERE ARE TWO SURE-FIRE PROMOTIONS

The first sure-fire promotion is to give away free money. The second is to give away free alcohol, which is exactly what the members of Red's Porch intended to do.

The promotion was so bold and so viral that the biggest concern was not whether it would work, but whether it would overheat the fledgling restaurant. After all, the mainstream media had written stories outlining the success of social media programs such as the one Red's was about to conduct.

Perhaps the best known of these success stories is the one about Dell Computer. Dell had designed a Twitter page called DellOutlet to provide special offers exclusively to people who followed the company. The Twitter page was so successful that it garnered more than 1.5 million followers and generated more than \$2.0 million in incremental revenue for Dell.

A typical tweet on the DellOutlet page might read like this:

15% off any Dell Outlet business laptop 11z, 15-1545 or 17-1750 laptop with coupon! Enter code at checkout: PZMKKWHQG7DMM.

If you were an IT professional (or anybody interested in buying a computer), Dell's offer (available only to DellOutlet Twitter followers) was too good to miss.

Given Dell's success, it wasn't surprising that the owners worried that giving away free alcohol would overheat Red's Porch. The fastest way to kill a good restaurant and bar is to drive too many people to a location, which leads to an overworked wait staff and customers who are frustrated by long lines and a backed-up kitchen.

The owners were a little anxious when they sent their first tweet:

Help us grow our Twitter list. If we get 100 followers by Monday, we will invite all to a free drinks party. OPEN BAR!!!

They followed their initial tweet with several more tweets, all promoting one of the most bullet-proof promotions in the history of marketing—free alcohol. During the promotion, the owners checked in periodically to find out how many new followers they had generated.

Did they generate 1,000 new followers? 5,000 new followers? Perhaps 10,000?

Nope. They generated 23 new followers.

What happened? For starters, they didn't have something that we call **social media magnetism**.

With social media magnetism, your brand is so powerful that people are attracted to it the way metal is attracted to a magnet. Your brand is so powerful that people go out of their way to be affiliated and associated with your company because it gives them a sense of style, cache, and panache.

Brands such as Nike, Apple, and Harley-Davidson have tons of social media magnetism, which is why you see people wearing Nike sweatshirts or putting Apple logos on the rear windows of their cars. (Think about it: When was the last time you saw a sweatshirt with a Joe's Plumbing or Nanci's Florist logo on it?)

How to Tell If Your Brand Is a Social Media Magnet

1. Does the general public wear your logo on their sweatshirts?
__ Yes __ No
2. Does the general public put bumper stickers with your logo on their cars?
__ Yes __ No
3. Does the general public wear hats with your logo on them?
__ Yes __ No

If you answered "no" to more than one of these questions, your brand does *not* have social media magnetism. Welcome to the club.

The good news about social media magnetism is that, if you have it, you can grow your social media program organically. People actually *want* to be affiliated with brands that have social media magnetism. They want to have your logo on their car. They want to wear a sweatshirt with your logo on it. And they want to be a fan on your Facebook page.

To be a social media magnet, you usually have to spend millions of dollars and put in hundreds of thousands of man-hours. Nike, Apple, and Harley-Davidson didn't just happen. They were part of a concerted effort to build brands that had social media magnetism. And building those brands took decades, not days.

The second challenge our friends at Red's Porch had was that they were under the impression that creating a promotion was the first step in a social media campaign.

But it's not the first step—it's actually the *second* step. The first step is to use traditional media or word-of-mouth advertising to drive awareness and traffic to your Twitter, Facebook, YouTube, LinkedIn, or MySpace pages.

The Big Idea

Brands with social media magnetism attract people to their social media campaigns more easily than brands that don't have social media magnetism.

Sure, if you have social media magnetism, you can easily skip the first step and jump to the second step. But if you're like most of us, you'll have to use a lot of the traditional methods to drive awareness. Those methods might include print, radio, and TV (if you're a large, well-funded brand); or e-mail, public relations, and word-of-mouth (if you're a small, underfunded brand).

All this leads us to one of our key points: You can waste a lot of time and money in social media if you don't know what you're doing.

This is where we come in—it's why we wrote this book. Our goal for this book is to give you a tested road map designed to help you make money with social media. Nobody is doing social media because they want to be *social*. They're doing social media because they want to do any combination of these three things:

- 1.** Acquire new customers
- 2.** Get existing customers to buy again
- 3.** Generate referrals from both new and existing customers

But hang on a second. Before we go much further discussing how to use social media to grow your sales and revenues, let's take a quick look at where marketing has been during the past 150 years and where it's headed today. By doing that, we'll have an even better sense of how to set up, launch, and run an effective social media campaign.

WHERE MARKETING HAS BEEN

The first marketing communications firms (then known as advertising agents) started in the 1860s and 1870s. At that time, companies such as N. W. Ayer and J. Walter Thompson wrote the ads and then charged companies a 15 percent commission for publishing them in newspapers and magazines.

In the 1930s and 1940s, the great advertising agencies such as Leo Burnett and Ogilvy & Mather were born. They did such a magnificent job at selling products to consumers that, by the 1950s and 1960s, corporations were clamoring to get the top agencies on Madison Avenue to work on their accounts. CEOs of the world's largest corporations took CEOs of advertising agencies out to dinner to discuss business, profits, and this mysterious new thing called *marketing*.

The agencies had something that the corporations couldn't get their hands on—*creative people*. These were the (mostly) men portrayed on television as martini-drinking, skirt-chasing prima donnas whose magic touch on an ad could make the difference between a profitable quarter and an unprofitable one.

Ahhhh, if it were still only that simple.

But time marches on. By the 1980s, the power began to shift away from Madison Avenue to the corporations. Corporations seemed to believe that their success revolved not around the creative, but around *strategy*. They thought that the most important part of a marketing campaign wasn't the headline or the visual; it was the *strategy* behind the headline or the visual.

The people who could think up the best strategies came from schools such as Stanford, Harvard, and Wharton. So the corporations started hiring their MBAs, and the power shifted away from Madison Avenue to the corporate side of the equation.

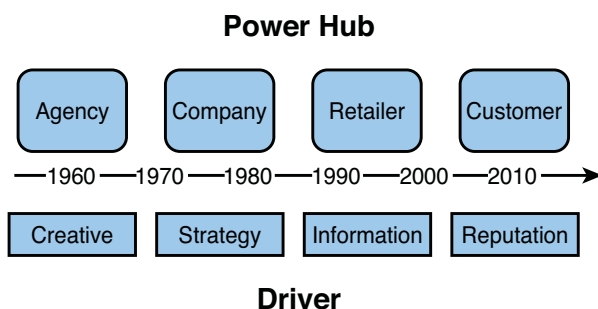
This was all fine and dandy (if you were on the corporate side). Ad agencies that were still populated with smart, hard-working marketing experts had to cede power to the corporations they worked with.

Fast-forward to the 1990s, when data and information became the king and queen of marketing. Suddenly, the center of power wasn't in the advertising agencies. Nor was it in the corporations. It shifted to companies (such as Walmart, Home Depot, and Office Depot), who, with their highly sophisticated logistics and data management programs, were able to slice and dice information to such a degree that they could tweak distribution not only on a city-by-city level, but also on a store-by-store level.

That power shift—from the ad agency, to the corporation, to the retailer—all happened during the last half of the twentieth century. For decades, the advertising gurus on Madison Avenue were in charge of the brand. Then the MBAs took over. And for a while, the retailers were in charge.

But today a quantum shift has occurred in who controls the conversation about the brand. It's no longer solely the agency, the corporation, or the retailer. *It's the consumer.* The consumer is in charge of your brand as much as you are, and what they

think and say about it can spread around the globe at the speed of light (see Figure 2.1).



Source: Dr. Reshma Shah, Emory University

Figure 2.1 The power brokers in marketing have evolved during the past 50 years.

In 1965, a brand such as Coca-Cola or Pepsi could communicate with 85 percent of the viewing TV audience by running three prime-time commercials. That's right, any brand that could run just three commercials in prime time could connect with the vast majority of people who were watching TV.

But by the early 2000s, the same brands had to run more than 125 commercials to achieve the same results. Why? Because of the fragmentation of the viewing audience across dozens (or hundreds) of cable channels.

Then with the wide adoption of broadband Internet, platforms such as YouTube, Facebook, LinkedIn, Twitter, and MySpace took center stage. When content distribution shifted to those

platforms, the consumer started having as much control over the brand as the agency, the corporation, or the retailer.

SOCIAL MEDIA COMES OF AGE

The consumer has taken control of your brand's position in the marketplace. For evidence of this, just ask United Airlines. More than eight million people watched a YouTube video entitled "United Breaks Guitars," written by a musician named Dave Carroll after the airline allegedly refused to repair his guitar that was broken on a United flight. According to one source, the company's stock price dropped nearly 10 percent the week after the video went viral.

Or ask Motrin, which had to yank a video targeting mothers who carry their babies in slings when complaints about the video started to boil over. Never mind the fact that subsequent research indicated that the average consumer actually *liked* the commercial. By the time things started to heat up online, it was already too late.

Or ask Toyota, which spent decades building one of the more powerful brands in history, only to have it horribly tarnished because of its slow, methodical, and bureaucratic response to the sudden acceleration issues.

The bottom line is this: If you're a brand manager, a chief marketing officer, or anybody who has an interest in the success of your marketing program (which should be 100 percent of the people working at your company), you should be aware that

you no longer own your company's brand. The consumer does. And that's both an opportunity and a threat.

The Big Idea

Consumers have as much control over your brand's perception as you do. By nurturing your relationship with them, you can create brand advocates who will do the selling for you.

If you're like some people, you might find this whole social media thing a little scary. In fact, you might even wish you could go back to the good old days of traditional media. But hang tight—we're about to show you some innovative and effective ways to use social media to grow your business.

You have a lot to learn, and things are changing rapidly. But if you follow the road map outlined in this book, you'll soon have a solid social media program that's generating real revenue and profits for you and your company.

So open your mind and take a step back. We're about to show you how to set up, run, and manage a social media program designed to effectively and efficiently grow your sales and revenue.

Before we move on to the next chapter, let's take a look at the key concepts and action steps we've covered in this chapter.

- ▶ **Key concept:** A social media magnet is a brand that people want to be associated with. Your brand is probably not a social media magnet.
- ▶ **Action step:** Accept the fact that your brand is not a social media magnet and begin developing marketing campaigns and promotions designed to attract prospects and customers to your social media program.
- ▶ **Key concept:** Successful social media campaigns are designed to do three things: 1) Acquire new customers, 2) Get existing customers to buy again, and 3) Generate referrals from both new and existing customers.
- ▶ **Action step:** Don't lose sight of those three goals as you build your social media campaign. Plenty of distractions will arise, but you need to keep those three goals front and center.
- ▶ **Key concept:** The center of power for your brand is no longer the agency, the corporation, or the retailer. It's the consumer.
- ▶ **Action step:** Honor the consumer in everything you do. Be transparent. Also give consumers what they need to become advocates for your brand.

ENDNOTES

1. The Red's Porch case study is based on a real restaurant and actual events. We've changed the name to protect the innocent.

GOOGLE LISTS MORE THAN 136 *MILLION* WEB PAGES UNDER THE SEARCH "MAKE MONEY WITH SOCIAL MEDIA." EVEN MORE FASCINATING IS THAT A DISPROPORTIONATE NUMBER OF THE ENTRIES FOR THIS TOPIC AREN'T WORTH A DIME. THEY JUST DON'T OFFER ANYTHING THAT'S REAL, SUSTAINABLE, AND LEGITIMATE.

CHAPTER 3

HOW TO THINK ABOUT SOCIAL MEDIA

But that's why we're here. And it's why you're reading this book—because you're committed to cutting through all the garbage and learning real, legitimate ways to make money with social media.

If you want to use social media to grow your sales and revenue, a great starting point is to reframe how you *think* about social media. By putting social media into context, you'll be able to shape it into what you need for your business. And perhaps the best way to do that is to look back at some of the historical parallels.

Did You Know?

Although radio was first introduced in 1906, it took years for it to catch on. Not so with social media, which has gained wide adoption at a much more rapid pace.¹

As hard as it might be to believe, when radio was first introduced in the early twentieth century, people were confused by the whole concept. One news headline from the *Daily News* read, "Radio confuses people. Many go back to playing horseshoes instead."

Okay, so the newspaper headline *didn't* say that. But you get our point. People found radio perplexing. Why? Because it was a new paradigm (which is just a fancy way to say that people hadn't seen anything like it).

When people encounter something new (such as radio, TV, or social media), they often feel threatened or scared. People might have said comments such as these about radio when they first came across it in the early twentieth century:

- ▶ “It has a bunch of scary-looking knobs and buttons.”
- ▶ “It requires electricity, which could kill me.”
- ▶ “When I turn it on, little people inside the box start talking to me.”
- ▶ “Mr. Jones listens to his every night. I’ve always thought he was a little odd.”
- ▶ “I’ve seen the entire Smith family huddled around theirs. I’ve never liked the Smiths, especially their dog.”

Now for some good news. Social media isn’t anything to be scared of. It can even be your friend. Better still, if you think about social media in the right way, you can use it to grow your business.

GETTING FAMILIAR WITH SOCIAL MEDIA

The first step to making money with social media is to wrap your mind around it. And the easiest way to wrap your mind around social media is to draw comparisons to other things you might be familiar with.

Let's start with social media in general.

What is social media? You can find dozens of answers on the Internet, some helpful and some flat wrong. But for our purposes, social media are the digital tools that enable a two-way conversation between your prospects or customers and your business.

Unfortunately, most businesses use social media for one-way monologues instead of two-way dialogues. This brings us to our first analogy:

Social media is more like a telephone than a megaphone.

The Big Idea

It's easy to wrap your mind around social media when you draw a parallel between social media and something you're already familiar with. For example, using social media is similar to using a telephone to have a two-way dialogue. In contrast, using traditional media is similar to using a megaphone to broadcast a one-way message.

Businesses that use social media as a megaphone are missing the point. You know the kind we're talking about. They're the businesses (or consultants) that can't stop talking about themselves and what makes their products or services special.

But have you ever been on a date with someone who can't stop talking about how wonderful he or she is? Have you ever been out with someone who constantly bragged and never once asked you about your interests?

We're guessing here, but we imagine that if you went on a date with someone like that, it was probably the last date you had with him or her.

So back to our analogy—using social media is similar to using a telephone, not a megaphone. And telephones are meant for dialogues, not monologues.

KEY SOCIAL MEDIA PLATFORMS

Now let's take that analogy a step further. If using social media is similar to using a telephone, then what is Facebook like? Or LinkedIn? Or Twitter?

We developed some analogies.

Did You Know?

Recent data shows that Facebook has more monthly unique visitors (135 million) than MySpace (47 million), Twitter (21 million), and LinkedIn (15 million) combined.²

- **Facebook is like a pub.** It's a casual place where you can go to talk about what you did over the weekend, tell a dirty joke, or tell people about the checkers convention you attended last week. (*Side note:* If you actually *did* attend a checkers convention, we suggest that you replace the phrase “checkers convention” with “mountain climbing convention” before announcing it to your Facebook friends.)

- ▶ **LinkedIn is like a trade show.** You wouldn't tell people at a trade show what you did in Vegas last weekend, would you? Okay, maybe *you* would, but the average businessperson wouldn't. Limit LinkedIn to your professional side. Talk about business. Talk about interesting articles in the *Harvard Business Review*. And use plenty of phrases such as “value chain” and “business model” in your profile. That should do the trick.
- ▶ **Twitter is like a cocktail party.** Just be sure you send out tweets that are helpful. New Tweeples make the mistake of taking Twitter seriously when its home page asks, “What are you doing now?” Well, we've got some bad news for you. Nobody cares what you're doing now. They care about information that will help them in their daily lives. So stick with helpful tweets that will position you (or your company) as an expert, drive people to a landing page on your site, or promote someone else in your industry who will someday return the favor.
- ▶ **YouTube is like Times Square on New Year's Eve.** Times Square on New Year's Eve is packed with people clamoring for attention, which illustrates the problem. Just as it's hard to stand out in Times Square, it's hard to stand out on YouTube. Too much competition exists. So if you want to use YouTube to make money, you need to build awareness for your YouTube channel first. (You do have a YouTube channel, right? No? Then get hopping and go set one up right now. We tell you how to use it in an upcoming chapter.)

Did You Know?

The average YouTube video is only 2 minutes and 46 seconds long. Despite that, it would take you more than four centuries to watch all the videos on YouTube.³

- **MySpace is like Woodstock.** MySpace has suffered the same fate as AOL—it was huge at one time, but it has faded a little during the past few years. That said, MySpace still provides some very good uses. If you're a musician or a cause-oriented marketer, you should be all over MySpace. But if you're selling industrial widgets in the business-to-business (B2B) space, you should do two things: 1) avoid MySpace like the plague and 2) think about getting a new job, because selling industrial widgets in the B2B space sounds like a terribly boring job.

OTHER SOCIAL MEDIA PLATFORMS YOU SHOULD KNOW ABOUT

One of the more common mistakes people make when thinking about social media is to think that social media is about only Facebook, LinkedIn, Twitter, YouTube, and MySpace. In reality, social media is about much more.

You should also be familiar with these social media tools:

- **Blogs**—Digital magazines or diaries that are often written in an informal, chatty style.

- ▶ **Bookmarks and tags**—Similar to digital yellow stickies that let other members of the online community know that you like an article or a Web page.
- ▶ **E-mail newsletters**—Digital flyers that let people know about your products or services.
- ▶ **Widgets**—Online gadgets that help you crunch numbers, check the weather, or find out how much money you made (or lost) in the stock market today.
- ▶ **Content aggregation sites**—Sites that effectively cut out articles from other online newspapers and repost them in one central location.
- ▶ **Wikis**—Sites that enable large groups of people to contribute and edit content.
- ▶ **Voting**—Gives people the opportunity to express their opinion on a product or service.
- ▶ **Crowdsourcing**—Uses the talents of many people in different parts of the globe to contribute to something (such as the development of an open-source software program).
- ▶ **Discussion boards and forums**—Places where people can digitally thumbtack their thoughts, comments, or suggestions on a digital cork board hosted on your Web site.
- ▶ **Backchannel sites**—Places where people at trade shows and conventions can comment on the event or the speaker on stage. (Side note: Always check your zipper

before doing a speech where backchannel sites are available. We learned that one the hard way.)

- ▶ **Tweetups**—Meetings or casual get-togethers that are organized via Twitter (such as “Meet us at Bob’s Tavern at 6:00 pm. We’re getting together to discuss the checkers convention ... I mean, the mountain climbing convention”).
- ▶ **Photo-sharing sites**—Digital photo albums on sites such as Flickr, Kodak Gallery, and Snapfish where people can upload their favorite photos.
- ▶ **Podcasting**—A way for small and large organizations to broadcast their thoughts, comments, or perspectives on a wide variety of topics.
- ▶ **Presentation-sharing sites**—Places where you can upload your latest and greatest PowerPoints. (Why would you do that? To position yourself as a thought leader.)
- ▶ **Virtual worlds**—Places where (young) people go to create second lives.
- ▶ **Ratings and reviews**—Enable people to rate your product or service and write reviews. (Believe it or not, negative reviews can actually help your brand because they give you instant customer feedback.)

What does all this mean? The bottom line is that the world is changing at a rapid pace, and it will change only faster in the future. You have a choice: Wrap your mind around social media and use it to make money, or get left in the dust when your competition beats you to it.

Which side will you be on?

SOCIAL MEDIA MODELS USED BY THE FORTUNE 500

Whether you work as a sole proprietor or at a Fortune 500 company, it's a good idea to know how others are using social media so you can incorporate those models into your own campaigns.

With that in mind, here are five social media models that are used by the Fortune 500 (some of whom are our own clients):

- ▶ **Branding.** Some companies use social media strictly as a branding tool. Typically, this means running a YouTube campaign that (hopefully) gets a lot of buzz around the water cooler. In our opinion, using social media simply as a branding tool is a twentieth century mindset. If you really want to supercharge your social media campaigns, you'll incorporate one or all of the next four highly measurable approaches.
- ▶ **eCommerce.** If you can sell your product or service online, then you'll want to drive people to a landing page on your website where they can buy your goods. How can you accomplish this? Just do what Dell does—they Tweet about special promotions available only to the people who follow them on Twitter. The promotional links are easily tracked so they can see how many people went to the landing page and how many converted from a prospect to a customer. They generate millions of dollars in revenue each quarter by using this method.
- ▶ **Research.** Many companies are using social media as a tool to do research. Sometimes, this involves building

a website to track the results. Starbucks has done this famously with their MyStarbucksIdea.com website. Other times, using social media as a research tool can be as simple as doing a poll on LinkedIn, SurveyMonkey, or via email.

- ▶ **Customer Retention.** A good rule of thumb is that it costs three to five times as much to acquire a new customer than it does to keep an existing one. Given that, wouldn't it be smart to use social media as a tool to keep customers loyal and engaged? That's what Comcast and Southwest Airlines do—they communicate via Twitter, Facebook, and other social media platforms to help solve customer service issues.
- ▶ **Lead Generation.** What do you do if you can't sell your product or service online? Then you'll want to do what many B2B companies do—that is, to use social media to drive prospects to a website where they can download a whitepaper, listen to a Podcast, or watch a video. Once you've captured the prospect's contact information, you can re-market to them via email, direct mail, or any number of other methods.

Let's review several key concepts and action steps from this chapter before we move on:

- ▶ **Key concept:** It's easy to wrap your mind around social media when you draw parallels between it and something you're more familiar with.

- ▶ **Action step:** Review the different parallels between platforms such as YouTube, Facebook, and Twitter and things you're already familiar with (such as a pub). Share those parallels with people in your office so they can get comfortable with these new tools, too.
- ▶ **Key concept:** Social media is about more than just YouTube, Facebook, Twitter, and LinkedIn.
- ▶ **Action step:** Broaden your understanding of the various social media tools by visiting several blogs, forums, e-newsletters, and other platforms you might not have visited.
- ▶ **Key Concept:** There are five different social media models used by the Fortune 500.
- ▶ **Action Step:** Use one or more of these models for your own social media campaign. Better still, evolve one of these into a brand new approach that's even better than these originals.

ENDNOTES

1. See http://en.wikipedia.org/wiki/History_of_radio.
2. See <http://blog.compete.com/2009/02/09/facebook-myspace-twitter-social-network/>.
3. See <http://youtube-global.blogspot.com/>.

YOU'RE INTERESTED IN LEARNING HOW TO USE SOCIAL MEDIA TO GROW YOUR SALES AND REVENUE. THAT'S GOOD. BUT BEFORE WE DIVE INTO THE SPECIFICS OF MAKING MONEY WITH SOCIAL MEDIA, WE NEED TO TALK ABOUT THE *LANGUAGE* OF SOCIAL MEDIA. AFTER ALL, THE STARTING POINT OF ANY GOOD CONVERSATION IS LANGUAGE, RIGHT?

CHAPTER 4

THE LANGUAGE OF SOCIAL MEDIA

One of the big issues surrounding the language of social media is whether it's singular or plural. The word *media* is plural, but we're not big fans of saying, "Social media *are* the next big thing," when most people are saying, "Social media *is* the next big thing."

We're aware that we're breaking all sorts of rules by doing that, and we're reasonably sure our use of social media in the singular will lead to the downfall of Western civilization. But our goal in the conversation we're having with you is to talk with you in plain, honest language that's as clear and easy-to-understand as possible.

Make sense?

GETTING SOCIAL MEDIA VOCABULARY STRAIGHT

We should discuss a few other terms before we continue, such as the differences in a social medium, a platform, and a channel:

- ▶ **Social medium**—Any single, broad category of tool that you use to run a social media campaign. A blog, a forum, and a user-generated video site are all examples of a social medium.
- ▶ **Platform**—The software or technology you use within a social medium. For example, WordPress is a platform used

for blogging, and YouTube is a platform used for online video.

- **Channel**—The specific, individual connection between you and your customer. Examples of social media channels include your specific blog, Twitter account, and Facebook profile.

We need to explain one thing that might have been on your mind. Many people have described social media as a silver bullet for your business. They've written blog posts, posted YouTube videos, and even written books talking about how social media is “transformative” and “the next big thing.” (Yes, we see the irony in this.)

The result is that social media has become overhyped—and we mean *really, really overhyped*.

Social media isn't a cure for everything that ails your business. And it's not a silver bullet that you can turn on to solve all your problems. But it is a viable, long-lasting marketing tool that, when used properly, can help you grow revenues, increase customer loyalty, and build awareness. And that's not such a bad thing, right?

THE SOCIAL MEDIA LIFE CYCLE

Social media isn't the first new technology to be overhyped. Think back a few years ago when Web logs, now known as

blogs, gained traction. Corporations, nonprofit groups, and individuals all jumped onto the blogging bandwagon.

The more these entities adopted blogging as a viable communications tool, the more blogs were positioned as a silver bullet that would easily solve just about any marketing problem. For a while, it seemed as though every CEO at a Fortune 500 company had a blog.

But then a funny thing happened. People realized that blogs weren't going to solve all their problems, so they grew disenchanted. Suddenly, people viewed blogs as a waste of time. People decided they didn't have time for blogs, especially blogs that nobody read.

But blogs didn't die. They just evolved into something better and more useful. Instead of using blogs as press release distribution tools, CEOs (and other members of corporations) began using individual blogs as channels to have *conversations* with their prospects and customers. When the conversations happened, people began to recognize how to best use a blog.

Companies now realize that their blogs are channels that can create a link between a customer or prospect and a business. And when they build that link, they're creating loyalty for their brand and their product or service.

With that in mind, it's important to note that social media will move through an overhyped stage and into a stage in which people discount its importance or effectiveness. And as with any roller-coaster ride, it'll be a little scary for a while. But if you

manage the expectations of those around you and help them understand the value of social media, the ride won't be quite so bumpy.

Better still, if you follow some of the social media business models we're about to discuss, you might be able to bypass the scary stage and move right into the productivity stage.

BRINGING YOUR SOCIAL MEDIA CAMPAIGN TO LIFE

The model illustrated in Figure 4.1 isn't the only social media business model, but it's the model that companies such as Dell and Papa John's Pizza have used to build their social media programs. Essentially, customer prospects are driven to social media channels that the parent company sponsors or manages. In Dell's case, the company uses [Twitter.com/DellOutlet](https://twitter.com/DellOutlet) as a way to promote special offers to the more than 1.6 million people who follow them on that Twitter page. When a special offer is posted on the DellOutlet page, it drives customer prospects to a landing page on the company's Web site that has been specifically set up to match the offer on the DellOutlet page. If the offer is appealing enough, a small percentage of Dell prospects will convert to Dell customers. With that data and information now captured in their system, Dell can remarket to those members of the Dell social media community who landed on the Dell site via Twitter.

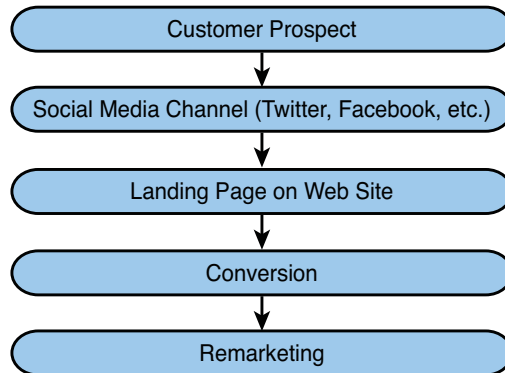


Figure 4.1 You can measure social media on a return on investment (ROI) basis, particularly if you use business models such as this one.

To drive prospects to the social media channel, Dell (or any other corporation) can use different types of traditional and nontraditional media. The company could use direct mail, radio, or outdoor advertising to make people aware of the social media community it's created. Or, more likely, Dell could use blogs, forums, and online video to generate traffic. If a company is really sophisticated, it uses contextual advertising or behavior targeting to drive traffic to its social media site.

A contextual ad is a paid search or banner ad placed near similar content on a blog, forum, or online article. If you own a hunting lodge in Montana and you want to attract customers to your lodge, it would make sense to place a banner ad near an article or blog post that's about rifles, shotguns, hunting, or other outdoor activities, right? By running ads that are

contextually sensitive, you increase the click-through rate. And when you increase the click-through rate, you increase your profits.

Ahhh, profits. Nice!

What about behavioral targeting? What's that all about?

Behavioral targeting is similar to contextual ads, but with a few important differences. Behaviorally targeted ads follow groups of people around the Internet. For example, tens of thousand of people each day type "cameras" or "camera gear" into Google, Yahoo!, or Bing. A certain percentage of those people click through to Web sites that contain information about cameras that'll help them make decisions about their next camera purchase. But most people don't finalize their decisions about buying a camera in just a few clicks. Typically, they surf the Web on several different occasions, continuing to gather information before they spend \$900 on a new camera.

Wouldn't it be cool if, as those thousands of people surfed the Web reading more articles about cameras, they saw an ad for your brand of camera? Wouldn't the click-through rate be higher if ads for your camera gear followed people around the Net as they surfed for more information about cameras?

That's behavioral targeting, and it's a great way to make the shopping and purchase experience even more relevant.

Now, before you get all up-in-arms about privacy issues, remember that advertisers aren't following *you* around—they're following *statistical data* around. Nobody is snooping around

your computer. They're just serving up ads to Web sites that thousands of people like you happen to be reading on a topic of interest that you share.

Did You Know?

Privacy advocates have raised some questions about behavioral targeting, but behavioral targeting uses the same techniques that the direct mail industry has been using for decades. The direct mail industry uses statistical data about large groups of people to send targeted messages to interested buyers. Behavioral targeting uses the same techniques.

So how does this relate to the social media model we outlined previously? It's an example of how savvy businesses can use sophisticated online tools such as contextual ads and behavioral targeting to drive people to social media sites that ultimately lead to landing pages where they can buy your product.

Some people might ask, "Why wouldn't I use contextual ads or behavioral targeting to drive people *directly* to my landing page? Why would I send them to my social media sites first?"

The short answer is, that's definitely one approach. Driving people directly to your landing page is a quick, easy way to drive traffic to your Web site. But what happens when you start losing efficiencies on that model? What happens when people aren't clicking through on those ads as frequently as they used to?

When that happens, you add the next component, which is to use every form of media that you can (both traditional and nontraditional) to drive people to your social media channels. It's an additional way to add volume to your overall marketing campaign. Better still, it's an additional way to build a relationship with your customers and prospects.

KEEPING CUSTOMERS FOR LIFE

The concept of a relationship is worth pausing and thinking about for a second. Remember when we said that the whole idea behind a social media campaign is to have a two-way conversation with your customers and prospects? When you have a two-way conversation with customers and prospects, you're doing more than just having a conversation. You're building a *relationship*, too. Relationships happen over time, and they often happen *before your customer is ready to buy*.

Why is this so important? Because not all your customers are ready to buy at the same time. One consumer behavior model that highlights this is the Awareness, Interest, Desire, and Action (AIDA) model. This model has been used since the 1960s to highlight the process that consumers go through when they buy a product. If one person is in the awareness stage and another person is in the action stage, they have different buying mindsets. If you do things right, you'll send different pieces of communication to each of those consumers to address where they are on the AIDA decision-making process.

Let's look at a quick illustration of how to use the AIDA model when thinking about your social media campaign. If someone buys a car every five years, wouldn't it be a good idea to begin nurturing your relationship with that consumer sometime in year 4? That way, you can build awareness, interest, and desire during the course of a year, which will ensure that, in year 5, your brand is at the top of the list when the buyer is ready to take action.

Let's recap a few of the key concepts we've covered and talk about action steps for those concepts:

- ▶ **Key concept**—A social medium is the category of tool a company is using to run a campaign. A platform is the software or technology used within a social medium. And a channel is the specific, individual connection between you and your customer.
- ▶ **Action step**—Learn these terms so that everyone within your company is using the same language to discuss your social media campaign.
- ▶ **Key concept**—Many different corporations are using several social media models. The most common model is customer/prospect → social media channel → landing page → conversion → remarketing.
- ▶ **Action step**: Set up your social media campaign so that it follows this basic model, which enables you to track results, adjust your campaign, and improve your ROI.

- ▶ **Key concept:** You can use traditional media and nontraditional media to drive traffic to your social media sites. The more traffic you drive to these sites, the more opportunity you have to build a long-term relationship with these prospects.
- ▶ **Action step:** Nurture your relationship with your prospects by providing them useful tools and information that benefits them. Don't always sell, sell, sell. Sometimes a more nurturing, helpful approach builds a deeper loyalty.
- ▶ **Key concept:** The Awareness, Interest, Desire, and Action (AIDA) model is a consumer behavior model that highlights where people are in the buying process.
- ▶ **Action step:** Customize your marketing campaign so that it talks to prospects differently, depending on where they are in the buying cycle.



PART II

HOW TO SET YOURSELF UP FOR SOCIAL MEDIA SUCCESS

THE AVERAGE TENURE
FOR A CHIEF MARKETING
OFFICER AT A MIDSIZE TO
LARGE CORPORATION IS
JUST 11 MONTHS. THAT'S
PRETTY SCARY.

CHAPTER 5

LAYING THE GROUNDWORK FOR SUCCESS

Part of the problem is that most CMOs have difficulty figuring out how to measure their marketing campaigns. That's understandable—just a few years ago, the formula for marketing success was to develop a 30-second television spot and run the heck out of it. Things have changed since then.

Back in the day, if you had a 30-second spot that made people laugh or cry, you were sitting pretty. And if that emotional connection actually resulted in *sales*, crazy things could happen for you, including promotions and raises.

The truth is, during the twentieth century, marketing was more about the *creative* than it was about the *media*. If you were lucky and had a “Polar Bears” or “Caveman” commercial on your hands, you'd keep pumping more money into the campaign and watching sales rise. You'd keep doing that until sales started to lag. Then you'd start everything all over again.

Figure 5.1 illustrates our point. The y -axis represents marketing expenditures, and the x -axis represents sales. The slope (m) represents the impact marketing has on sales. The steeper the slope, the greater the impact.

So if you had a “Caveman” commercial on your hands (that is, a commercial that had emotional appeal *and* made the cash register ring), you would continue adding to the marketing budget as long as the slope was in positive territory.

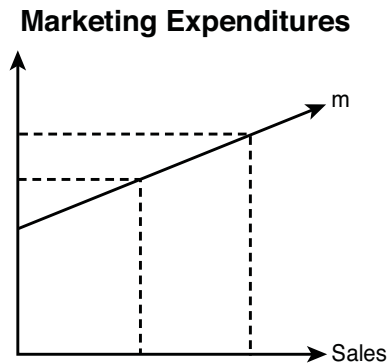


Figure 5.1 The slope (m) represents the impact marketing has on sales.

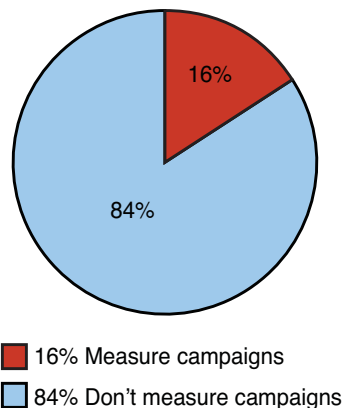
An example of a slightly more complex formula for all this is $a + bx_1 + cx_2 + dx_3 + ex_4 = y$, where a = traditional media, b = social media, c = price, d = distribution, e = product mix, and y = profits. The variables signified by x_1 , x_2 , x_3 , and x_4 all influence the campaign and will ultimately have an impact on the profits.

MEASURING WHAT COUNTS

We're not trying to freak you out with a bunch of formulas and charts. In fact, that's probably the only true formula you'll read in this book. We're simply trying to highlight the importance of using some pretty simple tools to measure the impact of your social media campaign. The more diligent you are about measuring your social media campaign, the less likely you are to be one of those chief marketing officers who lasts only 11 months.

Consider this interesting statistic: According to a survey by Mzinga and Babson Executive Education, only 16 percent of those polled said they currently measured the return on investment (ROI) for their social media programs (see Figure 5.2). More than four in ten respondents didn't even know whether the social tools they were using had ROI measurement capabilities.

Professionals Worldwide Who Measure the ROI of Social Media



Source: eMarketer.com

Figure 5.2 Only 16 percent of marketers around the globe measure their social media campaigns on an ROI basis.

You don't have to be one of the 84 percent who don't measure the ROI of their social media campaigns. You can be one of the 16 percent who can track the results—if you follow the plan outlined in this book.

At a recent conference on social media, Rupal Mamtani, the founder and CEO of upscale furniture store Global Living, said, “I spend almost two to three hours a day personally on the social media marketing efforts for Global Living. I have to be the one involved. I can’t outsource my Tweets. No one else has the perspective around this business the way I do. I represent the brand. Having said that, it’s exhausting running the business 24/7 and managing to be the face of the brand.”

When asked about the impact all her effort has had on her company’s performance, she said, “After six months of being somewhat of a pioneer in the social media space in my industry, I am just now beginning to see results. People are beginning to engage more with me and with the company.” She has not seen a direct impact on sales yet, but she sees more engagement, which could result in leads. *Leads*, she reiterates—not sales. For this CEO, social media is a supplement to traditional media, at best: “It won’t replace newspaper advertising, a billboard, or even an event—at least, not in my business.”

Clearly, Mamtani sees value in her social media involvement but still wonders when she’ll see a return on the personal time she invests. Of course, the primary purpose of any kind of traditional marketing communication is to inform, persuade, or remind your customers about your product or service in an attempt to gain either a new sale or repeat sales. In the process, the hope is that your customers will become engaged with your organization or brand in a meaningful way that encourages them to keep coming back for more.

The good news for Mamtani is that she ultimately has her sights set on the only thing that really matters: social media's impact on sales. The fact that she's just beginning to see a link between the two is good news and, hopefully, is a sign of better things to come.

RISKS ASSOCIATED WITH SOCIAL MEDIA CAMPAIGNS

One multidivisional communications company we interviewed saw the benefits of engaging in social media but also identified several risks associated with it. The company currently has no formal organizational structure for managing the social media platforms and conversations across areas within the company, between the corporate office and the satellite locations, and between the company's buyers and sellers.

To ensure that conversations through social media marketing are meaningful, the company makes a large investment in people, technology, and process. The company also believes that it will have to invest a great deal in research to understand just how social media impacts sales compared to other forms of marketing. With platforms and tools in social media evolving so rapidly, marketing heads are much more comfortable adopting a "wait and see" approach, to avoid making inefficient and ineffective investments in the social media space. And they're not alone.

Recent conversations with the chief marketing officer of another multibillion-dollar multidivisional company uncovered a similar sentiment. It's clear that this company understands the importance of adopting social media for its brands; however, the main concern is scalability. How can several thousand people connected through some common platform at a given point in time spark millions of consumers to take action?

Corporate Social Media Guidelines

Many corporations have created employee guidelines for using social media on the job. Consider some essential guidelines:

- ▶ **Show respect.** Treat others with courtesy and respect.
 - ▶ **Show responsibility.** Think before you communicate.
 - ▶ **Demonstrate integrity.** Show sound moral character.
 - ▶ **Be ethical.** Would your grandmother like what you're doing? If not, don't do it.
 - ▶ **Add value.** Say something that moves the ball forward. Add to the conversation.
-

Fortunately, solutions to these challenges are starting to emerge. Corporations are developing social media guidelines for employees and training employees on proper and appropriate social media behavior.

This brings us to our final point, which deals with an organization's capability to achieve its desired brand

positioning via social media. We would be very rich if we collected a dollar each time we heard a CMO confess to being unsure about investing in the resources required to adopt a social media strategy. So many of them hire interns from prestigious universities to help them “figure it out” and “determine the ROI” of such an investment—at least, that’s been the norm in the most recent past. But hiring a few recent graduates to handle something as important as social media is a prescription for disaster, which is why we recommend assigning your social media program to a more seasoned employee or group of employees.

SOCIAL MEDIA ISN’T FREE

The bottom line is that any effort requires investment. Sometimes this is an investment in people. Sometimes it’s an investment in technology. Often it simply boils down to an investment in time.

When you’re thinking about how you can use social media to connect with your customers and, ultimately, make money, ask yourself these key questions:

- ▶ Will the benefits of engaging in social media marketing outweigh the risks? Are there any risks if you do participate?
- ▶ Does your industry, product, or brand have a unique characteristic that may make social media more or less critical and relevant?

- ▶ Can you use social media marketing to influence key stakeholders in the intended manner?
- ▶ Do you know which platforms will resonate best with your stakeholders, and can you motivate them to participate?
- ▶ Does your organization have the necessary capabilities—including resources and processes—to achieve your desired brand positioning through social media?
- ▶ Do you have a way to integrate social media into your current marketing communications strategy?
- ▶ Do you have a set of metrics that will help you understand whether the return from social media was worth the investment?

In asking these questions, you're taking one of the first important steps to growing your sales and revenue with a social media marketing campaign.

We've covered a lot of good ground designed to set you up for social media success. Let's revisit the key concepts and action steps and then move on to more good stuff.

- ▶ **Key concept:** The average tenure for a chief marketing officer is only 11 months.
- ▶ **Action step:** Avoid the fate of most CMOs by embracing the concept of running only social media programs that can be measured on an ROI basis.
- ▶ **Key concept:** Several basic formulas illustrate the impact marketing has on sales.

- ▶ **Action step:** Learn and understand the marketing mix formula outlined in this chapter. You'll be tested on it tomorrow. (We're kidding.)
- ▶ **Key concept:** Some larger corporations are adopting a "wait and see" approach to social media.
- ▶ **Action step:** If you "wait and see" too long, you give your competition an edge. Instead, adopt a set of social media guidelines for your company. (For examples of corporate social media guidelines, visit www.60SecondMarketer.com/SocialGuidelines.)

YOU WERE PROBABLY PRETTY FIRED UP WHEN SOCIAL MEDIA FIRST CAME ALONG. IT WAS AN EXCITING NEW APPROACH, A LOT OF BUZZ WAS CIRCULATING ABOUT IT, AND EVERYBODY WAS EAGER TO SEE IF SOCIAL MEDIA WAS GOING TO BE LIKE USING GOOGLE TO DO A PAID SEARCH CAMPAIGN. MAYBE YOU REMEMBER PAID SEARCH—IN THE EARLY YEARS, IT WAS SO SUCCESSFUL THAT IT WAS THE EQUIVALENT OF PRINTING MONEY. TODAY IT'S A SOLID, VIABLE MEDIUM, BUT IN THOSE EARLY YEARS, IT WAS *SUPER HOT*.

CHAPTER 6

WHY YOUR FIRST SOCIAL MEDIA CAMPAIGN DIDN'T WORK

That's what social media is today, super hot. But somewhere along the way, a lot of people have stumbled in using social media. They've launched a campaign, sometimes with great fanfare, and failed miserably.

In Chapter 2, "The Evolution of Marketing," we mentioned Red's Porch, the restaurant and bar that made one of the greatest offers of all time (free alcohol) to the first 100 people who followed it on Twitter. Unfortunately, the promotion didn't work. A number of factors contributed to the failure, but the main one was that Red's Porch did not have social media magnetism.

If your brand has social media magnetism, it's so powerful that people are attracted to it the way metal is attracted to a magnet. Your brand is so powerful that people will go out of their way to be affiliated and associated with your company, because it gives them a sense of style, cache, and panache.

For an example of this, check out MyStarbucksIdea.com. It's one of Starbucks' many social media campaigns, and it's a particularly good example of how Starbucks has leveraged people's passion about their coffee and turned it into brand loyalty. Brand loyalty is one of the components of social media magnetism. If you have it, as Starbucks does, you're golden.

The problem is, you're not Starbucks (unless, of course, you actually *are* Starbucks, in which case, we'd like to say, "Hello, Starbucks!").

Our point is, if you're a company that sells paper or pet supplies or, God forbid, industrial widgets (apologies to the industrial

widget makers out there), you're going to have to reach out to consumers and engage them in your social media campaign.

How can you do this? By creating a campaign that gives consumers something valuable that they don't currently have. This can be giveaways and other relatively traditional special promotions. This also can be information that the visitor finds useful. Better still, this can be a tool that keeps the visitor coming back for more.

Money-Making Tip

You can download a list of effective and easy-to-implement social media promotions at www.60SecondMarketer.com/SocialPromotions.

One of the best and smartest versions of these tools comes from HubSpot, a Boston company. HubSpot realized that one of the best ways to create inbound traffic to its Web site was to create a tool that people couldn't do without. So the company created a search engine optimization (SEO) analysis tool called WebsiteGrader and put it up on its Web site.

What's an SEO analysis tool? It's a sophisticated program that analyzes how Google, Yahoo!, or Bing sees your site. The real stroke of genius was that the folks at HubSpot decided to include WebsiteGrader on the Web site. By sharing their tool with other people, they created inbound traffic, which ultimately converts to customers.

“A great way to get more customers using social media is not just to engage, but to *educate*,” says HubSpot chief technology officer and founder Dharmesh Shah. “We believe in this passionately at HubSpot, and it has worked miracles for us. We’ve learned that the more people you *make smarter* by educating them, the more leads and customers you get.”

So far, HubSpot’s WebsiteGrader has generated grades on more than two million URLs. So on more than two million occasions, potential customers for HubSpot have visited, engaged with, and interacted with one of the tools on its site. That kind of traffic is mind-boggling, especially if you’re a company with only a few hundred employees.

Check out MyStarbucksIdea.com or WebsiteGrader.com the next time you’re at a computer. You’ll get a clear sense of what they’re doing to engage people—and keep them engaged—with their companies.

This brings us back to one of the key questions a lot of folks are asking themselves right now: “If social media is such a powerful tool, why did my first campaign fail?”

It’s a great question. We analyzed the most common mistakes people make when they run a social media campaign and came up with the following list. Read through it and put a check mark by the ones that apply to you. Don’t be surprised if you have more than one check mark—the idea is to figure out where you’re coming up short so you can focus on fixing the problem areas:

❑ **You didn't measure the results of your campaign.**

Interestingly, this is an all-too-common problem. We discuss ways you can measure the results of your next campaign in an upcoming chapter.

❑ **You didn't set clear objectives.** Some companies create a Facebook page or a YouTube channel before they think through their objectives. Is it to build awareness? To drive traffic to a landing page on their site? To give people a channel to make comments and record their frustrations?

❑ **You thought social media was only about Twitter, LinkedIn, Facebook, or YouTube.** Of course, social media is about having many conversations across as many platforms as you can manage. The more opportunities you provide customers to engage with you, the more successful your campaign will be.

❑ **You didn't know how to set up a landing page.** One basic model of social media success looks like this: prospect → social media channel → landing page on Web site → new customer. If you don't have a landing page on your Web site that's designed to convert prospects to customers, you won't be able to track your return on investment (ROI). No ROI, no social media campaign (or, rather, no *effective* social media campaign).

❑ **You didn't remarket to customer prospects.** Most prospects who visit your landing page won't become customers. In fact, the vast majority won't. But that doesn't mean they're never going to buy. It just means they aren't going to buy at that time. Keep them in your pipeline—you'll get them someday if you remarket to them.

- ❑ **You didn't know how to turn a social media campaign into a sales and marketing campaign.** Social media isn't just about building awareness. It's about turning prospects into customers. Don't be shy about nudging prospects along the sales funnel. They expect it, to a certain degree.
- ❑ **You sat on the sidelines.** True story: We were in contact with a creative director at a major advertising agency a while back who said, "This whole Internet thing is just a flash in the pan, and I can't wait for it to blow over." We're serious, he said that. Our point? You don't want to be that guy.
- ❑ **You downplayed the importance of social media.** Some people don't sit on the sidelines as much as they participate without passion. That's almost as bad as sitting on the sidelines. You don't want to be that guy, either.
- ❑ **You thought you could do social media in ten minutes a day.** Social media is a little like a marriage: You won't have a successful marriage if you plan on spending just ten minutes a day having a dialogue with your spouse. The same holds true for a successful social media campaign.
- ❑ **You thought social media was like traditional marketing.** Social media and traditional media have a lot of similarities. But they have a lot of differences, too. Your job is to embrace those differences. Don't be scared—social media won't hurt you.

We could go on and on about some of the ways your social media campaign might have failed, but we won't. Our job here

is to show you ways to succeed with social media, not how to fail.

So we'll keep going. For now, let's review the key concepts and action steps you should know from this chapter.

- ▶ **Key concept:** If you're not a social media magnet like Nike, Apple, or Harley-Davidson, customers won't automatically come to you. You have to set up campaigns that attract them.
- ▶ **Action step:** Download the list of the top social media promotional ideas at www.60SecondMarketer.com/SocialPromotions.
- ▶ **Key concept:** HubSpot and MyStarbucksIdea.com are two of the more successful models that companies are using to attract visitors to their Web sites.
- ▶ **Action step:** Visit both sites and study what makes these models successful. Use the sites as inspiration to do a bigger, better, bolder version of the same thing for your company.
- ▶ **Key concept:** Several common reasons explain why some social media campaigns don't work.
- ▶ **Action step:** Use our checklist to identify the areas you need to focus on in the future.

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HAVE YOU EVER BEEN
IN A SITUATION WHEN
PEOPLE WERE SAYING
NEGATIVE THINGS ABOUT
YOU? MAYBE IT WAS IN
THE LUNCHROOM IN
MIDDLE SCHOOL OR AT A
PARTY WHEN YOU WERE
YOUNGER.

CHAPTER 7

MANAGING THE CONVERSATION

If you're like most of us, you probably ignored the people who were saying the negative things. You probably let them continue their gossip and just walked away from them.

But what if you had decided to join the conversation? What if you had decided to introduce yourself and talk to the other people? What if you had decided that, once they got to know you, they probably wouldn't feel so negatively about you? If you had just taken a few steps and talked to them, they might have gotten to know you better and might have even changed their opinion about you. Who knows? They might have even said some *positive* things about you.

The same holds true with social media. If people are saying negative things about your company online, you have two choices. The first is to ignore the conversation. The second is to participate in it.

What happens if you ignore the conversation? Before long, others join in the fray and things quickly spin out of control. You end up reacting to the conversation rather than controlling it. That's not good.

Research indicates that when someone has a positive experience with your brand, that person might tell one or two other people about the experience. But when someone has a negative experience with your brand, that person will tell 11 other people about the experience. It's hard to say how many of the 11 people will perpetuate the negative story, but it's safe to say that the "gossip" doesn't stop there. In all likelihood,

an additional 10 or 15 people might hear the story from the original 11.

That's potentially 21 to 26 people who hear something negative about your brand, just based on one customer's less than stellar experience. But that research doesn't even factor in the power of the Internet, which can increase the effect tenfold or even a hundredfold.

Did You Know?

Information travels across the Internet at almost 186,000 miles per second. Given that, it's not surprising that consumers' perceptions about brands change more rapidly than ever.¹

When Motrin ran a commercial about mothers who wear body-hugging slings for their children, several bloggers found it objectionable. Apparently, the bloggers felt that the spot took a swipe at mothers who have back pain as a result of wearing the baby slings. Messages like those seem to spread around the globe at the speed of light, so it wasn't long before the whole Motrin Moms commercial turned into the Motrin Moms fiasco.

A few days after the campaign launched, Motrin pulled the spot and issued a public apology. But an analysis conducted by Lightspeed Research found that almost 90 percent of the survey respondents had never seen the ad. When they did see it, about 45 percent liked it, 41 percent had no feelings about it, and only 15 percent didn't like it. Just 8 percent said it negatively affected

their feelings about the brand, compared with 32 percent who said it made them like the brand more.

What happened? A handful of bloggers started a whirlwind of activity that resulted in so much negative content swirling around the Internet that Motrin had to cancel the spots—even though post-fiasco research indicated that the company didn't have to.

A similar incident happened to United Airlines when a musician named Dave Carroll uploaded his music video, called "United Breaks Guitars," to YouTube. Dave, who strikes us as a very nice and genuine guy, wrote the song after getting the brush-off from United when the company refused to pay for the guitar that some baggage handlers broke. Dave's first video generated more than eight million YouTube viewings.

According to U.K.'s *Times Online*, "within four days of the song going online, the gathering thunderclouds of bad PR caused United Airlines' stock price to suffer a mid-flight stall, and it plunged by 10 percent, costing shareholders \$180 million. Which, incidentally, would have bought Carroll more than 51,000 replacement guitars."

Whether Dave Carroll's YouTube video really had anything to do with the stock price dropping 10 percent is arguable, but the hard fact is that more than eight million people now have a less than stellar impression of United Airlines.

It's easy to second-guess what United or Motrin should have done once things started spiraling out of control. But if they'd

both been more deeply engaged in the online conversation—if they'd both gotten out ahead of the story—perhaps their situations would have been different.

PARTICIPATING IN THE CONVERSATION

So where does all this lead us? Right back to where we started: When you have a choice between participating in the conversation or sitting on the sidelines, you should *always participate in the conversation*. When you do so, you can help frame the issues and spread correct information about your brand or product.

Participating in or controlling the conversation is a little labor-intensive, but sometimes you don't have a choice. We know one brand (we'll call them Brand A) that spends more than \$15 million a year on traditional advertising. They're sophisticated marketers who track the results of every dollar they spend. They even track the online chatter about their brand and their competitor's brand online.

The problem is that Brand A is getting absolutely trashed online. Seriously, people are writing terrible (and usually false) things about their company. Worse still, people are confusing Brand A with a competitor who actually *is* guilty of some terrible things.

Yet here's the incredible part: Brand A has decided to sit on the sidelines and not participate in the conversation. What the ...? Really? Somehow these guys have decided that it's better to save their money than to invest it in reframing the online chatter that's damaging the long-term value of their brand. How's that for short-term, narrowly focused thinking?

So how do you manage the online conversation in such a way that people are exposed to accurate information about your brand? The starting point, of course, is to monitor the online chatter about your brand. You can use several companies to do this, including Technrigy and Nielsen BuzzMetrics. Here's a quick rundown of what these companies can measure:

- ▶ Online mentions across blogs, microblogs, message boards, wikis, social networks, video-sharing sites, and mainstream media
- ▶ Daily volume and trend analysis
- ▶ Word cloud analysis to show what words are being used in association with your brand (such as *cheap*, *free*, *valuable*, *love*, and *hate*)
- ▶ Word cloud analysis to show what words are being used in association with your competitor's brand
- ▶ Gender and age analysis of people describing your brand online
- ▶ Most active domains showing results for your brand (YouTube, Twitter, Wikipedia, and so on)

- ▶ Geographic distribution of posts, both nationally and internationally
- ▶ Positive and negative sentiment surrounding your brand
- ▶ Forum comment metrics
- ▶ Facebook Fan Page analytics and metrics

But gathering data is just part of the challenge. The real question is, what are you going to do with the data?

One approach is to use something BKV Digital and Direct Response calls i-Cubed system. BKV is a marketing communications firm that creates highly measurable marketing campaigns for brands such as AT&T, Six Flags, and the American Red Cross. It's also the primary sponsor of the *60 Second Marketer*, the online magazine run by Jamie Turner, one of the authors of this book.

When BKV saw the power and impact that social media was going to have on brands, it came up with the i-Cubed system:

- ▶ **Information** is all the data and statistics you can gather about your social media campaign. You can use several tools for this, in addition to the ones mentioned earlier, including Biz360, Radian6, Visible Technologies, and the old workhorse Google Analytics.
- ▶ **Insight** involves taking a deep dive into the data to explore patterns, spikes, relationships, and other information that you'll notice only after you've really digested the information. When you're investigating at this level, it's

easy to get stuck in data overload, so don't be afraid to take a step back every once in a while and ask yourself, "Okay, I understand the data, but what does this mean in *human* terms? How can I translate this information into a story about my customers or prospects?"

- **Impact** is all about creating a campaign that leverages the information and insight and turns it into a specific, measurable, action-oriented program to drive revenue for your brand. If the data shows that long-form blog posts don't get much traffic, but your YouTube videos do, you'll want to leverage that insight into your campaign. (Of course, you'll want to go much deeper than that in your analysis, but you get our point.)

USING THE I-CUBED SYSTEM TO MANAGE THE ONLINE CONVERSATION

One client we've worked with used the i-Cubed system to manage the online conversation about its business. It's an interesting story and worth sharing because a lot of companies have probably had similar problems.

It all started about 15 years ago, when a product this company made malfunctioned. In almost all cases, the malfunction was the result of user error, but enough people were affected that lawsuits started flying around like a bunch of gnats on a summer evening. Instead of fighting the cases in court, the company decided to settle out of court.

The problem seemed to go away until, 15 years later, a little-known blogger decided to upload a poorly researched and inflammatory article post on his blog. The problem became pretty serious when Google ranked this post #2 on the first page of the search engine. The only site ranked higher than this blog post was the company's official Web site.

You can imagine the kinds of problems that raised for this company—a blogger with inaccurate information got ranked #2. When you're in that spot, it's very hard to knock it out of that position.

So what did we do? We used the i-Cubed system of Information, Insight, and Impact to develop a social media campaign that was designed to flood the Internet with accurate, transparent and helpful information about the company. We pulled out all the stops, using YouTube, LinkedIn, Twitter, Facebook, Flickr, and seven different blogs designed to ethically, honestly, and transparently provide accurate information about the company and its products.

What were the results? (Recall that the third *I* in the i-Cubed system is *Impact*.) The company dominated more than 65 percent of the conversation on the first page of Google. And by "dominate," we don't mean that the company flooded the Internet with sales pitches—that would have been counterproductive. Instead, it flooded the Internet with good, useful, and accurate information about its products and its industry.

Several key concepts in this chapter are worth keeping in mind. More importantly, you'll want to execute several action steps to keep moving forward with your next social media campaign.

- ▶ **Key concept:** You have two choices in social media: ignore the online conversations about your brand or participate in them.
- ▶ **Action step:** Choose to participate in the conversation. Be helpful, friendly, and, most of all, accurate.
- ▶ **Key concept:** Dozens of companies can help you gather data about the online chatter about your company.
- ▶ **Action step:** Start gathering data related to this chatter. Many of the resources have free entry-level versions.
- ▶ **Key concept:** The i-Cubed system is about information, insight, and impact.
- ▶ **Action step:** Make sure you follow this simple system in your next social media campaign. Gather information, develop insights, and measure the impact.

ENDNOTES

1. See www.fcc.gov/cgb/consumerfacts/highspeedinternet.html.

REMEMBER THE GAME SIX DEGREES OF SEPARATION? THE IDEA WAS THAT YOU COULD CONNECT ANY CHARACTER IN ANY MOVIE TO KEVIN BACON BY CONNECTING NO MORE THAN SIX ACTORS. THE GAME WAS BASED ON THE SMALL WORLD EXPERIMENT, CONDUCTED BY STANLEY MILGRAM, AN AMERICAN SOCIAL PSYCHOLOGIST WHO WAS FAMOUS FOR A VARIETY OF INTERESTING AND INNOVATIVE SOCIAL PSYCHOLOGY EXPERIMENTS.

CHAPTER 8

CREATING CIRCULAR MOMENTUM

The theory that we're all connected through six degrees of separation is true, in many cases. Oh, sure, it's not true if you're a member of the secluded Baniwa tribe in the Amazon Rainforest. But if you're Nanci Steveson living in Bay Head, New Jersey, the odds are pretty good that you could be connected to, say, Davis Tucker living in Austin, Texas, through no more than six degrees of separation.

That's important because it drives home the point that your product or service is linked to a lot of people who have had a positive (or negative) experience with it. The good news is that if people have a positive experience with your brand, they just might spread the word via social media. However, if people have negative experiences with your brand, the word gets out just as quickly.

We call this **circular momentum**. The idea behind circular momentum is to use social media to grow your brand's positive impression. When you tap into the power of circular momentum, you can let your brand advocates (those who love your product) do a lot of your marketing for you.

USING CIRCULAR MOMENTUM TO BUILD YOUR BRAND

You need to keep one important thing in mind when you're trying to use circular momentum to build a positive brand impression: transparency. If you're not 100 percent honest and transparent in your dealings with people on the Internet, you'll

eventually be found out. And nobody likes to be outed on the Internet.

However, if you can create a positive experience for people on your social media channels, you'll be able to leverage circular momentum for the better.

Take Equifax as an example. Equifax is the oldest consumer credit reporting agency in the United States. It's safe to say that the company is somewhat conservative. Fortunately, two social media advocates were prepared to nudge Equifax into new territory. Jana Ferguson, who works at BKV Digital and Direct Response, and Helen Wanamaker, the vice president of marketing at Equifax Consumer Services, decided to push ahead into new and uncharted waters.

"We knew that Facebook was a place where our customer prospects congregated," said Helen. "We weren't sure, at first, how to tap into everything going on at Facebook. But after working through some initial thoughts and ideas, we realized the worst thing we could do was to do a hard sell. So we set everything up so that it was all about creating a community where people could come in, talk with other like-minded consumers, and even communicate directly with Equifax. Before long, we had more than 10,000 fans, with hundreds of them actively participating in the conversation."

Before launching the campaign, the team did extensive research to find out what the company's competitors were doing in the space. To their surprise and delight, its competitors, Experian

and TransUnion, didn't have Facebook pages specifically branded to their companies. (Experian did have a Fan Page for FreeCreditReport.com, but it served more as a pop-culture tribute than as a service to consumers.)

The team also did research to find out what businesses outside of its competitive space were doing. They realized that many corporate Fan Pages were simply places where people vented their frustrations. To a certain extent, it's healthy and positive to give people a place to vent their frustrations. After all, research has indicated that after people can vent a little bit, they feel better about the companies they're frustrated with. It's also important to provide as much support and encouragement as possible so that you can minimize the frustration.

USING SOCIAL MEDIA FOR CUSTOMER SERVICE

In the case of Equifax, the company made sure that it responded quickly to complaints and, in the process, gave customers a sense that their frustrations were being addressed. This was the same approach that Frank Eliason used for his ComcastCares Twitter account. Eliason worked in customer service at Comcast Cable in Philadelphia. One day, he noticed some tweets about Comcast that angry customers had sent. Instead of sitting idly and watching the tweets fly by, Eliason reached out to the customers to see if he could help fix the problem. And customer service on Twitter was born.

The basic approach, practiced by @ComcastCares and scores of other companies, is to monitor the chatter happening on Twitter via Search.Twitter.com. By logging into Search.Twitter.com, you can see what people are saying about your products, your brands, or your competitors. When someone says something negative about your brand, you can reach out and try to rectify the problem.

That's what Eliason did at ComcastCares. In many cases, he gave people simple instructions to help them fix the problem (such as "Have you tried turning your modem on and off? Sometimes that fixes the problem."). Other times, he gave them e-mail addresses that had been set up to connect frustrated customers directly to customer service managers. In virtually all cases, customers were given the opportunity to connect with Comcast via Twitter, and that gave them the sense that things were being fixed.

Money Making Tip

Brands such as Southwest Airlines, Comcast, and Equifax are using social media for improved customer service. As a result, the brands have improved their customer retention rates, which helps justify the cost of some of their social media efforts.

Research has found that when humans feel as though they don't have control over a situation, they experience a high degree of stress. That's why people who work in environments where they have no control often freak out. But the same research indicates

that when people have some sense of control over a situation, they feel less stress.

That's the dynamic Comcast and other companies that use Twitter for customer service are tapping into. By giving customers an outlet to vent, discuss, and even solve problems via Twitter, you're giving customers a sense of control. And when they have a sense of control, they feel better—about you, your brand, and your products and services.

SOCIAL MEDIA AS A RECRUITING TOOL

Ernst & Young is another company that has effectively used social media to create a community of followers. But instead of using it as a congregation point for customers and prospects the way Equifax has, the company uses it as a recruiting tool for future employees.

The rationale makes complete sense. People in their early 20s often use Facebook as a place to connect and collaborate. Ernst & Young decided to leverage this dynamic by creating a Fan Page that introduces Ernst & Young to prospective employees. Interestingly, the company doesn't use it to sell services or even to build relationships with future customers. Instead, it uses it to inform, involve, and inspire young people who might be good candidates for future employment.

The Big Idea

Companies don't always need to use social media as a sales tool. They can also use it as a customer retention tool or a recruiting tool.

The Ernst & Young Fan Page has more than 40,000 fans who ask questions, start conversations, and generally stir things up with Ernst & Young. Visitors can write on the wall, suggest the page to friends, and even vote in polls that the company posts.

What does the company get in return? For starters, it's able to answer questions that many young people have about employment without tying up the phone lines of the company's HR department. (Remember, Ernst & Young doesn't have to answer each question every time—visitors can scroll down and read responses to other people's questions. The net result is that, instead of having to write one answer for every question, Ernst & Young can write one answer that is read by several people who have the same question. That's a more efficient use of Ernst & Young's time and efforts.)

For some real fun and games, visit the Mini Cooper Web site at MiniUSA.com. It's a site that not only loads incredibly quickly (thank you, Mini Cooper gang), but also includes everything from iPhone apps to viral videos that visitors can e-mail to friends. The site is an excellent example of using a Web site as a hub for a community to create a deeper relationship with the brand.

What do all these companies have in common? What philosophy do they all share about social media? It's quite

simple: They all know that the secret to a successful social media campaign is to use a hub-and-spoke system to create circular momentum across many channels (see Figure 8.1). Instead of seeing social media as something linear, they see it as something circular, interconnected, and viral.

A Successful Campaign Creates Circular Momentum Across Many Platforms

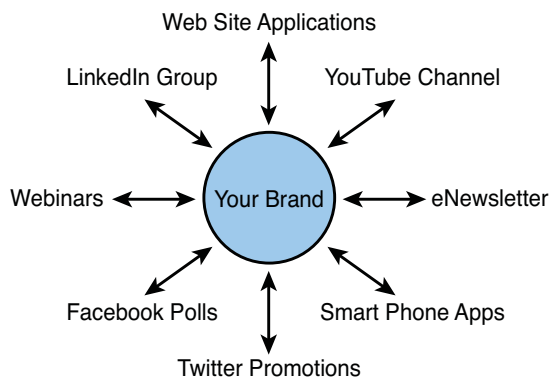


Figure 8.1 A successful social media campaign uses a hub-and-spoke approach to have conversations across multiple platforms.

So when Equifax launches its Facebook Fan Page, it doesn't just sit in isolation. It's part of an ongoing marketing campaign that includes iPhone apps, YouTube videos, e-mail campaigns, online forums, direct response television, and a whole range of other touch points designed to engage, embrace, and enhance prospects' and customers' experiences with the brand.

The same holds true for Mini Cooper, Comcast, and Ernst & Young—all companies that have understood that the secret to a successful social media campaign is to create circular momentum across many platforms. When a dialogue starts on

one channel, users can navigate to different channels to engage with the brand.

By providing multiple channels for users to talk with you, you let customers choose the channel they're most comfortable with. And by doing that, you increase the likelihood that they'll connect with your brand in any number of ways.

ARE YOU SET UP TO CREATE CIRCULAR MOMENTUM WITH YOUR SOCIAL MEDIA CAMPAIGN?

Let's take a quiz to find out if your social media campaign is set up to create circular momentum. The more times you can answer "yes," the more likely it is that you're setting up your social media campaign to leverage the power of circular momentum.

Answer "yes" to the questions that apply to you:

- ☐ Do I understand that, in theory, all my customers and prospects are connected by no more than six degrees of separation?
- ☐ Do I understand that a successful social media campaign runs across multiple channels?
- ☐ Do I understand how circular momentum can help me supercharge my social media campaign across many platforms?

- ___ Am I prepared to engage customers who are venting their frustrations in a manner that will reflect positively on my brand?
- ___ Am I prepared to be 100 percent honest and transparent in my social media campaign, thus avoiding the risk of being outed on the Internet?
- ___ Am I prepared to respond quickly to customers and prospects who connect with me via social media?
- ___ Do I understand that the more channels I use in my social media campaign, the more opportunities I have to connect with customers and prospects?

If you answered “yes” to almost all these questions, then the likelihood of success remains high. If you answered “no” to almost all these questions, you can stop reading now and put the book away.

We’re kidding about putting the book away. But you get our point: To successfully leverage a social media campaign, you have to communicate across a wide variety of channels. When you do this, you create circular momentum. And when you have circular momentum, the odds of growing your sales and revenue via social media grow exponentially.

Let’s review the key concepts and action steps from this chapter.

- **Key concept:** Research indicates that most people are only six degrees of separation apart.

- ▶ **Action step:** Recognize that negative and positive comments about your brand circle the globe very rapidly.
- ▶ **Key concept:** Circular momentum is social media's version of the snowball effect.
- ▶ **Action step:** When you set yourself up to leverage the power of circular momentum, people who love your brand will do a lot of your marketing for you.
- ▶ **Key concept:** Circular momentum doesn't just happen; you have to help it along.
- ▶ **Action step:** Review the quiz questions in this chapter and work toward achieving as many "yes" answers as you can.



PART III

SOCIAL MEDIA PLATFORMS

SOCIAL MEDIA IS SIMILAR TO A SNOWBALL. WHEN IT GETS GOING, IT BUILDS AND BUILDS. WITH A LITTLE BIT OF LUCK AND A GOOD AMOUNT OF WORK, YOUR SOCIAL MEDIA CAMPAIGN WILL EVENTUALLY CREATE ITS OWN CIRCULAR MOMENTUM. WHEN THAT HAPPENS, YOU'RE OFF TO THE RACES.

CHAPTER 9

SOCIAL MEDIA IS MORE THAN JUST YOUTUBE, LINKEDIN, FACEBOOK, AND TWITTER

But most people misunderstand social media programs. It's not just about uploading a YouTube video or creating a LinkedIn profile. It's about creating a wide variety of channels through which your customers and prospects can connect with you.

The more channels you provide, the better the odds are that you'll create enough circular momentum to generate real results for your campaign. We like to think of it as analogous to a house fire. (It's an odd analogy, but hang with us.) If your house caught on fire, you'd have two choices: 1) use your garden hose to fight the fire, or 2) call the fire department and use dozens of serious fire hoses.

If you decided to use the garden hose to put out your house fire ... well, you might as well not even try. It won't work, so save your time and money. But if you decided to call the fire department, now you're talking. They can put some real effort behind the cause and, hopefully, save your house.

The bottom line is that momentum is critical, whether you're putting out a house fire or creating a social media campaign. Make sense?

The same holds true for a social media campaign. If your idea of a social media campaign is to create a Twitter profile and then update it every day or so, don't bother. It'll never get the traction you're looking for, so it's not worth it.

But if you're serious about setting yourself up for social media success, put some serious effort behind it. Add some depth and breadth to your social media campaign. **Depth** is diving deep into each social media platform and really putting some energy into it. **Breadth** is doing social media across a wide variety of platforms, not just one or two.

This raises the question of how much bandwidth you have for additional assignments at work. How can you add work to your already-full plate and expect to do a good job with it?

Well, here's some news. Despite what you've heard, social media isn't free. Although some of the media costs are free (for example, it's free to upload a video to YouTube), other costs, such as the production costs and the labor costs, aren't free. If you're a smaller business such as a restaurant or a real estate brokerage, that's an important consideration, because you shouldn't launch a social media campaign unless you have the bandwidth. If you work at a larger corporation, it's also an important consideration because you'll have to assign staff to manage it.

It's also important to really embrace the concept that social media is not just about uploading a YouTube video or creating a LinkedIn profile. Sure, those are important components of most social media campaigns, but those are not the *only* components of a social media campaign. A good, solid, viable social media campaign crosses many platforms and requires a commitment of time, money, and focus for it to succeed.

SOCIAL MEDIA TOOLS TO HELP YOU NETWORK, PROMOTE, AND SHARE

Okay, we've established that a good social media campaign is similar to a snowball that has the potential to build. We've also pointed out that a good social media campaign has depth (a serious, concerted effort behind it) and breadth (it extends across a wide variety of platforms). Now let's talk about the three broad categories of social media platforms—those that help you *network*, those that help you *promote*, and those that help you *share*.

Hundreds of different social media platforms exist, so we can't cover them all in this book. However, we can give you the most popular and relevant platforms that are part of each of these categories. By breaking them into categories, you can identify which tool is the most appropriate for your specific task.

You'll notice that you can apply some of the tools across several categories. For example, LinkedIn falls into the networking category, although it's often used to promote. For simplicity, we've assigned each tool to only one category.

We go into more depth on each of these tools in the upcoming chapters, but let's take a quick look at the tools that help you network. You can find a bunch of them if you look around, but the ones you're probably most familiar with include LinkedIn, Facebook, and Twitter. But the list doesn't stop there. Plaxo, XING, and Friendster are also great tools that you can use to

connect with others on a professional (or more casual) level. Classmates and MyLife are tools that can help you find people who know you and see who's searching for you. Ning and Bebo are also excellent tools to help you create networks and share your life with others online.

Money-Making Tip

Social media isn't free. Both hard and soft costs are involved. It's important to include those costs in your metrics so that you can accurately measure your social media return on investment (ROI).

The social media tools that can help you *promote* are the tools that are often used for sales and marketing. You can use them to drive traffic to your Web site or to your social media channels. By doing so, you're using social media to do more than just build awareness—you're using it to drive revenue. And what's the point of doing anything in business if it doesn't ultimately drive revenue, right?

Some of the most well-known social media tools that you can use to help promote include YouTube, Flickr, and MySpace. Other great social media promotional tools include Picasa (photo sharing and editing), Xanga (blogging community), and iLike (similar to MySpace).

Using social media to promote your product or service is an art that we'll discuss in upcoming chapters, but realize that heavy-handed promotions can sometimes backfire. Social media is

about *engagement* and *involvement*. The best ways to engage and involve a prospect or customer is to soft-sell—give them something useful that they can use that will ultimately seal your relationship with them for a future sale.

As with romance, you have to build trust and engagement first. After you've built up some trust and engagement over the course of several dinners and a few bottles of wine, you can take your date home to ... meet your parents.

Tools that help you *share* are just as important as tools that help you network or promote. Sharing is a key activity for social media practitioners. When you share (information, how-to tips, and insights), you're building a relationship. And over time, that relationship can evolve from one that's about sharing to one that's about commerce.

The most familiar sharing tools include Digg, Delicious, and StumbleUpon, which are all tools that people use to share articles, videos, and Web sites that users feel are worthy of their support. But social media sharing tools go beyond Digg, Delicious, and StumbleUpon. They also include SlideShare (presentation sharing), Scribd (document sharing), Wikipedia (information sharing), and Yelp (user-generated reviews).

The bottom line about sharing tools is that they're an important component in any social media campaign, but they also take more time to gain traction. It takes a lot of people to Digg an article on your blog before it rises to the top. Because of that, many marketers focus on networking and promoting platforms before they get deeply involved in sharing platforms.

WHAT TO USE WHEN

Another important consideration if you're diving deep into social media is which tools are more relevant for business use (as opposed to personal use) and which tools need to be updated most frequently (resulting in a greater time investment).

The handy 2x2 matrix in Figure 9.1 outlines this concept. For our purposes, we're assuming that you're using social media tools to drive revenue, not to chat with friends. You can get some perspective on the tools that are more professional versus more casual, and the tools that require frequent updates.

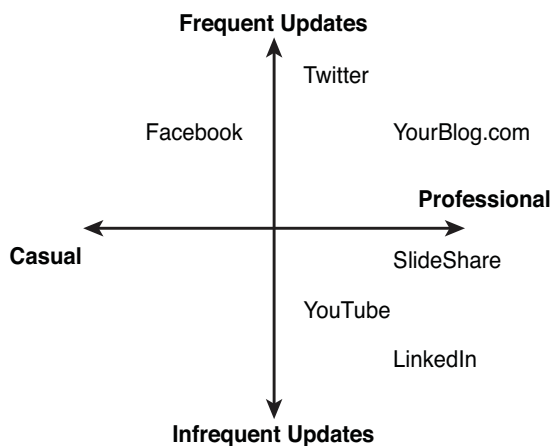


Figure 9.1 Using social media effectively involves understanding how to maximize the use of each platform.

LinkedIn doesn't require the kind of attention that Facebook requires, so you can "set it and forget it." Don't take that to

mean you can forget about it for long stretches. It just means that you don't have to update it daily or hourly the way users update Facebook.

Twitter, of course, is the Mac Daddy of tools that require frequent updates. If you use it properly, you'll update it all day long, perhaps as many as 20–30 times a day. Remember, Twitter isn't about telling people that you're getting a cup of coffee or that the traffic was bad that morning. When used for our purposes, Twitter is about sharing information with your followers that they'll find helpful or useful. By sharing good information, you ensure that people will read and follow your tweets.

For our purposes, you can update YouTube whenever you have a new “how to” video to upload. Remember, the reason to use YouTube for business is to provide people with video information that they'll find useful. The best way to do this is to create videos that instruct and inform. With that in mind, you can update YouTube every week or every few weeks—whenever you have a new video to share.

Money-Making Tip

Data varies on this, but our experience indicates that search engines rank frequently updated blogs better than blogs that are updated infrequently. If you have a blog, be sure to update it two to five times a week.

If you have a corporate blog (and you should), you'll want to update it regularly. Uploading your best and smartest content to SlideShare is also an important and wise task.

With all this in mind, let's cover the key concepts from this chapter and the recommended action steps.

- ▶ **Key concept:** Social media is similar to a snowball that keeps building.
- ▶ **Action step:** Don't think that you can do social media in ten minutes a day. A good social media campaign is an ongoing effort that requires frequent attention.
- ▶ **Key concept:** Social media tools fall into three broad categories: those that help you network, those that help you promote, and those that help you share.
- ▶ **Action step:** Identify which platforms within each category will be most relevant to your prospects and customers. Make sure you use more than 1 or 2 platforms, but using more than 10 or 15 is probably overkill.
- ▶ **Key concept:** Some tools require frequent updating; others require infrequent updating.
- ▶ **Action step:** Be sure that you're aware of the workload associated with each tool before selecting it for your arsenal. Do a mental cost/benefit analysis of each tool before diving into it.
- ▶ **Key concept:** Some tools are more casual in nature; others are more professional.

- **Action step:** You want both casual and professional tools to be part of your social media campaign. A good balance of both gives prospects and customers a richer, more well-rounded experience with your brand.

YOU'RE A FARMER.
THAT MIGHT COME AS
A SURPRISE TO YOU,
ESPECIALLY IF YOU'RE
READING THIS FROM A LOFT
IN NEW YORK CITY OR A CAFE
IN LOS ANGELES. BUT THE
TRUTH IS THAT ANYBODY
IN BUSINESS, WHETHER IT'S
A SERVICE BUSINESS OR A
MANUFACTURING BUSINESS,
IS ALSO IN THE BUSINESS OF
FARMING.

CHAPTER 10

HOW TO USE NETWORKING PLATFORMS TO HELP YOU GROW YOUR SALES AND REVENUE

Why is this so? Because for any business to survive, it needs to have sales and revenues; and to have sales and revenues, you must have customers; and to have customers, you must have prospects.

How do you get prospects so that you can turn them into customers? We know of only one way: Plant the seeds of business today so that you can have a plentiful harvest tomorrow.

If you're a real estate agent, a restaurant owner, or an interior designer, you have to connect with people *today* so that you have customers *tomorrow*.

If you're an accountant, a lawyer, or a dentist, you have to connect with people *today* so that you have customers *tomorrow*.

If you're a Web designer, an architect, or a photographer, you have to connect with people *today* so that you have customers *tomorrow*.

If you sell cars, boats, motor homes, light fixtures, tools, food, knickknacks, clothing, or CDs, you have to connect with people *today* so that you have customers *tomorrow*.

If you're an entrepreneur, a CEO, a marketing coordinator, a salesperson, or a customer service agent, you have to connect with people *today* so that you have customers *tomorrow*.

The bottom line is that we all have to plant seeds today so that we can harvest the fruits of our labor tomorrow. And if we don't plant seeds on a consistent basis, we end up not having enough customers down the road.

Well, we have some good news. Social media is the perfect tool for people who understand that what you're doing today will influence your success tomorrow. It's a great way for businesses (such as yours) to build relationships with people who will buy your product in the future. And by nurturing those relationships now, you're ensuring that you'll have plenty of customers later.

WHO USES SOCIAL MEDIA?

How many businesses are using social media today so that they have customers tomorrow? According to the State of Social Media report from MarketingProfs, corporations who responded to the survey reported the following usage of the top social media sites:

- ▶ Corporate profile on Facebook: 48.2%
- ▶ Corporate Twitter account: 42.8%
- ▶ Corporate profile on LinkedIn: 39.1%
- ▶ YouTube presence to promote the company's products or services: 26.0%
- ▶ MySpace presence to promote the company's products or services: 8.0%

But research also indicates that individuals and businesses are taking a broader look at the variety of platforms that they can use to network via social media. As we've mentioned, social media is about more than just a handful of social media tools—it's about a broad range of tools all implemented within a well-thought-out strategy.

Let's take a closer look at some of the available networking platforms and the strengths and weaknesses of each. (Recall that we grouped social media platforms into three categories: those that help you *network*, those that help you *promote*, and those that help you *share*.) The list on the following pages is by no means exhaustive, but it should give you a sense of the top tools that are out there and how to use them for networking via social media.

Now let's assume that you're a businessperson who is interested in taking a step-by-step approach to using some of these tools to network with customers and prospects. You can find a step-by-step approach to this in Chapter 25 of this book, but let's assume that you're ready to dive in and that you want to get started right away.

Let's walk through a Quick Start Guide to using these social media networking tools to plant your business-development seeds today so that you can harvest them tomorrow (see p. 110).

Tool	Definition	Strengths	Weaknesses
Classmates	This easy, simple-to-use site helps you locate former classmates. Great for high school and college reunions.	A simple, uncluttered user interface makes it easy to use.	Because it's a site set up to connect former classmates, be cautious about using it for business purposes.
Facebook	Mark Zuckerberg started Facebook from his dorm room for his fellow students at Harvard. Today you can find everyone from toddlers to grandmothers on Facebook.	The site has been widely adopted by large segments of the population.	Will the younger generation stay on Facebook after Grandma has "friended" them?
Friendster	Here's a way to stay connected with everything that's important to you—hobbies, interests, causes, business, and so on.	A simple Web interface makes it easy to use.	The site is not as widely adopted as some other platforms and might have peaked.
hi5	This is a social networking platform that skews a little younger than Facebook. Members can play games, watch videos, flirt, give gifts, or just hang out.	It's a great alternative to MySpace or Facebook for the younger crowd.	It might not be the best social networking platform for business.
LinkedIn	This is the granddaddy of them all. LinkedIn has been around since 2003, which, in social media terms, is also known as "since the beginning of time."	Everybody's on LinkedIn.	Most people have trouble knowing what to do with LinkedIn after they upload their business information.
MyLife	This clean, simple site helps people connect with family, friends, and other relationships. MyLife boasts 750 million profiles.	The easy-to-use interface is one of the site's great strengths. It's perfect if you're looking for an engaging, simple way to connect with old friends.	It hasn't been as widely adopted as some other sites.

Ning	This site connects groups of people who are passionate about particular interests, topics, or hobbies. Marc Andreessen, who helped launch Netscape, cofounded this site.	Great for connecting with others who are interested in your area of expertise.	The user interface is so simple and uncluttered that getting started can be confusing. But after you've figured it out, it can be a good tool.
Plaxo	This site currently hosts address books for more than 40 million people. It helps people stay in touch with Pulse, a dashboard that lets you see what the people you know are sharing on the Web.	The graphical user interface makes it easy to use.	It hasn't been as widely adopted as some other platforms such as LinkedIn.
Twitter	This surprisingly successful tool has been widely adopted and is used for everything from business to fun and games.	Large segments of the population use Twitter.	It can be a distraction, especially if you have Attention Deficit Disorder ... wow, look at that bird with all the pretty colors!
XING	XING has more than eight million subscribers worldwide. It has more than 34,000 specialized groups and more than 150,000 live networking events each year.	XING adds new developments to its platform on a regular basis.	It hasn't been as widely adopted as some other platforms, such as LinkedIn.

How to Use the Quick Start Guide

The steps outlined in this Quick Start Guide are a great way to dive into social media. But remember, a good social media campaign is executed with long-term goals in mind, not just short, quick hits such as these.

Step 1: Define your goals. Are you interested in driving traffic to your e-commerce site? Or are you interested in generating leads for your professional services business? Or perhaps you're interested in only building awareness for your organization? Figure all that out and then you're ready to move to Step 2.

Step 2: Get inside the mind of your customers and prospects.

Don't launch any social media campaign without first thinking through why your customers and prospects are interested in connecting with you. What's in it for them? How is connecting with you in their best interest? What will they learn by connecting with you?

Step 3: Focus your initial energies on a handful of platforms.

Start by putting a company profile on LinkedIn. Then create a Fan Page on Facebook. Follow that by creating a Twitter account. But don't do any of these things unless you will put some serious effort behind it. Don't create a Twitter account and ignore it—that's a waste of everybody's time.

Step 4: Drive people to your LinkedIn, Facebook, and Twitter channels.

Remember, a social media channel is similar to a television channel—it's your specific connection to your "viewers." If you're going to drive people to your channels, make sure they have a reason to go there. Will they be able to get helpful information or a white paper? Will they be able

to participate in a sweepstakes or a promotion? Will they be directed to a blog post that helps them in some way?

Step 5: Repeat Step 4. We're serious. Don't move on until you've repeated Step 4 and spent a good amount of energy driving people to your LinkedIn, Facebook, and Twitter channels.

Step 6: Upload content regularly. Now that you've driven an initial batch of people to your newly uploaded channels, you need to continuously update them with new and interesting information. Remember, your goal is to build a long-term relationship with your customers and prospects, so be sure to upload information that answers the "What's in it for me?" question.

Step 7: Keep your initial channels running while you explore other platforms. Don't move to other social networking channels until the first batch is running smoothly and you are continuously updating them. After that happens, you can shift gears and start exploring some of the other platforms that help you network. Remember, the key is to build (or rebuild) relationships with people before you start doing the hard sell. But when the relationship is established, you can say, "Did I mention that I sell insurance?" or "Have you seen our new e-commerce site that sells premium coffee?"

Let's recap some of the key concepts and action steps from this chapter.

- **Key concept:** It doesn't matter whether you sell cars, insurance, healthcare equipment, or pencils—everybody in business is a *farmer*, because we all have to plant seeds today to reap a bountiful harvest tomorrow.

- ▶ **Action step:** Embrace the concept of planting seeds today so you can grow your sales and revenues tomorrow.
- ▶ **Key concept:** Certain social media tools are specifically designed for networking. Some of these tools include LinkedIn, Facebook, and Twitter.
- ▶ **Action step:** Visit the Web sites of the social media networking tools that you're unfamiliar with (sites other than LinkedIn, Twitter, and Facebook). Go ahead, do it. It'll take only about five minutes to see what else is out there.
- ▶ **Key concept:** The social media networking Quick Start Guide outlined in this chapter gives you some ways to get started right away.
- ▶ **Action step:** If you're interested in jumping right in, go ahead and execute the Quick Start Guide in this chapter. But don't think that's all there is to it—a good social media program executes the campaign from a long-term, strategic standpoint. The Quick Start Guide is designed to get you up and running, but it's not the only thing you'll need to do for long-term success.

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WHAT'S THE POINT OF SETTING UP, LAUNCHING, AND RUNNING A SOCIAL MEDIA CAMPAIGN IF YOU CAN'T USE IT TO PROMOTE YOUR PRODUCT OR SERVICE, RIGHT? AFTER ALL, THE BIG IDEA BEHIND SOCIAL MEDIA IS THAT YOU CAN USE IT TO CREATE RELATIONSHIPS WITH CUSTOMERS AND PROSPECTS TO GET THEM TO BUY MORE STUFF, FOR MORE MONEY, MORE FREQUENTLY.

CHAPTER 11

HOW TO USE PROMOTING PLATFORMS TO HELP YOU GROW YOUR SALES AND REVENUE

With that in mind, let's take a look at the social media platforms that can help you promote your product or service. In the last chapter, we looked at the tools that can help you *network*. Now it's time to move on to the tools that can help you *promote* your brand.

Before we talk specifics, it might be a good idea to take a 30,000-foot view of the purpose of using social media to promote a product or service. The biggest mistake most people make is that they use social media the same way they've used traditional media. They think of social media as a tool designed to broadcast a monologue about a product or service. It's hard to believe that people are still using social media this way, but it's true.

The right way to use social media is to create a conversation with your prospects and customers. Conversations go back and forth, not just one-way. So if you use WordPress to create a blog about your company, you'll need to encourage people to engage with you by leaving comments, tweeting about your posts, writing articles on their own blogs about your posts, and doing other things that create the circular momentum and the snowball effect that we discussed in previous chapters.

Remember, the secret is to stir things up a bit. By stirring things up and generating buzz about your products and services, you're creating the kind of energy that snowballs into bigger and better things.

As we've mentioned previously, if we want you to remember one thing about using social media to promote your product or service, it's this: You want to create a dialogue, not a monologue.

Cool. Now let's keep going.

Let's take a quick look at some of the social media platforms that help you promote your product or service. This isn't an exhaustive list, but it'll help you get familiar with some of the better-known promotional tools under the social media umbrella.

That's a pretty straightforward review of the main platforms that you can use to promote products or services via social media. The most common question coming out of an overview such as this is, "I have only so many hours in a day. Which one of these should I dive into first?" See p. 121 for a Quick Start Guide.

Tool	Definition	Strengths	Weaknesses
Bing	Bing and its cousins Google and Yahoo! aren't technically social media platforms, but they are tools that you can use to promote your product or service, so we're including all three in this overview. The technique is the same for using any search engine to promote your product or service—you want to optimize your Web site with the right keywords so that the search engines see it. By doing so, you'll drive traffic to your Web site from the people doing searches on specific topics.	Bing uses "intelligent search" to make searches even more relevant for the user.	It's fighting against Google, which is a tough battle.
Blogging platforms	You can use these tools to create blogs. Some of them (such as Blogger, Tumblr, Vox, and Xanga) are straightforward platforms that are great for people who want to do a simple blog about their vacation, their company, or their family reunion. If you're ready to create a more robust blog that adds a lot of search engine optimization (SEO) value for your Web site, you'll want to use Joomla, Drupal, Typepad, or WordPress. Serious bloggers use these blogging platforms.	Blogs are one of the best ways for you to engage in a conversation with prospects and customers.	For blogs to be effective, you need to update them two to five times a week with good, helpful content.

Tool	Definition	Strengths	Weaknesses
Discussion boards and forums	Are you interested in creating an online forum where members of your community can engage with each other and offer each other advice? Then a discussion board or forum is for you. The best-known platforms for forums include Lefora, Zoho, Drupal, PhpBB, Simple Machines, Vanilla, JavaBB, and vBulletin.	Forums are a great way to build a relationship with customers and prospects.	They require regular, ongoing time and energy to keep them running properly.
Google	Google isn't technically a social media platform, but you can use it as a social tool to drive visits to your well-optimized Web site.	It's easy to use and pervasive.	Is the company spreading its brand across too many channels? Does this confuse people? (Probably not, but we're struggling to come up with any weakness for Google. They're just so darn nice, it's hard to figure out what they're not good at.)
E-mail marketing	E-mail can often get overlooked in the world of social media, but if you define social media as tools that help you engage in a dialogue with your customers and prospects, then e-mail falls into the social media category. Popular e-mail marketing tools include Constant Contact, iContact, ExactTarget, and others.	E-mail is a highly measurable way to connect with customers and prospects.	E-mail marketing requires a concerted, ongoing effort if you want to do it right.

Flickr	You can use this photo-sharing site to build awareness and drive traffic to your product pages. If you're selling hunting rifles or tennis rackets or widgets, you can use Flickr to 1) build awareness for your product and 2) drive people from Flickr to your Web site.	Flickr is easy to use and has a clean user interface.	Photo-sharing sites are important, but they're not the first thing you should work on in your social media campaign.
Howcast	Wouldn't it be cool if you could visit a Web site where you could watch "how to" videos on the topic of your choice? Well, you can—it's called Howcast. It's an extremely worthy competitor to YouTube.	It's a great place to upload high-quality content.	The default is still YouTube. Most people are conditioned to automatically type "YouTube" into their browser.
iLike	If you're a musician, you'll want to upload your work to iLike, the dominant music application on a number of social media networking sites.	More than 50 million music lovers use iLike via Facebook, Orkut, iGoogle, and other platforms.	iLike is a crowded venue, which makes it difficult for musicians to break through.
iTunes	This isn't the only podcasting site, but it's the best known and most popular. If you're doing interviews with industry experts or you're creating mini-radio shows, iTunes is the place to be.	It's a well-known, well-respected platform.	If you don't create scintillating content, people won't come back for more.
MySpace	Ahhhhh, MySpace. Arguably, this site started social media. Today MySpace is primarily used as a congregation point for younger people interested in pop culture. The platform is evolving and seems to be finding a niche.	It's a well-known social media platform that almost everybody has visited.	It's not the ubiquitous social media platform that it once was, simply because so many other social media platforms are clamoring for people's attention.

Tool	Definition	Strengths	Weaknesses
Picasa	This is a photo organizing, editing, and sharing site that Google owns. You can tag photos to enable quick searches by users.	As with most Google services, Picasa is easy to use and loads very quickly.	Photo sharing is important, but it's not the first thing that you should work on in your social media campaign.
Twitter	This surprisingly successful tool has been widely adopted and is used for everything from business to fun and games.	Large segments of the population use it.	It can be a distraction, especially if you have Attention Deficit Disorder ... wow, two cardinals outside my window keep flying around in circles. How cool is that?
Vimeo	Think of Vimeo as a high-end YouTube. It's perfect for people who are interested in sharing their videos with a community of positive, encouraging, creative professionals.	You've gotta love a site that oozes upbeat, optimistic, life-affirming energy that Vimeo does.	It's not a default site the way YouTube is, but that might change in the near future.
Yahoo!	As with Google and Bing, this is not technically a social media platform. But it's a tool that ultimately can drive traffic to your Web site. Be sure to optimize your Web site so that search engines such as Yahoo! can see it.	Yahoo! is one of the workhorses of the search engine world, so it's always a good idea to keep it on your radar screen.	Is Yahoo! a search engine? An online portal? A Web magazine? Perhaps it's all these things. And perhaps that's not a weakness after all.
YouTube	YouTube is one of the better-known platforms used to promote businesses. The key to YouTube is to keep the videos short and sweet. Make sure they solve the "What's in it for me?" equation. YouTube is perfect for "how to" videos, but it's not a good place to upload the CEO's annual speech to shareholders.	YouTube is ubiquitous.	It's a cluttered environment that can sometimes have some pretty racy videos on it. (Or so we've heard.)

Quick Start Guide

We have another handy Quick Start Guide to help you dive right into the social media promotion world.

Step 1: Start by optimizing your existing Web site so that Google, Yahoo!, Bing, and other search engines can find it.

Use Hubspot's WebsiteGrader.com tool to compare your Web site's visibility against your competitors' sites.

Step 2: Launch a blog. The best and easiest way to drive traffic to your site is to launch a blog. Make sure the blog is built inside your Web site. By using WordPress, Drupal, Joomla, or Typepad to build your blog inside your Web site, you'll get more link juice for your overall site.

Step 3: Upload new blog posts at least three times a week.

Make sure your blog headlines and your title tags are phrases people are likely to search on so that you get visibility on search engines.

Step 4: Create an e-mail newsletter. Your customers and prospects want to be kept up-to-date on your latest special offers, right? Or they might want to read your white papers or articles that can help them with their businesses, correct? E-mail is one of the more important social media tools, and it's easy to implement. Don't ignore it.

Step 5: Upload content to Flickr, Picasa, discussion boards, forums, and other easy-to-use platforms. As part of our Quick Start program, you'll want to upload content and comments to these sites, but don't spend too much time here. You're just trying to get some initial juice from these platforms.

Step 6: Produce a short video. This doesn't have to be a top-notch, professional-quality video. It can be a basic video shot on a flip camera. The key is to provide content that's helpful and useful to your prospects and customers.

Step 7: Create a YouTube channel. Don't just upload your video to YouTube. Create your own channel so that you can customize the videos and the user experience.

Step 8: Upload your video to TubeMogul. This is a one-stop shop that distributes your video across many platforms, such as YouTube, Viddler, Howcast, Vimeo, Metacafe, and MySpace. It's a great time saver.

Step 9: Promote, promote, promote. Use traditional media, word-of-mouth media, social media, and any other technique you can think of to promote the heck out of your blog, your YouTube channel, and your e-mail newsletter. After all, what's the point of doing all that work if nobody knows you're out there?

Let's recap a few of the key concepts and action steps in this chapter.

- ▶ **Key concept:** Social media isn't similar to traditional media, because social media is about having a *dialogue*, not a *monologue*.
- ▶ **Action step:** Make sure all your social media campaigns are designed to build relationships with your customer prospects. Encourage comments, retweets, and Facebook posts.

- ▶ **Key concept:** Certain social media tools are great for promoting your products and services. These include user-generated videos, blogging, e-mail marketing, and other platforms mentioned in this chapter.
- ▶ **Action step:** Don't just talk about doing a video, a blog, an e-mail campaign, or any of the other tools described in this chapter—do it!
- ▶ **Key concept:** The social media promotion Quick Start Guide outlined in this chapter gives you some ways to get started right away.
- ▶ **Action step:** Go ahead and execute the Quick Start ideas in this chapter. They're a quick, easy way to jump into the world of social media.

IN THE PAST FEW CHAPTERS, WE'VE LOOKED AT SOCIAL MEDIA PLATFORMS THAT CAN HELP YOU *NETWORK* AND PLATFORMS THAT CAN HELP YOU *PROMOTE*. NOW WE LOOK AT SOCIAL MEDIA PLATFORMS THAT CAN HELP YOU *SHARE* INFORMATION ABOUT YOUR PRODUCTS AND SERVICES.

CHAPTER 12

HOW TO USE SHARING PLATFORMS TO HELP YOU GROW YOUR SALES AND REVENUE

Before we dive into the specific sharing platforms, let's talk about what it actually means to share. We've already talked about the danger of overpromoting with your social media campaign. We mentioned that doing the hard-sell using social media is usually counterproductive.

The reason for this is that social media is viewed (consciously or subconsciously) as a free tool on the Internet. In other words, people see blogs, forums, and communities as part of a web of interconnected dialogues that aren't necessarily intended for commerce.

Sure, people use the Web for commerce, but in many cases, people launch their Web browser without the intent of buying anything. Therefore, they resent people who come on too strong with a sales pitch. They consider the social media world a safe haven from marketers and corporations trying to sell products and services.

Money-Making Tip

People buy from you for only four reasons: 1) price, 2) service, 3) quality, and/or 4) exclusivity. Keep this simple truth in mind as you develop all your marketing campaigns, regardless of whether they're social media oriented.

Imagine that you're at a summer cocktail party. You've got a glass of wine in your hand, the breeze is blowing, and burgers and hot dogs are on the grill. Now imagine that someone walks over to you to strike up a conversation. That's harmless enough. But you'd be offended if the first thing out of their mouth was,

“I’ve got a special deal on a sports cars right now. Let’s talk monthly payments.”

The same holds true for most (but not all) social media campaigns. In most cases, the last thing you want to do is to start selling right away. The first thing you want to do is to start a conversation, to get to know the person and connect in a meaningful way.

We talked previously about how you want to approach social media as you do dating. You don’t ask someone to come home with you on your first date (unless you’re a drunk college student on spring break). Instead, you ask your date questions about her interests and hobbies. If all goes well, at the end of the date, you ask her out for a second date. On the second date, you get to know her better and ask more personal questions. This, of course, leads to a relationship that, hopefully, moves to a third date, then a fourth, then ... twins!

We’re kidding about the twins thing, but you get our point. Social media and dating are very similar. The idea is to build a lasting, trusting relationship that will result in some sort of fulfilling interaction.

Given all that, let’s take a look at social media platforms that you can use to share information about your product or service. Remember, these sharing platforms are designed to provide helpful tools, tips, or techniques to your prospects and customers. In other words, they’re not necessarily used for the hard sell. They’re best for building awareness, interest, and desire for your product or service. If you play your cards right, that will ultimately result in a business transaction.

Let’s take a look at these platforms.

Tool	Definition	Strengths	Weaknesses
Crowdstorm	If you want to get the inside scoop on digital cameras, DVD players, televisions, or other products, Crowdstorm is for you. The Crowdstorm community is built around the idea that when people share information about products, everybody benefits.	An easy-to-use Web site leverages the power of ratings and reviews for the benefit of users.	Because the site crowdsources reviews, it's not necessarily an effective tool for marketers. But it's always good to check with sites such as this one to see how your product is being perceived in the marketplace.
Delicious	Yahoo! owns this social bookmarking service. When someone tags your article, video, or blog post with a Delicious bookmark, it's the equivalent of a "vote." The more votes you get, the more visibility your content has on the Delicious Web site.	It's everywhere.	You need a lot of traffic and a lot of votes to show up on the radar screen.
Digg	This platform is similar to Delicious, in that people vote for articles, videos, and blog posts that they like. If your content gets enough Digg, it's promoted to the front page, for millions of visitors to see.	As with Delicious, Digg is everywhere.	You need a lot of traffic and a lot of votes to show up on the radar screen.

Tool	Definition	Strengths	Weaknesses
Feedback	This is a social media platform that allows people to provide useful information to companies as diverse as Starbucks and Chipotle. Members of the Feedback community can read reviews and make additional comments.	It's an innovative use of crowdsourcing for information.	Because the site crowdsources reviews, it's not necessarily an effective tool for marketers. But it's always good to check with sites such as this one to see how your product is being perceived in the marketplace.
HootSuite	This tool enables you to manage multiple social media channels through one dashboard. If you have a company with more than one contributor to your social media program, HootSuite is a good solution.	The interface is easy to use. Setup is simple, yet it's still powerful.	If your social media program is no more extensive than updating a Twitter account, HootSuite is overkill.
Reddit	Similar to Digg and Delicious, Reddit is a source for what's new and popular on the Web. Users can vote articles up or down on the site, so readers can check out the hot, trending topics from blogs, newspapers, and other sources around the globe.	Along with Digg and Delicious, Reddit is everywhere.	You need a lot of traffic and a lot of votes to show up on the radar screen.
Scribd	This is the largest social publishing and reading site in the world. You simply upload your speech, e-book, or PowerPoint presentation to the site to awe others with your wisdom and expertise.	It's a great way to potentially get your content in front of thousands of readers.	A lot of other people are competing for the same eyeballs.

SlideShare	This is one of the better-known places to upload your content for sharing with others. You can share your PowerPoint presentation, e-book, podcast, or just about any other content with the SlideShare community.	As with Scribd, SlideShare is a great way to get in front of a large number of visitors. A lot of other people are competing for the same eyeballs.	There are a lot of other people competing for the same eyeballs.
StumbleUpon	This platform is similar to Digg, Delicious, and Reddit. When you rate a Web site that you like using StumbleUpon, you automatically share it with like-minded people. It also helps you find great sites your friends recommend.	StumbleUpon helps get your content to people who aren't regularly exposed to your products or services.	It competes with several other well-established tools, including Digg, Delicious, and Reddit.
TweetDeck	Similar to HootSuite, TweetDeck provides a way to track many of your social media channels on one dashboard. It can be a time saver and a productivity enhancer, assuming that you're not easily distracted.	It's easy to set up and get started.	As with all dashboard tools, it can lead to distractions for employees who are easily ... Whoa! Is that a fly on the ceiling or just a speck of dust?

Tool	Definition	Strengths	Weaknesses
Wikipedia	It still amazes us that this user-generated encyclopedia is run by just a few dozen employees (along with hundreds of thousands of contributors around the globe). It's a great tool for legitimate entries. Don't try to game the system by adding overly promotional posts, but if your entry will be helpful to the Wikipedia community at large, have at it.	It's a great tool for uploading legitimate, helpful content about your product, service, or company.	If your target market is over the age of 40, they might struggle with Wikipedia's miniscule type.
Yelp	This platform offers user-generated reviews on cool places to eat, shop, drink, relax, and play. Yelp has an augmented reality smart phone application that makes using it on the run a blast.	User-generated reviews are a great way for customers and prospects to find out about your business.	Some people try to game the system with fake reviews, but Yelp does a pretty good job of keeping those fake reviews at bay.

A QUICK START GUIDE FOR SHARING PLATFORMS

Okay, that should give you a sense of the social media sharing platforms that are available to you. This isn't a complete list, but it should give you a quick overview.

So where do we go now? What can you do with all this information?

That's a bit of a challenge. The networking and promotional tools we mentioned previously are a little simpler to use and easier to get up and running. But as Kyle Wegner, a social media specialist at digital and direct response agency BKV, said, "You can't get 100 bookmarks until you get the first bookmark, so you might as well get started." It's sage advice, especially coming from a young person who can hardly grow a beard.

Quick Start Guide

Let's take a spin through a Quick Start Guide for social media sharing tools.

Step 1: Add social bookmarking capabilities to your blog and your Web site. You don't want to add this capability to every page on your site—just the ones that have content that you want shared with the world-at-large.

Step 2: Upload content to Scribd, StumbleUpon, and other content-sharing sites. By sharing information with others, you build awareness for you, your brand, and your company.

Step 3: Start using HootSuite, TweetDeck, or any other social media dashboard to manage your Twitter, Facebook, and LinkedIn accounts. These tools can effectively manage conversations across a variety of channels.

Step 4: Continuously add content that others will pick up. This includes writing blog posts that will provide helpful information to your prospects. It also includes creating enough buzz throughout your social media campaign to get picked up and seen by others.

If you follow the steps outlined in this chapter's Quick Start Guide, you should be able to gain some serious traction on the social media sharing side of the equation.

Okay, let's take a quick look at the key concepts and action steps from this chapter.

- ▶ **Key concept:** The Internet isn't a great place for the hard sell. People don't expect a hard sell online, and they resist companies or individuals who play that game.
- ▶ **Action step:** Practice the soft sell in just about everything you do online. Build trust and awareness first and then let the customer come to you, not the other way around.
- ▶ **Key concept:** Social media *sharing* platforms are good places to build awareness for your company. They're not necessarily effective channels for converting customers. Typically, that's done elsewhere, such as the landing page on your Web site.

- ▶ **Action step:** Use social media sharing platforms as awareness-building tools, not necessarily as direct-selling tools.
- ▶ **Key concept:** Social media sharing tools require regular, ongoing maintenance.
- ▶ **Action step:** You can't "set it and forget it" with social media sharing tools. You need to update content regularly so that you continuously build awareness for your product or service.

WE'VE COVERED A LOT OF GROUND IN THE PREVIOUS CHAPTERS. A LOT OF THE INFORMATION WE'VE INTRODUCED IS DESIGNED TO GIVE YOU A CLEAR SENSE OF THE SOCIAL MEDIA LANDSCAPE. AFTER ALL, THE BEST WAY TO DEVELOP A STRATEGIC SOCIAL MEDIA PROGRAM IS TO STEP BACK AND LOOK AT THE PLAYING FIELD BEFORE YOU DEVELOP YOUR PROGRAM.

CHAPTER 13

MOBILE MEDIA, AUGMENTED REALITY, AND WIDGETS, OH MY!

Before we go on, it's a good idea to recap a few of the concepts we've addressed so far.

A QUICK REVIEW

For starters, recall that social media is divided into three different categories: the medium, the platform, and the channel.

The medium is the broad category of technologies that provide a way for consumers and companies to have a digital dialogue. An example of a medium is a user-generated video or a blog. A platform is a specific tool that is used within a medium. So to take our example further, YouTube is a platform that falls under the user-generated video medium, and WordPress is a platform that falls under the blog medium. A channel is a specific vehicle that uses the platform to distribute its message. The YouTube channel for the 60 Second Marketer is www.YouTube.com/60SecondMarketer. The blog channel for the 60 Second Marketer is www.60SecondMarketer.com/blog.

In previous chapters, we looked at the different platforms you can use to connect with customers and prospects. They weren't exhaustive lists, but they were lists that gave you a sense of the different kinds of tools you could use to network, promote, and share.

Platforms that help you network include LinkedIn, Facebook, and Ning. They're primarily used by people who want to connect with other people, although plenty of companies and

organizations are now using them to connect *brands* with other people.

Platforms that help you promote include e-mail platforms such as Constant Contact, blogging platforms such as WordPress, and search engine platforms such as Google. Companies, organizations, and individuals often use them to build awareness and drive sales for their brands.

The Big Idea

Grouping social media tools into categories makes it easier to wrap your mind around them. Here's a reminder of what a medium, a platform, and a channel are:

- ▶ Medium: User-generated video
 - ▶ Platform: YouTube
 - ▶ Channel: YouTube.com/60SecondMarketer
-

Platforms that help you share include Delicious, Digg, and HootSuite. Companies, organizations, and individuals use them to share information with others. For our purposes, we recommend using them to build awareness and drive sales, but plenty of people use them just to share information (and there's nothing wrong with that).

Okay, let's keep moving.

MOBILE MEDIA OVERVIEW

One of the more important tools used in social media right now is mobile media. Some people say that mobile media isn't a social media tool at all, but because it's a tool that allows brands and customers to have a digital dialogue, we're including it in the mix.

Let's start by looking at how people are using mobile media. According to the Mobile Marketing Association, people interact with mobile media in 12 ways:

- ▶ **Click to call**—Users place an outgoing call to the content provider or advertiser.
- ▶ **Click to locate**—Users find the closest business enabled by location-based services.
- ▶ **Click to order brochure**—Users receive marketing materials by supplying their postal addresses.
- ▶ **Click to enter competition**—Users enter text or sweepstakes to win prizes.
- ▶ **Click to receive e-mail**—Users receive an e-mail and a link to an online site by supplying their e-mail addresses.
- ▶ **Click to receive mobile coupon**—Users receive an electronic coupon on their mobile phone that they can redeem immediately at a participating merchant.
- ▶ **Click to buy**—Users make a purchase by paying with a credit card, adding the cost to their monthly mobile bill, or using some other form of mobile payment.

- ▶ **Click to download content**—Users download content, including logos, wallpapers, or ring tones, to their mobile phones.
- ▶ **Click to enter branded mobile Web site**—Users click a banner to get connected to a standing or campaign-specific Mobile Web site.
- ▶ **Click to forward content**—Users forward relevant content to friends, creating a viral campaign effect.
- ▶ **Click to video**—Users click a banner to view an advertiser's commercial for a product or service.
- ▶ **Click to vote**—Users reply to a ballot or poll from their mobile phone and provide marketers and brands with valuable research insights.

Did You Know?

Many countries, particularly in the developing world, are now bypassing the installation of landlines and going straight to mobile.

These are the 12 most common ways people use mobile media. And with the advent of smart phones, the use of mobile media to connect with customers and prospects will continue to explode. It's the perfect tool to create a digital dialogue with customers because they essentially have a mini-computer in their hands that facilitates geolocation for the companies that want to connect with them. Assuming that the customer

or prospect has opted in for communication from the brand, companies can send real-time information to users based on their location and their preferences for communication.

HOW TO USE MOBILE MEDIA FOR YOUR BRAND

What are some of the primary ways in which brands are using mobile media to connect with customers and prospects?

Companies are using six key approaches:

- 1. Short Message Service (SMS)**—Nielsen estimates that SMS, usually referred to as texting, is the most common phone-based activity among U.S. cellphone users of all ages. That said, SMS for marketing purposes is equivalent to Mobile Media 1.0. Although SMS is still used frequently for marketing purposes, the wide adoption of smart phone technology will soon overwhelm SMS as a marketing tool.
- 2. Mobile Web sites**—The most sophisticated marketers have a subdomain set up specifically for mobile phones. So, for example, when users type www.ESPN.com into a smart phone, the ESPN site actually figures out that they're visiting the site from a mobile device and redirects them to a subdomain (such as www.m.ESPN.com). That way, the user experience from a mobile phone is different than the user experience at a computer. The trick here is to be sure you create a mobile site that loads quickly and provides a simple, streamlined experience.

3. Mobile ads—Research indicates that mobile ads perform about five times better than Internet ads. The most common mobile ads are simple text links and graphical banner and display ads. Banner and display ads are sold based on cost per click (CPC), cost per acquisition (CPA), and cost per thousand (CPM). With CPC, you're charged only when someone clicks on your ad. It's the same model that a paid search campaign on Google, Bing, or Yahoo! uses. With CPA, you get charged each time you acquire a lead from your mobile media ad. CPA programs are great if you know how much a lead is worth to your company and what percentage of leads you can convert to a sale. With CPM, you're charged based on the number of times your ad is served. Typical rates for a CPM program are about \$6 to \$20 per thousand times your ad is delivered to a mobile device.

4. Bluetooth marketing—This is a form of on-demand mobile marketing that targets users based on precise geographical location. For example, if you're standing within 100 feet of Joe's Pizza, you might receive a free coupon, wallpaper, ringtone, or video or audio file that prompts you to visit Joe's and order a pizza. (Might we suggest a double pepperoni on thin crust?)

Did You Know?

In the United Kingdom, police departments are using mobile Bluetooth technology to communicate urgent messages to local communities.

5. Smart phone apps—The primary smart phone platforms include iPhone, Android, Palm, and Blackberry. The best way to use apps for marketing is to create something that's functional (such as a calculator), that's entertaining (such as a game), or that provides some sort of social connectedness (such as an app just for your community). Many applications are fee based, but companies are increasingly giving away smart phone apps as a way to stay connected with customers and prospects.

6. QR codes—These are the two dimensional barcodes that can be found in print ads, in-store posters, and even on the jacket cover of this book. They were initially used for tracking parts for vehicle manufacturers, but are now used in magazines, newspapers, signs and even T-shirts to send people to a Web page, download an MP3, dial a telephone number, or send an email message. Some people are even putting them on business cards so people can download contact information directly into their contact database.

AUGMENTED REALITY

Augmented reality (AR) is a medium that uses current technology to build new relationships with brands, customers, and prospects. AR superimposes virtual graphics on top of real-life objects on a computer screen or a smart phone. If you watch the Olympics on TV, you're experiencing AR when graphics, data, and other information are superimposed on the live footage of events.

For our purposes, AR is much more interesting than simply how it's used for sporting events. On smart phones and computers, AR is much more robust and interactive. For example, you can download an AR application from Yelp that allows you to look at a street through your viewfinder and see small balloons pointing out restaurants, with user-generated reviews of each one.

The Yelp application is particularly useful for people who travel a lot. Imagine standing on a street corner in an unfamiliar city and wanting to see if any good Thai restaurants are within walking distance. With Yelp, you can just hold up your smart phone and take a look down the street to see if there's a curried coconut chicken dish with your name on it around the corner.

Other companies that use augmented reality include Sorso Tea, IKEA, and Molson Dry Beer. Sorso Tea uses AR to engage customers and prospects at the point-of-purchase. Customers who are interested in Sorso Tea can hold a box of tea in front of the kiosk and see themselves in a virtual setting enjoying a cup of tea. IKEA, the Swedish furniture store, uses AR in Germany to get prospects to try out new furniture at home. Prospects simply aim their Web cam at the current furniture in their home to see an IKEA piece of furniture superimposed over the real furniture in the prospect's home. Molson Dry Beer allows customers to hold the bottle itself up to a computer screen to see an animated 3D party message. Users can even save their 3D experience and upload it to the Molson site to be viewed by others.

WIDGETS

Widgets are another tool marketers have turned to in an effort to improve the customer–company connection. A widget is a small application that can be downloaded and executed within a separate HTML-based Web page. Widgets include buttons, dialog boxes, pop-up windows, pull-down menus, and more.

Widgets come in three categories:

- 1. Accessory widgets**—These are self-contained programs that don't require outside support to function. Examples include clocks, timers, calculators, and note takers easily accessible on a computer desktop.
- 2. Application widgets**—These enhance an application by providing a less-complicated and often read-only interface. The iTunes controller and Address Book widgets fall into this category.
- 3. Information widgets**—These are designed to work with data from the Internet. They allow you to monitor external events such as the weather, flight status, or stock prices.

Did You Know?

Use the ideas in this chapter as thought-starters for brainstorming sessions. By using these concepts as a starting point, you can create new and innovative marketing programs that will grow your sales and revenue tomorrow.

The primary purpose of a widget is to create customer and prospect interaction. Few widgets are transaction oriented, so don't think of a widget as a tool to drive revenue as much as a tool to create interest and demand for your product or service.

We've covered a lot of ground in this chapter, too. Let's recap it all with some key concepts and action steps.

- ▶ **Key concept:** People interact with mobile media in 12 different ways, including click to vote, click to video, and click to forward.
- ▶ **Action step:** Review each of the 12 approaches outlined in this chapter and see if you can come up with applications for your product or service. Do a cost/benefit analysis on the best three ideas to see if they're realistic ways to generate revenue.
- ▶ **Key concept:** Five different kinds of mobile applications exist: Short Messaging Service (SMS), mobile advertising, mobile Web sites, smart phone applications, and Bluetooth marketing.
- ▶ **Action step:** Review each of these five approaches and see if you can come up with applications for your product or service. Do a cost/benefit analysis on the best ideas to see if they're realistic ways for you to generate revenue.
- ▶ **Key concept:** Augmented Reality (AR) and widgets are two additional platforms marketers are using to engage with customers and prospects.
- ▶ **Action step:** Brainstorm ways you can use AR and widgets to grow your sales and revenue. Remember, today's brainstorms can be tomorrow's sales and revenue.



PART IV

SOCIAL MEDIA INTEGRATION

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WHAT DO GEICO AND THE SHANE COMPANY HAVE IN COMMON? THEY'RE ALL WELL-KNOWN BRANDS THAT HAVE MADE THEIR MARK WITH CLEVER, CATCHY ADVERTISEMENTS. BUT THEY ALSO SHARE A LESS FLATTERING ACCOLADE THAT BINDS THEM TOGETHER: THEY HAVE LARGELY FAILED TO INTEGRATE THEIR COMMUNICATIONS CAMPAIGNS WITH STRONG, LONG-LASTING BRAND MESSAGES THAT RESONATE WITH CUSTOMERS OVER TIME.

CHAPTER 14

HOW TO INTEGRATE SOCIAL MEDIA INTO YOUR MARKETING PLAN

Tom Shane's commercial narrations for The Shane Company, his chain of jewelry stores, left people wondering whether the brand could truly deliver on its promise to be their "friend in the diamond business." It wasn't until people actually went to the stores that they believed the premise: a store full of friendly, knowledgeable salespeople selling one-of-a-kind pieces at a good value. If you just relied on Tom's voice, you might not even wander into a store. And that's perhaps one of the reasons the company filed for bankruptcy protection.

Money-Making Tip

Don't confuse a marketing campaign's popularity with its actual success. For a campaign to be truly successful, it has to be popular with consumers *and* make the cash register ring.

Sure, Geico has the lizard. And some love the lizard. But they also have the cavemen, the B-list celebrities versus real people, good news versus bad news vignettes, talking pot holes and parking lot columns, stacks of money with googly eyes, and a narrating spokesperson who reveals "truths" that are hard to believe. Who are they trying to reach? What's the Geico brand message? What if I don't like lizards? While Geico is certainly gaining people's attention, they have a lot of churn, which means that customers who buy their insurance often switch to another insurance company a short time later.

So even though their TV commercials may have been memorable, both Geico and The Shane Company have struggled to retain customers over time. And isn't that the

main goal of any marketing effort? It's not just about acquiring customers; it's about keeping customers loyal to your brand. Similar to a master chef who has a long waiting list for his restaurant, a successful marketer has to be skilled in mixing the marketing elements—product, price, place, and promotion—in such a way that customers keep coming back for more.

After all, consumers' perceptions of a company or a brand are the synthesis of a bundle of messages received via ads, packaging, direct marketing efforts, publicity, word-of-mouth, sales promotions, point-of-purchase displays, and even the type of store where a brand is sold. Most of these are marketer-generated, brand-oriented communications. Add to that all the conversations happening in the social media area. Clearly, brand messages can become garbled, diluted, or wrongly interpreted if they are being developed and disseminated in silos.

THE ADVENT OF INTEGRATED MARKETING COMMUNICATIONS

During the early 1990s, companies began to realize the need for more integration across all of their promotion tools. These firms began moving toward *integrated marketing communications* (IMC), which involves making your marketing communications consistent, coordinated, and synergistic by ensuring that you're speaking with one voice across all communications platforms. You want to be sure that what the consumer sees and hears isn't a bunch of unrelated, confusing, and mixed messages.

A few other factors were driving the push toward more integration:

- ▶ Marketers were under pressure to show a return on their marketing dollars invested. Others in the organization felt that traditional media advertising had become too expensive and wasn't cost-effective.
- ▶ Media fragmentation had resulted in more emphasis on targeted media and less emphasis on mass media.
- ▶ Power was shifting from manufacturers to retailers, who had more information about end users. Many marketers shifted their focus to promotional tools, such as sales promotions, that could produce short-term results.

As marketers embraced the concept of IMC, they began to ask their ad agencies to coordinate the use of a variety of promotional tools such as public relations (PR), sales promotions, direct marketing, Internet, and traditional media advertising.

Now we're seeing the need for integration all over again. Marketing executives are struggling to figure out how to keep their agencies coordinated as a slew of specialized digital agencies vie for their attention. In the midst of an economic recession, marketers face the daunting task of having to prove their worth.

Moreover, today's efforts to integrate across the various marketing disciplines are much more complex, given the rapid advances in digital platforms and explosive proliferation of

user-generated content. New communications and information technology compete with existing traditional communications forms. So integration is not just needed across existing media forms; it's also needed across *old and new media forms*.

Don Schultz, Professor Emeritus at the Medill School of Communications at Northwestern University, developed a framework to illustrate today's marketplace as one of “push” and “pull” (see Figure 14.1). Marketers continue to push their communications out to customers and prospects through traditional forms such as TV, newspapers, magazines, radio, outdoor advertising, sales promotion, and PR. At the same time, customers have the ability to access, or pull, information from the marketer and the marketplace.

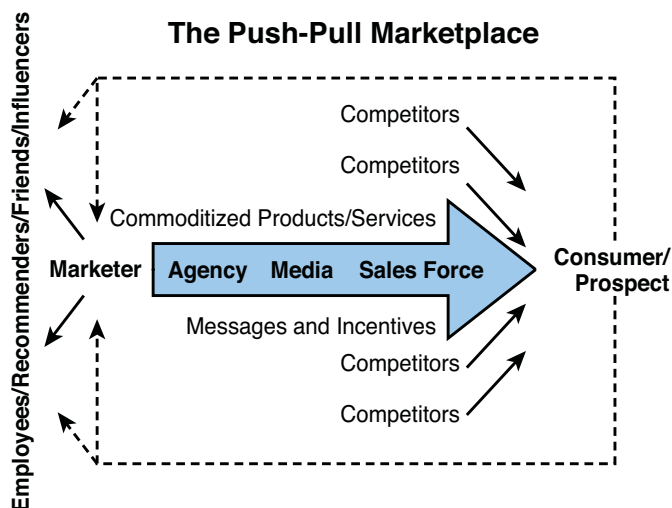


Figure 14.1 This framework, developed by Don Shultz at Northwestern University, illustrates the push-pull marketplace.

The primary change these new pull systems create is that customers are engaging in conversations about companies and brands around the world often without the knowledge of the marketer. Control over communications has changed hands. What was once the sole domain of the marketer, to push out carefully designed communications about companies and brands, has now become the domain of all the players in the value chain.

THE NEW WORLD OF MARKETING

In this new world of push-and-pull marketing, marketers no longer have the power to simply push out specific messages. Aligning and integrating both push and pull communication formats is vital to success.

Given all that, who is ultimately responsible for managing integration, a business client or its marketing agency? Lead agencies bundled together with support agencies under large holding company umbrellas claim they should be in charge of integration. But clients believe that *they* should be in charge.

In a recent Forrester study of marketing and agency executives, called “The Future of Agency Relationships,” researchers found that, over the past few years, the already-complex agency-marketer relationship has been significantly altered by factors such as the rise of social media. This has resulted in agencies quickly trying to expand their offerings, sometimes promising capabilities they are unable to deliver.

Sean Corcoran, an analyst at Forrester and lead author of the report, said one of the biggest challenges marketers face today is how to know who to turn to when they want to change their ad strategies to include new media. He said it's further complicated by the fact that the unbundled world of traditional, PR, interactive, media, and direct agencies are trying to "bundle themselves back up" to become jacks of all trades.

The Big Idea

The world of marketing is getting more complex. Today the agency, the corporation, the retailer, and the consumer all have a say in the brand's position.

Regardless of your lineup of agencies, as a marketer, you are ultimately responsible for managing integrated communications for your brand. If you abdicate that responsibility, you run the risk of having your brand become diluted. Even worse, just as Dove and Doritos brand managers have learned the hard way, customers might come away with entirely wrong perceptions about the meaning of your brand. Let's not forget Geico and The Shane Company.

Outside of agency specialists, marketers are also dabbling with how to incorporate social media into their marketing plans themselves. Some have been experimenting with different types of social media platforms for the past several years; others are just now beginning to understand the true value that adding social media to their overall promotional mix brings. Despite an organization's experience with and tenure using social

media, marketers overwhelmingly are learning that social media programs are more effective when they are strategically integrated into the marketing mix than when they are used as standalone tactics.

INTEGRATING YOUR SOCIAL MEDIA CAMPAIGN

Anyone can create a Facebook or Twitter page. But what some have failed to recognize is that not only do those pages need to be maintained with relevant, worthwhile content, but they also need to meticulously mimic what the company is saying in all other media. Social media can't be considered just an add-on or an afterthought because others are using it. It has to be strategically integrated with all of your marketing communications, *even if that means starting fresh with a new approach.*

The most important issue is to establish a clear and consistent relationship between the social media you use and your traditional marketing efforts. A blog, for example, is a great way to get attention from your customers. When you have a potential customer's attention, it's time to funnel that person into your existing marketing model. Similarly, your Facebook page should contain the bare essentials of your marketing message and provide incentive for potential customers to visit your own Web site, walk through the doors of your business, or call and order a product. Driving fans to your Facebook page will do little for you if you can't then convert those fans into customers.

We've covered a lot of important topics in this chapter, so before we move on, let's take a quick look at the key concepts and action steps outlined on the previous pages.

- ▶ **Key concept:** Some brands have largely failed to integrate their communications campaigns with strong, long-lasting brand messages that resonate with customers over time, regardless of the touchpoint.
- ▶ **Action step:** Study the best practices of highly successful branding campaigns, such as those created for Chick-fil-A, Nike, and Apple.
- ▶ **Key concept:** Ultimately, your social media marketing strategies need to follow the same guiding principles as your other traditional marketing efforts.
- ▶ **Action step:** Keep your social media efforts narrowly focused on your target market, and try to use social media in a way that reflects your business's overall approach to integrated marketing communications.
- ▶ **Key concept:** Push-and-pull communications are here to stay. Marketers must align both forms in such a way that customers see the message as holistic, consistent, and originating from one source.
- ▶ **Action step:** Determine who will be responsible for managing marketing integration for your company and brand, and ensure that social media marketing efforts result in communications that are consistent with those of other vehicles.

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WOULDN'T IT BE GREAT IF COKE HAD TO WORRY ABOUT ONLY PEPSI? OR IF HERTZ HAD TO WATCH OUT FOR ONLY AVIS? AND LIFE WOULD BE SIMPLE IF IBM WAS CONCERNED ONLY ABOUT APPLE. BUT THAT'S FAR FROM REALITY. IN MOST BUSINESSES, COMPETITION COMES NOT ONLY FROM YOUR DIRECT COMPETITORS, BUT ALSO FROM DIRECT, INDIRECT, INDUSTRY-SPECIFIC, AND GENERIC COMPETITORS.

CHAPTER 15

HOW TO CONDUCT A COMPETITIVE ASSESSMENT

As marketers develop their go-to-market strategies, they have to consider not only what their product or service has to offer, but also what their competitor's products or services have to offer.

The same principle applies when you think about your approach to an integrated social media campaign. It's important to start with a competitive assessment of your competitors' campaigns. Do they have a Facebook page? Are they Twitter aficionados? Do they blog like nobody's business? But it goes beyond that—you'll also want to analyze what they're doing *right*, what they might be doing *wrong*, and how you can do things differently to stand out.

CONDUCTING A COMPETITIVE ASSESSMENT FOR YOUR BUSINESS

Before we start talking about how a competitor's social media strategy can impact or influence your own, it's worth looking at how competition in business works. For example, book retailers such as Barnes & Noble and Borders have been facing the crunch of the recession and shifting demand resulting from new technologies. Just a few years ago, both retail brands were in head-to-head competition to see who could build the most megastores. While these massive bookstore chains were battling for physical retail dominance, an online empire called Amazon.com was being built with an almost unlimited selection of books. Today Barnes & Noble and Borders are playing catch-up to boost their own Web site traffic, in addition to managing their bricks-and-mortar locations.

The point is that competitive myopia, a focus on current competition and existing business models, can actually

render a business extinct. For example, if Coke thinks that its only competition is Pepsi, then it's missing out on both opportunities and threats. Coke is most often consumed to satisfy thirst. However, other common reasons to drink a Coke include to feel revived or energized, to escape boredom, for a sugar fix, and for refreshment, along with a whole host of other reasons.

Who exactly competes with Coke in all of these areas? Take a look at the concentric circles in Figure 15.1. At the very basic level, Coke competes with other Cola brands such as Pepsi and RC Cola. At the next level of competition, Coke competes with other beverages, including water, juice, tea, and coffee, to quench thirst. At still another level, Coke competes at the level of providing satisfaction to the tired consumer, the bored consumer, or the consumer who just plain wants to drink something instead of eating.

Different Competitive Frames

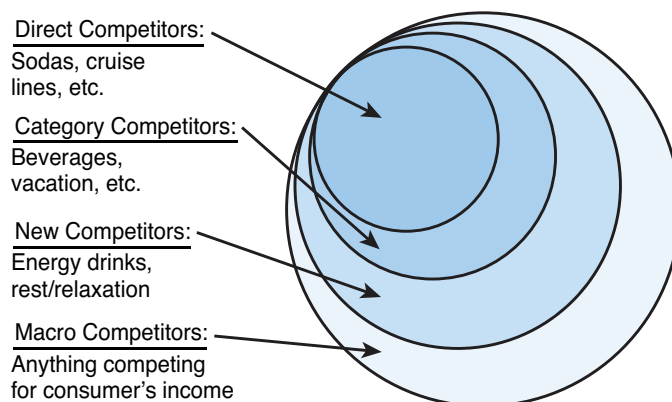


Figure 15.1 By understanding who your competitors are, you'll be better prepared to compete for consumers' disposable income.

At the broadest level, Coke competes with anything else that consumers could buy for the same amount of money they could spend on a Coke. Competition for dollars and the opportunity cost of using money to buy a Coke is the broadest form of competition. In this way, almost anything consumers would spend money on can be considered part of Coke's competitive set.

CONDUCTING A SOCIAL MEDIA COMPETITIVE ASSESSMENT

Another way to take a look at your competitive set is to create a simple two-dimensional mapping scheme that can help you compare your brand's attributes against your competitor's attributes (see Figure 15.2). For our purposes, this two-dimensional mapping scheme can compare your brand's social media campaigns against your competitor's social media campaigns.

On one axis, you might consider the number of different social media tools that companies use. On the other axis, you might consider the frequency with which social media is used to communicate. Of course, an infinite number of possible dimensions can be used for competitive mapping. The goal is to select the dimensions that make the most sense in the context of your business, your industry, and your set of competitors.

When you see where you are relative to your competition, you'll want to see how you can position yourself for success. Sure, many times a firm wants to place itself in exactly the same position as its closest competitor. Starbucks has

MyStarbucksIdea.com, so Caribou Coffee has to develop the exact same type of tool and hope for the same resulting success. If it worked for Starbucks, why wouldn't it work for Caribou? This strategy has some merits.

Other times you'll want to deliberately place yourself on the competitive grid as far away as possible from competitors. So if your nearest competitor has hired a specialist to manage its Facebook, Twitter, LinkedIn, and YouTube communications on a frequent basis, you might decide that you're interested in only a narrow set of tools—say, only blogs—and that you will contribute intermittently.

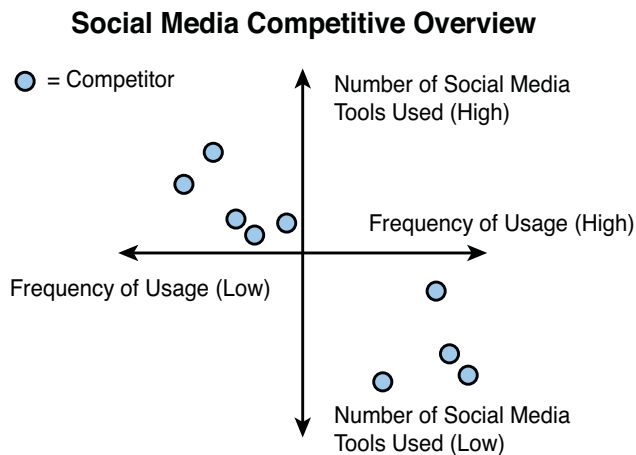


Figure 15.2 By plotting out how your competitors are using social media, you'll be able to analyze how to compete against them.

In reality, both of these approaches are at the extremes. To thwart competition, many clever companies deliberately segment, target, and position themselves to not directly compete. For example, when Southwest Airlines first came on

the scene, management chose not to position the airline as just another airline. They were careful to consider the unique differentiators of Southwest's strategy—short flights, hub cities, relatively low prices, and hands-on service—to compare the Southwest travel experience to the alternative of driving, renting a car, taking a bus, or taking a train.

Similarly, when Walmart opened its first doors, it deliberately stayed away from the major metros where both Kmart and Sears dominated. Instead, it chose to locate its stores in rural areas and compete against smaller, independent retailers. When it dominated in that market, Walmart then had the muscle to penetrate urban locations and compete head to head against Kmart and Sears. The rest is history.

A final strategy that has worked well for some companies is to consider the concept of reverse positioning. Reverse positioning involves looking at what the major incumbents in your industry are doing, eliminating the obvious things that people offer in your business (sometimes doing the opposite), and adding several radically new points of difference.

As an example, Swedish furniture retailer IKEA uses reverse positioning. Most furniture stores provide high product quality, lots of product variety, lots of in-store assistance, and assembly and delivery. IKEA's positioning is average product quality, little variety within a category, little in-store assistance, and, until recently, no delivery and no assembly. How could they survive without the obvious “green fees”? Instead of offering the obvious, they added a child care center, a sit-down restaurant featuring Swedish favorites, unique accessories with cool names and consistent, Scandinavian styling. The profit

numbers show how successful this approach has been. Whereas most furniture store either have closed or are on the verge of bankruptcy, IKEAs store revenues have steadily increased over the past three decades.

The Big Idea

Some companies have found it better to zig while their competitors zag. This approach, called *reverse positioning*, has worked well for a variety of companies.

In the marketing communications space, smart marketers may want to replicate the IKEA success by including the competitive points of parity in terms of social media—must have a Web site, must have a Facebook page, must be using Twitter—and then think long and hard about what unique points of difference can successfully set it apart from the rest of its competitors. In terms of choice of social media tools, you want to analyze just how competition is using and benefiting from a specific tool and analyze whether it's worth the investment, given your marketing objectives.

A final point of comparison with marketing communications campaigns is their timing and intensity relative to competitive messages. Most traditional media have periods of “on” and “off” in terms of media scheduling. It's important for you to know when competitors have planned your communications and around what events as you plan for your own. With new media, particularly with pull-based social media, the conversation is ongoing. You have a lesser need to plan and time your actions based on your competition—and the same holds for them. So the only thing left is to make sure that your communications

are consistent with your desired brand positioning and that your social media communications are integrated with the rest of your communications portfolio.

Let's take a look at the key concepts and action steps from this chapter.

- ▶ **Key concept:** You can analyze your competitive environment based on direct competitors, category competitors, new competitors, and macro competitors.
- ▶ **Action step:** Don't get myopic when thinking about your competition. In the broadest sense, every brand competes against every other brand for consumers' finite amount of disposable income.
- ▶ **Key concept:** By analyzing how your competitors are using social media, you can get a sense of what's working and what's not working within your industry.
- ▶ **Action step:** Analyze how your competitors are using social media to grow their business. Do a quick cost/benefit analysis to figure out what would work for your business and what wouldn't work.
- ▶ **Key concept:** Identifying how your competitors impact your business is critical to developing your unique positioning within the social media space.
- ▶ **Action step:** Try your hand at reverse positioning—remember IKEA versus all those now-defunct furniture companies—by monitoring the tools your competitors are using in the social media space. Either move away from them altogether or augment them with entirely unique tools or creative ways to use the tools.

EVERY GOOD MARKETING PLAN STARTS WITH A *SITUATION ANALYSIS*. IT'S THE FOUNDATION UPON WHICH A COMPANY'S MARKETING GOALS, OBJECTIVES, STRATEGIES, AND TACTICS ARE BUILT.

CHAPTER 16

CONDUCTING AN INTERNAL SITUATION ANALYSIS

When an organization develops a strategic plan of any kind, it must consider a number of things. It needs to consider the external environments in which it operates. It must fully understand the competitive landscape and where possible opportunity gaps exist. It has to develop a strong understanding of its prospects and customers to create a value proposition that resonates. Finally, it has to do an *internal situation analysis* to leverage strengths and downplay weaknesses.

This last factor, an internal situation analysis, is an important one. It's often overlooked because companies tend to shy away from doing a 360-degree analysis of their own strengths and weaknesses. Don't make that mistake. The only way you can know how to move forward with a successful social media campaign is to take a long, hard look at the "internal situation analysis mirror."

The Big Idea

A situation analysis can help you analyze what's working and what's not working within your current marketing program.

Before you move forward with your social media campaign, take a step back and do a situation analysis first.

CONDUCTING AN INTERNAL SITUATION ANALYSIS

In a typical marketing planning process, an internal organizational analysis looks at the relevant areas involving the

product/service offering and the organization itself. In the same way, when you're thinking about social media planning, you need to review the successes and failures of past programs. In doing so, you will need to consider the fit between your desired social media strategy and the way your company is currently structured and operates.

You also need to look at the relative advantages and disadvantages of conducting social media activities in-house, as opposed to hiring an external agency or agencies. For example, the internal analysis may indicate that a firm is not capable of planning, implementing, and managing certain areas of the social media program. In this case, it might be wise to look for outside help in the form of a specialized agency.

Before you decide on hiring an outside agency, you have to consider whether outsourcing a specific communications function will result in a loss of control or speed, and whether the resulting benefits of expertise and time will outweigh the negatives. For instance, both Calvin Klein and Macy's develop all their communications in-house. Macy's chooses to stay in-house because of the high frequency of communications and the need to stay on top of constant changes. Calvin Klein keeps communications in-house to retain complete control over the creative message and the brand's positioning.

In contrast, both Anheuser-Busch and Frito-Lay have traditionally chosen to work with large integrated marketing communications firms. Their belief is that specialized agencies will add more expertise to the communications process and will be able to develop creative marketing materials and

content unique to each brand's position. After all, marketing communications firms are the experts when it comes to communications. Recently, however, Frito-Lay has deviated from its typical model of outsourcing to an agency model by allowing user-generated advertising content for its Doritos brand. This may save Frito-Lay significant money, because the company doesn't have to pay for the agency's work, but it also risks altering the brand message because neither internal nor external "experts" are working on developing the brand communications.

CONDUCTING A SWOT ANALYSIS

An internal situational analysis also assesses the relative strengths, weaknesses, opportunities, and threats (SWOT) of the product or service you're trying to sell. This information is particularly important to the creative personnel who must develop the communications message for the brand or company. Completing a SWOT analysis helps you identify ways to minimize the effect of weaknesses in your business while maximizing your strengths. Ideally, you'll match your strengths against market opportunities that result from your competitors' weaknesses or voids.

Here are some considerations when you do your social media SWOT analysis:

- **Strengths**—Think about what your company does well in terms of social media marketing. What makes you stand out from your competitors, and what they are doing? What advantages do you have over other businesses?

- ▶ **Weaknesses**—Identify what areas are a struggle from a management perspective? What resource limitations exist from a personnel perspective? What time constraints are present?
- ▶ **Opportunities**—Try to uncover areas where your strengths are not being fully utilized. Are there emerging trends that fit with your company's strengths?
- ▶ **Threats**—Look both inside and outside your company for factors that could damage your business. Internally, do you have financial, development, or other problems? Externally, are your competitors becoming stronger through either their expertise or their messaging? Are emerging trends amplifying one of your weaknesses, or do you see other threats to your organization's success?

An internal situation analysis also involves assessing the strengths and weaknesses of the organization from an *image* perspective. The image an organization brings to the market has a significant impact on the way it can advertise and promote itself along with its various products and services. Companies or brands that are new to the market or those whose perceptions are negative may have to concentrate on their images, not just on the attributes and benefits of the products they sell. On the other hand, an organization with a strong reputation is already a step ahead when it comes to communication about its products or services.

For example, a recent nationwide survey found that companies with the best overall reputations among American consumers are Johnson & Johnson, The Coca-Cola Company, Hewlett-Packard,

Intel, and Ben & Jerry's. When an organization's leaders understand what's at the core of their positive image, they can use it to grow their business. For example, Ben & Jerry's is regarded as a good citizen in its dealings with communities, employees, and the environment. The company capitalizes on this goodwill by supporting various community events and participating in programs that help the environment. That's good news for the nonprofits that benefit from Ben & Jerry's kindness, and it's good news for the Ben & Jerry's consumers, who know that a portion of each purchase goes to benefit those in need.

Did You Know?

The Ben & Jerry's Foundation donates almost \$2 million each year to worthy causes around the U.S. This helps the nonprofits run their programs and also helps create a positive impression among Ben & Jerry's consumers.¹

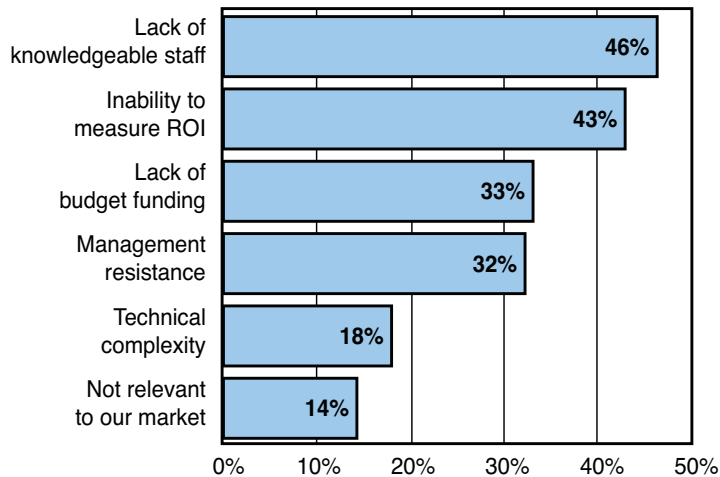
HOW TO MOVE AHEAD

For most organizations, developing a social media strategy involves some fundamental questions: How do the benefits of engaging in social media outweigh the risks? How can social media influence key organizational stakeholders in a way that benefits the organization? Does the organization have the capabilities needed to achieve its desired positioning by including social media in the communications mix?

Let's look at each of these questions in more detail. When people talk about benefits and risks, they usually think about the benefits and risks of engaging in a certain action. Often overlooked are the risks of *not* engaging in a certain action. For example, if company is sitting on the social media sidelines, the inaction is creating a vacuum that's being filled by comments, blog posts, and tweets circulating on the Web. That can be a dangerous situation.

So if it doesn't pay to sit on the sidelines, why do some companies do just that? According to a 2009 Marketing Sherpa survey of senior-level marketing managers, the most significant barrier to social media adoption named by 46 percent of respondents is "lack of knowledgeable staff" (see Figure 16.1). The problem is, a good percentage of those who consider themselves knowledgeable have limited social media experience. In fact, two-thirds of marketers at organizations that have not used social media marketing said they are "very" or "somewhat" knowledgeable about the subject. But without hands-on social media experience, this level of knowledge isn't very likely. It may be the reason "lack of knowledgeable staff" is seen as the most significant barrier.

What does all this mean? In a nutshell, it points out that, before you can move forward, it's best to take a step back. When you take a step back and conduct a situation analysis, you'll be able to get a clear picture of the strengths, weaknesses, opportunities, and threats facing your company. Only then will you be prepared to move forward to the next steps of looking at the consumer thought process, clarifying objectives, and developing key strategies designed to help you achieve those objectives.



Source: MarketingSherpa Social Media Marketing and PR Benchmark Survey 2008. MarketingSherpa © 2009.
Methodology: Fielded December 4-10, 2008; N=1,886.

Figure 16.1 What factors have prevented you from having a successful social media campaign?

Let's review these key concepts and action steps before moving on to the next chapter.

- **Key concept:** A critical component in developing your social media strategy and plan is understanding your organization's internal situation and determining whether you have the right structure, resources, and capabilities to manage social media in-house.
- **Action step:** Perform a SWOT analysis of your organization in terms of your ability to set up, run, and manage a social media campaign.

- ▶ **Key concept:** Some companies still fear moving ahead with their social media strategy development because they lack the knowledge of how to incorporate social media into their marketing communications plans.
- ▶ **Action step:** If you feel as though running a social media campaign in-house will take your eye off of running your business, hire an outside agency to develop it and run it for you.

ENDNOTES

1. See BenAndJerrysFoundation.org.

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THE GOAL OF MARKETING
IS TO "GET MORE PEOPLE
TO BUY MORE OF YOUR
STUFF, MORE OFTEN,
FOR MORE MONEY
MORE EFFICIENTLY AND
EFFECTIVELY THAN THEY
BUY YOUR COMPETITOR'S
STUFF."

CHAPTER 17

UNDERSTANDING THE CUSTOMER THOUGHT PROCESSES

This phrase, describing the objectives for any marketer, comes from Sergio Zyman, the first chief marketing officer of The Coca-Cola Company. It sounds simple enough. In reality, doing all the activities in this short phrase requires disciplined strategy, focused operational detail, and a well-oiled organizational machine. Most importantly, it requires a complete understanding of the needs of your customers so that you can “get more people to buy your stuff” over and over again. Often this is the hardest thing for an organization to do. It has to get inside the heads of its customers and prospective customers to understand what they truly want.

Having a strong understanding of what customers need involves being able to get an accurate picture of what they *think* they need. It also involves figuring out what they might need even if they don't tell you explicitly. That's the hard part.

To do this, you need to understand how customers make decisions and then understand how they respond to various stimuli, whether it's a traditional ad campaign or a social media campaign.

CUSTOMER DECISION-MAKING PROCESS

We've discussed a variety of customer decision-making models in previous chapters. They all point out that the decision-making process typically begins when a gap exists between the actual state people are in and their desired state (see Figure 17.1). This first stage, the problem recognition stage, occurs

when a customer perceives a need and becomes motivated to solve the problem, as in, “I have a headache. I’d like to *not* have a headache.”

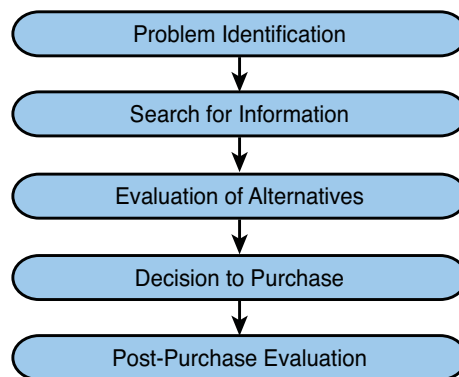


Figure 17.1 Consumers move through a series of states before, during, and after purchase.

For the most part, customers recognize that they have a need on their own. However, sometimes a marketer may be able to influence problem recognition by encouraging customers to be discontent with their current state or situation. For example, communications about personal hygiene products such as mouthwash, deodorant, and foot sprays may be designed to create insecurities that people can resolve by using these products.

The next stage in the process involves searching for information needed to make a purchase decision. Typically, this stage involves a prospect or customer’s memories about past experiences with the brand. That is, if a search within one’s

own memory or past experiences does not result in enough information, the customer will seek additional information by searching for it in ads, on the Web, on television, or through some other medium. During this stage, a marketer can influence the decision through advertising, salespeople, point-of-purchase displays and online tools. The main goal for a marketer is to attempt to get a particular product into the customer's considered set of alternatives.

After getting information during the information search stage, a customer starts looking at alternatives. During this stage, the customer compares the various products and brands under consideration that are likely to help solve the initial problem. To tip a customer toward one alternative over another, the marketer needs to help the customer form positive attitude towards a certain brand or get the customer to change a negative attitude into a positive one.

The fourth stage in decision making is the actual purchase decision itself. After a customer has evaluated alternatives, that customer may develop a purchase intention or predisposition to buy a certain brand. However, a purchase decision is not the same as an actual purchase. The customer must still *make* the purchase. She still has to decide where to purchase, when to purchase, how much to spend, and so on. Considerable amounts of time can lapse between the *decision* to purchase and the *actual* purchase, particularly for high-involvement (such as high-dollar) purchases. As a result, almost half the time, a customer who has decided to purchase Brand A actually ends up buying Brand B.

Did You Know?

Research indicates that 47 percent of the time, a customer will report wanting to buy one product and end up buying a different product instead.¹

Why is all this important? Because whether you're developing a social media campaign or a traditional marketing campaign, it's important to understand *how* and *why* people buy products. By gaining insights into consumer behavior, you can improve the effectiveness of your campaign by taking actual consumer insights into consideration—and, in the long run, make more money.

DECISION MAKING WHEN IT REALLY MATTERS

Let's consider a high-involvement decision: selecting which college to attend. This comes down to finding the right "fit." Students must determine which college lines up with their values, interests, and personality, and evaluate the university's academic programs, reputation, student life, cost, and other factors. In the end, prospective students must "feel right" about the college they choose.

Here's where social media comes in. How prospective students gather information to find that "good fit" has changed dramatically in the past 20 years. In those days, information and advice came from a narrow range of experts: school guidance counselors and whatever catalogs and directories happened to be on hand at the resource center. A few books on college

admissions were written, but not many. No national rankings existed yet. Conversations with peers and perhaps other friends and family members were important, and noting where those others were going or had gone to college had an impact. But overall, the people who had an impact on this choice came from within a small, geographically defined circle.

The Big Idea

Most decisions to buy a product happen after some experience or engagement with a brand. Social media can impact customers at various points in their decision-making process, thereby improving the ROI of your overall marketing campaign.

Since then, of course, the availability of information has grown tremendously in the form of direct marketing, glossy brochures, national rankings, published guidebooks, paid consultants and seminars, and even classes for high schoolers. Add to this the vast amounts of information available online from a variety of sources, including colleges themselves. Just the information to guide the “fit” decision is truly overwhelming, and sorting through it is as big a challenge as making the eventual decision.

Now add social media to the mix. The question is whether it will add value, by providing new kinds of information or by making it easier to sift through the most useful, relevant information from the marketplace of sources. One attribute that clearly distinguishes social media from other sources is that it makes peers more immediately and dynamically available. Prospective students are no longer limited to conversations with students at their own school or to the few students and alumni they

encounter on a college tour or a campus event. They're not even limited by the representative peers quoted in a guidebook. Using social media, they can largely bypass college officials, consultants, and other "experts"—not to mention parents—and connect with peers from the national and even global landscape.

How will these connections made possible by social media, in conjunction with traditional media, influence the decisions of prospects and the admissions and marketing strategies of colleges and universities? Will the marketing efforts of colleges and all those "adult" voices and experts become less influential now that prospects can access the "authentic voice," or at least voices that feel authentic because they come from peers?

Prospective students find social media conversations attractive and useful because the voices are authentic and impartial. Information has already been democratized; schools such as MIT that present student blogs on their admissions Web sites are acknowledging the situation—and perhaps trying to create a competitive advantage by bringing some of those conversations "in-house." As the volume of choice and information grows, consumers turn to the sources they feel they can trust.

Did You Know?

Seventy percent of the respondents to a survey by Nielsen "completely" trusted or "somewhat" trusted recommendations from consumer opinions posted online. That was second only to "recommendations from people known," which came in at 90 percent.²

The customer decision process doesn't end with a purchase. After using the product or service, a customer compares the level of performance with expectations and is either satisfied or dissatisfied. Positive performance means that the brand stays in a customer's evoked set of brands, and there's a strong likelihood that the customer will choose the brand chosen again. A negative performance may lead the customer to form negative attitudes toward the brand, decreasing the likelihood that the customer will purchase the brand again, or even causing it to drop out of the customer's evoked set.

THE ROLE OF SOCIAL MEDIA IN INFLUENCING DECISIONS

So how does social media tie into the customer's decision-making process? At first glance, it may seem that the main purpose of social media is to drive awareness and to perhaps impact the problem recognition stage. After all, more people are having conversations about a company, a product, or a brand before the actual purchase. However, the real value of social media might lie in the consideration stage, or the alternative evaluation stage, in terms of establishing relevance. Customers are more likely to consider a product or service that their friends or other people like them have recommended than they are to consider one recommended by outside sources that they don't know. Social media therefore helps customers reduce their choice by narrowing the list to a smaller set of possible alternatives.

Moreover, marketers must recognize the importance of the post-purchase evaluation stage of decision making. Dissatisfied customers who experience post-purchase doubt or have had a negative experience not only are unlikely to rebuy, but also may spread negative word-of-mouth information that deters others from purchasing a particular product or service. In this way, blogs, consumer ratings, and product reviews can directly impact future customer decision making and choice.

In addition to understanding the complexities of customer decision making, you must understand consumer response to communications. Consumer response refers to the various steps or processes that those who receive communications may go through in moving toward a specific behavior (such as purchasing a product) and how the promotional efforts of a marketer influence consumer response.

Many models of consumer response have been developed, but one of the most relevant models to the inclusion of social media in the communications mix is the AIDA model (see Figure 17.2). We mentioned AIDA in Chapter 4, “The Language of Social Media,” but let’s briefly recap what it’s all about. AIDA stands for Awareness, Interest, Desire, and Action. The model was first developed to represent the stages through which a salesperson must take a customer in the personal selling process. First, a marketing campaign (or sales person) must get the customer’s *attention*. Then it must arouse some *interest* in the product or service. Strong levels of interest should create a *desire* to own or use the product. Finally, the *action* stage involves getting the customer to make a purchase commitment and closing the sale.

Consumer Behavior Models				
	AIDA Model	Hierarchy of Effects Model	Innovation Adoption Model	Information Processing Model
Cognition Phase	Attention	Awareness, Knowledge	Awareness	Presentation, Attention, Comprehension
Affective Phase	Interest, Desire	Liking, Preference, Conviction	Interest, Evaluation	Yielding, Retention
Behavioral Phase	Action	Purchase	Adoption	Behavior

Figure 17.2 A variety of different consumer behavior models exist, but they all point to the same goal: converting a prospect to a customer.

Different forms of communication have been shown to have varying effects on the response stages. Advertising is largely effective in driving awareness. Direct mail and Web sites are strong drivers of interest. Personal selling and PR are often responsible for driving desire, and sales promotion often leads to action by encouraging trial. The impact of these different media types varies depending on the level of involvement a customer has with the product category and based on the degree of differentiation between alternatives.

As with traditional media, social media also can be segmented to reflect what consumer response it can best achieve. So far,

this has not been done in any formal way. Perhaps Twitter is the strongest tool for driving awareness. LinkedIn might be best for driving interest. Facebook is likely to help develop desire. In terms of action, search engine optimization (SEO) and direct response marketing may be the strongest drivers. Still left to be determined is exactly what messages work best with which form of social media and whether the tools can evolve through technology to achieve multiple customer responses at varying places in the response process.

With all this in mind, let's take a spin through the key concepts and action steps from this chapter:

- ▶ **Key concept:** Customers follow a consistent process when they are making decisions. Marketers can influence the sequence of these stages and how long a customer takes in each of these decision stages.
- ▶ **Action step:** Map out the decision-making process for different segments of customers, and understand where and how you can influence this decision making with a variety of social media tools
- ▶ **Key concept:** Customers follow specific patterns of response based on their exposure to marketing stimuli, their level of involvement in the product, and the degree of differentiation they perceive among competing alternatives.
- ▶ **Action step:** Understand the level of involvement your customer has with your product or brand, and determine how differentiated you are from your competitors. These

two factors will impact the actual response pattern customers follow and will help you determine which social media stimuli to use.

ENDNOTES

1. J. Scott Armstrong, Vicki G. Morwitz, and V. Kumar, "Sales Forecasts for Existing Consumer Products and Services: Do Purchase Intentions Contribute to Accuracy?" *International Journal of Forecasting* 16 (2000): 383–397.
2. <http://blog.nielsen.com/nielsenwire/consumer/global-advertising-consumers-trust-real-friends-and-virtual-strangers-the-most/>

THE DETROIT ZOO HAD BEEN AN INSTITUTION AND A TOURIST DESTINATION FOR MORE THAN 80 YEARS, BUT IT NOW HAD A PROBLEM. UNBEKNOWNST TO MOST VISITORS, IT FACED FINANCIAL HARDSHIP CAUSED BY CIRCUMSTANCES THAT HAD BEGUN A FEW YEARS EARLIER.

CHAPTER 18

ESTABLISHING YOUR MAJOR OBJECTIVES AND KEY STRATEGIES

The city of Detroit, which provided a significant portion of the zoo's operating budget, cut all of its financial support of zoo operations in 2006. As the 2008 peak summer season approached, reality set in: In a matter of months, the money would run out. The zoo was faced with the very real possibility of closing its doors.

Only one option was left. The zoo had to appeal directly to taxpayers. A new tax was proposed to provide the necessary funding to keep the zoo afloat. Zoo management had to convince voters to pass the requested new tax, or the zoo would close. With the very real possibility that there would no longer be a Detroit Zoo and the impact that would have on the children of Detroit, zoo officials had just one objective for an integrated marketing campaign they were planning to launch: Get residents to vote "yes" on a new ten-year property tax to support the zoo.

Zoo management could have simply created an awareness campaign highlighting all the great attractions at the zoo. Or it could have created a promotional campaign appealing to visitors by offering some sort of discount or incentive. Instead, it chose to stay focused on the main issue at hand: raising money to keep the zoo afloat. By taking a step back and thinking through the situation before taking a step forward, they were able to identify three important factors leading to a successful campaign: the key drivers, the primary objectives, and the desired outcomes.

DON'T JUST CREATE AN ACTION— CREATE A CHAIN REACTION

Zoo management knew that it needed a message that would provoke not just action, but a chain reaction. They distilled the big idea into a single concept: *Our Zoo Is Worth Keeping*. They also made it personal—“The Detroit Zoo Is *Our* Zoo”—and highly emotional, drawing attention to the interaction children have with the animals at the Zoo. By tapping into these key emotional drivers, they were able to set themselves up for success.

Advertising led this initiative, but it involved more than just a traditional advertising message. It relied on a powerful dialogue that used mass media and new media to create a conversation in the news and on the streets. A public relations and grass roots effort to get the “Worth Keeping” message to both residents and influencers kept the conversation front and center in the news for about a month leading up to the election.

When the vote was finally taken, zoo officials were pleased to find that voters had approved the new tax with larger margins than anyone had imagined. Having achieved this, zoo management was in a position to implement some of the strategies required to get people not only to see the zoo in a new light, but also to become re-engaged with the zoo in terms of attendance, volunteering, and finances.

HOW TO SET OBJECTIVES THAT GET YOU RESULTS

The main point of the Detroit Zoo example is that results such as these are attainable only when you 1) identify the *key drivers* for success, 2) develop specific *campaign objectives*, and 3) know exactly which *outcomes* you are seeking to achieve. The trick is to think through all this first, before you start to develop your approach or your strategy to achieve them.

Setting objectives and developing strategy takes discipline. It takes forming a unified view of the problem, making an assessment about desired outcomes, and having a shared vision within your organization on how to achieve those outcomes.

If you're thinking that your organization has had trouble articulating just what you hope to achieve by using social media, you're not alone. Unfortunately, many organizations have difficulty when it comes to setting realistic objectives for a social media program.

The Big Idea

When setting social media objectives, it's important to be SMART. In other words, you need to set objectives that are specific, measurable, attainable, realistic, and time bound. Only then can you **determine the best strategy** to take and the best customers to target.

Numerous articles and blog posts talk about how to set objectives for a social media campaign. The objectives mentioned range from driving Web site traffic to increasing customer engagement. But no matter what your stated objectives are, only one thing is important: You need to integrate your social media campaign into your marketing campaign so that they can both show a quantifiable return on your investment.

MOVING PRODUCT

To many managers, the only meaningful objective for their promotional strategies is sales. They take the position that the basic reason to spend money on any kind of communications, including communications via social media, is to sell a product or service. This makes a lot of sense. Ultimately, the goal of any marketing program is to sell more products or services, resulting in more revenue, higher market share, and more profit.

Recently, two of the three largest oral care manufacturers, Unilever and Colgate–Palmolive, joined Procter & Gamble in marketing at-home tooth-whitening kits. In their product launches, Unilever spent about \$20 million on Mentadent and Colgate allocated \$60 million to Simply White. Colgate's objective was to get an immediate \$100 million in sales in the first year (a third of the total market); Mentadent focused on in-store efforts, sales promotions, ads in beauty magazines and

on their Web sites, and professional outreach programs to gain its share of the market.

Sales-oriented objectives such as the ones Unilever and Colgate–Palmolive set for themselves can make a great deal of sense. But focusing only on sales objectives has its challenges. In the real world, poor sales can result from a number of uncontrollable factors, including product design, quality, packaging, distribution, pricing, demographic trends, and competitor actions. Furthermore, social media can make people aware of a brand, but it can't make them buy it—particularly if something else is fundamentally wrong. For example, in the early 1990s, when Nabisco launched Snackwells, a line of reduced-fat and nonfat cookies, the advertising for Snackwells is what drove consumers to the stores. The advertising was brilliant, but the factories couldn't meet the rate of the demand and the store shelves were always short of packages.

Another problem with considering only sales-oriented objectives for social media is that the effects of advertising often occur over an extended period of time. Your social media marketing efforts can have a lag or a carryover effect. In other words, the money and time that you spend on social media efforts don't necessarily have an immediate effect on sales. That doesn't mean you should abandon your efforts. If you're trying to grow your sales, you need to consider that the impact of social media may emerge over time and that, besides sales, social media may help you achieve other important milestones that lead to revenue growth.

Did You Know?

During the 2.7 hours per day that people in the U.S. spend on the mobile Web, 45 percent are posting comments on social networks, 43 percent are connecting with friends on social networks, 40 percent are sharing content with others, and 38 percent are sharing photos.¹

MOVING PEOPLE

As we described in early sections of the book, marketing communications can have a cumulative effect over time and can result in various intermediate stages of persuasion that eventually lead to sales. Advertising and other forms of promotion, including all forms of social media, are designed to achieve communications such as brand knowledge and interest, favorable attitudes and image, and purchase intentions or leads. With some types of communication, you can't expect a direct sales response immediately. Instead, marketers realize that they have to provide relevant information and create favorable predispositions toward a brand before customers purchase anything.

The Communications Effect Pyramid (see Figure 18.1) depicts the way social media helps move people—or trigger some kind of presales response. At the lower level of the pyramid, your brand's communications first get people to pay attention to and become knowledgeable about the product or service. At the next level, the goal is to get people to develop an interest, a liking, and perhaps even a preference for your product

or service. Beyond knowledge, you want people to develop feelings. Finally, at the top of the pyramid comes action. At this top level, people develop strong convictions, form purchase intentions, and finally purchase.

Communications Effect Pyramid

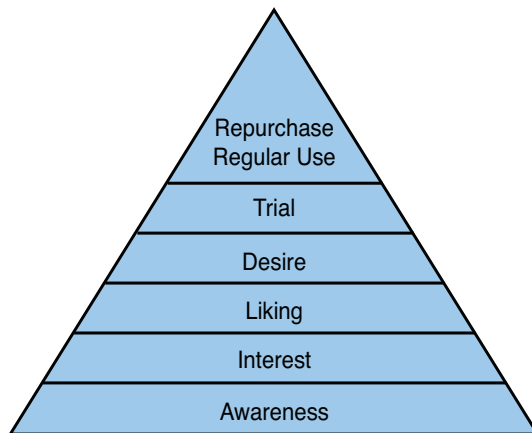


Figure 18.1 Understanding the consumer response process is one step involved in setting objectives for your campaign.

Part of driving communications objectives involves encouraging prospective customers to start dialogues with you and with each other about your products and services. You want to get them engaged so that, over time, you can convert them to customers. If you do this correctly, existing customers will not only repurchase from you, but they will become strong advocates for your brand and help you continue the dialogue within and outside your brand community.

Whether you decide to focus on using your social media to drive immediate sales or future sales often depends upon where

you sit in an organization. If you're in the CEO or CFO office, you may be interested in driving immediate sales so that this quarter's numbers look good to Wall Street. But if you're in the CMO office or on the agency side, you might believe that building long-term demand is just as important as generating short-term sales blips.

In the end, the path you choose might boil down to whether you consider your social marketing efforts to be an investment that will show returns at some point in the future or whether you consider your social marketing efforts to be an investment that you must quickly recoup. To know how to balance these two major objectives of moving product and moving people, you might have to think about who is sitting in the CEO seat of your organization and understand what drives that person's business strategy.

DEVELOPING YOUR SOCIAL MEDIA STRATEGY

After you've outlined your specific social media objectives, you're ready to develop a social media strategy. Your social media strategy is a subset of your overall marketing strategy. And your marketing strategy is a subset of your business strategy.

Keep all these factors in mind as you move forward with a social media campaign. After all, one-off marketing campaigns that create short-term blips don't grow a business in the long run.

Only well-thought-out campaigns with an eye toward strategy and execution succeed.

A successful social media campaign isn't something to merely play around with in between meetings or to give to an intern as a task to complete over the summer. It should be an intentional, thought-provoking extension of your organization that helps you drive your business objectives.

Companies often ask themselves these questions when developing an overall business strategy:

- ▶ Should we be first to market and enjoy first mover advantages, or should we pursue a wait-and-follow approach?
- ▶ Should we try to enter with a low-cost position, or should we try to distinguish ourselves from competitors with a differentiated offering?
- ▶ Should we approach the market as a whole, or should we focus on a single or a few niche segments?
- ▶ Should we grow our business by encouraging more sales of our existing product to our existing customers, by introducing new products, by entering new markets, or all three?

Take a look at these questions and develop answers for your own company. Then take a step back and analyze whether the social media strategy you're developing fits within the business strategy you've outlined from similar questions. You'll then have

taken the first steps toward developing a methodical, strategic approach to a successful social media campaign.

We've covered a lot of ground again. Let's take a quick look at the key concepts from this chapter and their action steps.

- ▶ **Key concept:** When developing any marketing campaign, you need to 1) identify the *key drivers* for success, 2) develop specific *campaign objectives*, and 3) know exactly which *outcomes* you are seeking to achieve.
- ▶ **Action step:** Get all members of your marketing team in a room together (along with other interested parties) and map out key drivers, campaign objectives, and outcomes for your social media campaign.
- ▶ **Key concept:** Social media objectives can be categorized into two major buckets. The first objective is to move product to drive *immediate* sales. The second objective is to move people (that is, drive awareness, interest, and desire) to drive *future* sales.
- ▶ **Action step:** Find out what your organization expects in terms of return on investment and the time frame for that return. You can then determine whether your social media campaign needs to drive immediate sales or future sales. Remember, they're not mutually exclusive—if you have a big budget, you can accomplish both.
- ▶ **Key concept:** When using social media, it's critical for your campaign to tie to your business objectives and for these business objectives to link to your overall business strategy.

- **Action step:** Make sure you clearly understand your organization's business objectives and the strategy it's using to accomplish those objectives. Ask key players within your organization to define the business objectives and strategy or to direct you to the appropriate documentation.

ENDNOTES

1. See www.readwriteweb.com/archives/social_networking_now_more_popular_on_mobile_than_desktop.php.

ONE OF THE BIGGEST MISTAKES PEOPLE MAKE WHEN SETTING UP A SOCIAL MEDIA CAMPAIGN IS TO NOT ALIGN THEIR SOCIAL MEDIA CAMPAIGN WITH THEIR PRIMARY MARKETING CAMPAIGN. AS A RESULT, THEY TALK TO CONSUMERS WITH TWO DIFFERENT VOICES, WHICH IS NEVER A GOOD IDEA.

CHAPTER 19

ALIGNING YOUR SOCIAL MEDIA STRATEGY WITH YOUR BRAND ESSENCE

In this chapter, we talk about aligning your social media campaign with your brand. What is a brand? A brand is often defined as the sum total of consumer's perceptions and feelings about the product attributes, how they perform, and the benefits they provide to the consumer. Said another way, a brand is both the spoken and unspoken messages a consumer receives about your product or service.

Brands are created through a wide range of touchpoints. Every time a customer interacts with your brand, the customer forms associations. In this way, a brand is much like the promise of a specific customer experience.

The Big Idea

Articulating your brand essence through your social media strategy is the key to successful marketing. Whatever you want your brand to represent should be articulated and demonstrated in your social media communication efforts.

The most successful brands have established a relevant, differentiated meaning for themselves and have reduced this meaningful difference to a simple, clear, and cohesive thought. This clear and concise articulation of what a brand stands for is known as *brand essence*.

Does all that make sense? Sometimes brand theory and brand strategy can get a little over-the-top, but the bottom line is that a brand is the sum total of the experiences and perceptions a prospect or customer has about your product or service.

THE ESSENCE OF BRAND ESSENCE

Think of brand essence as the heart and soul of a product or service. It represents the relationship your brand has with your customer. For example, Hallmark uses the phrase, “Enriching Lives” to capture its brand essence and its company culture. “Enriching Lives” represents the basis for how Hallmark serves customers, develops its products, communicates its marketing messages, develops merchandising for its stores, and creates a positive work environment for employees. Hallmark’s brand essence permeates every aspect of the company and business, and it has continued to serve the brand over time.

Similarly, Harley-Davidson’s brand essence has created a fiercely loyal customer base that connects to the brand emotionally. Harley-Davidson’s image doesn’t simply reflect the quality and design of its motorcycles. Rather, the brand is best known for the value it places on nonconformity and self-determination. That’s why buyers believe that owning a Harley makes a powerful, strong statement to others that they live life on their own terms.

Did You Know?

If you want to get a basic understanding of your brand essence, you can do three simple things:

1. Conduct external focus groups or surveys with customers and prospects to uncover their impressions of your brand.
2. Conduct internal focus groups or surveys with your employees to uncover their impressions of your brand.

3. Compare and contrast your findings to begin to understand the current *essence* of your brand.

Getting a deep understanding of your brand essence is often much more complicated than what we've outlined here, but if you want a basic understanding, you can follow these three simple steps.

Before you begin thinking about how to align your social media efforts with your brand, you must first articulate exactly what your brand stands for or means. You also need to know how your prospects, customers, and employees interpret that meaning. For example, when you think about the brand Volvo, the word *safety* immediately comes to mind. In contrast, when you think about the brand Rolls Royce, *luxury* comes to mind. Of course, there are elements of safety within the Rolls Royce brand and elements of luxury in some models of Volvo, but the primary promise of each of these brands forms its unique essence.

It may sound simple to articulate your brand's meaning or essence, but this can be a challenging endeavor. Several gaps may exist. First, there could be gap between your existing brand articulation and what you would like your brand to represent. For example, Mercedes may want to retain its positioning as a luxury brand, but that's not the current perception people have of the brand as it has rolled out several lower priced line extensions during the last decade or so. Another gap may be between your intended brand positioning and the actions you take to communicate that positioning. Going back to the Mercedes example, Mercedes may want to exemplify luxury, but rolling out a line of cars priced under \$30,000, a line of bicycles,

and even children's tricycles goes against a luxury positioning. That's a disconnect from the consumer's point of view.

ALIGNING YOUR EFFORTS WITH YOUR BRAND

When you have a good handle on your brand's essence, you need to think about how to communicate that essence through traditional and new media. This is where social media comes in. With the right content on your blog posts, tweets, and Facebook Fan Pages, you have the potential to spread your brand messages quickly across a wide range of audiences. However, you must ensure that the content you develop is consistent with the image you want to portray. Putting out quality and focused content helps you establish your brand only if your content supports your brand's essence and positioning.

The goal of social media is to help you develop personal relationships between your brand and your target audience. The interactive aspect of social media is personal by nature, so the relationships you create can be *deeper and longer lasting* than with any other media. To maintain those relationships, make sure your brand comes across as authentic and transparent. One of the keys is to be consistent in what you say and do in your social media campaign.

Let's take a look at an example of a misaligned social media campaign and then consider an example of a well-aligned

social media campaign, to put what we've articulated into context.

THE GOOD, THE BAD, AND THE UGLY

In 2009, when Honda decided to publish its soon-to-launch Crosstour's photos on Facebook, it should have been ready for some serious feedback. Within a short time, its fan page was flooded with negative comments regarding the look of Honda's new Cross Utility Vehicle. Most "fans" clearly were not too thrilled with the new design. But soon afterward, they saw some positive comments about the model. The problem was, the positive comments were coming from Honda's product manager, who didn't disclose his own relationship with the company until the angry fans called him out. This likely made people think twice about Honda's ability to be true to its brand essence.

Did You Know?

A negative remark on social media equates to a loss of 30 potential customers—but this also means that a positive review may help you gain 30 new customers.¹

Of course, companies need to use social media to promote their products, but if they get bad feedback, they shouldn't try to manipulate it. Social media users are savvy enough to expose you if they want to. Honesty and authenticity are critical to success in this space.

In contrast to the Honda example, let's take a look at a company that seems to have done everything right to align its social media strategy with its brand and what it stands for. Everyone talks about using social media to connect with customers and engage in deeper relationships and conversations, but few companies are able to do it well. One company that seems to be doing this right is Starbucks.

The Starbucks strategy involves several elements, including a presence on Facebook, Twitter, YouTube, and Flickr. As mentioned previously, one of the company's key social media tactics has been to develop the MyStarbucksIdea.com Web site. My Starbucks Idea opens the concept of crowdsourcing to any customer willing to register. But the *Starbucks Ideas In Action* blog, at the Web site, acts as a counterpart to the My Starbucks Idea content. The blog is written by different Starbucks employees and talks about how they implemented an idea or are reacting to the suggestions and information from customers. An interesting aspect of this blog is that readers can provide feedback and comments. Many corporate blogs don't allow that. But by being open to a second level of feedback, Starbucks can continue the dialogue with customers and extend the Starbucks experience *outside* the store.

Did You Know?

You can reuse your content across multiple platforms as long as you don't duplicate it 100 percent across different sites. If you duplicate the content exactly, search engines might think you're trying to spam the system. But repurposed content that borrows from your original content is fine.

Social media is a relatively new medium, but its newness does not preempt the traditional rules of marketing. Whether you're attempting to "sell" yourself as an industry expert or build buzz and kick-start sales of a breakthrough product your company has just developed, you must determine who your likely buyers are, whether they hang out on the social media circuit, and how to generate content that appeals to them.

Embarking on a social media campaign is time consuming and, thus, expensive. Although hitting the Tweet button has virtually no cost, a social media campaign must be planned, nurtured, tracked, and managed with the same vigilance of any other marketing campaign. Social media often allows for an intimate look at your brand, so letting the summer intern run amuck posting on behalf of your organization is probably not the best strategy.

Let's take a quick look at our key concepts and action steps before we move on to the next chapter.

- ▶ **Key concept:** It's critical to have a well-defined brand before you embark on a social media marketing campaign.
- ▶ **Action step:** Perform an audit of your brand to determine whether gaps exist in one of the following places:
 - 1) between what you *are* and what you want to *be*,
 - 2) between what you want to be and how your customers perceive you, and 3) between what you want to be and what you can be based on your organizational resources, structure, and strategy.

- ▶ **Key concept:** Your social media strategy must align with your brand's essence for your marketing efforts to work together.
- ▶ **Action step:** Identify key drivers of brand essence and use them to develop your marketing communications strategy. Your social media strategy should also be developed based on this same set of key drivers, to achieve maximum communications impact.
- ▶ **Key concept:** Brands that are transparent and authentic have a better chance of success with consumers than brands that don't.
- ▶ **Action step:** Be authentic and transparent 100 percent of the time. No exceptions.

ENDNOTES

1. See www.penn-olson.com/2010/04/20/4-disturbing-social-media-statistics-for-businesses/.



PART V

HOW TO MEASURE SOCIAL MEDIA

WHEN YOU THINK ABOUT IT, THE ONLY TRULY IMPORTANT SOCIAL MEDIA METRIC IS GOOD OLD RETURN ON INVESTMENT (ROI). EVERYTHING ELSE—TRAFFIC, COMMENTS, FOLLOWERS, LEADS—IS JUST A STOP ALONG THE WAY TO ROI.

CHAPTER 20

HOW TO MEASURE A SOCIAL MEDIA CAMPAIGN

Without a positive ROI, there's really no reason to run a social media campaign (unless you're doing it just for kicks). If your social media campaign doesn't have a positive ROI, it won't be long before you get a knock on the door from the CFO or CEO telling you to shut the whole thing down.

It's a good idea to keep ROI on your radar screen at all times. It's easy to get distracted by the minutiae of running a campaign, but ROI should be front and center in everything you do.

One of the ways we keep ROI in our sights is by using something we've come up with called the social media management principle (see Figure 20.1). This simple concept divides social media content into things that are *distractions* and things that are *attractions*.

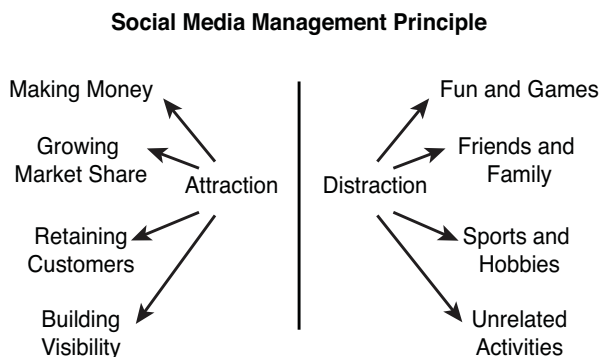


Figure 20.1 Using the social media management principle keeps you focused on the most important task: making money.

A social media distraction takes you away from the task of generating a positive ROI for your company. Common distractions are articles, videos, and other content that fall into several categories: fun and games, friends and family, sports

and hobbies, or other unrelated activities. It's fine to spend time on those kinds of things after hours, but during work, it's best to keep them to a minimum.

On the other hand are social media *attractions*, which can help you improve your social media ROI. They include articles, videos, and other content that help you make money, grow market share, retain customers, or build visibility.

Keep the social media management principle in mind as you run your campaign. It's easy to get distracted when you're running a social media campaign, so be sure to focus on what will help you generate a positive ROI.

SETTING OBJECTIVES FOR YOUR CAMPAIGN

Shortly, we talk about how to *measure* a social media campaign, but first let's cover *setting objectives*. After all, there's no point in measuring anything unless you have a clear set of business objectives in mind.

We've established that the ultimate objective for most social media campaigns is a positive ROI. A positive ROI is the result of converting a prospect to a customer. In Chapter 23, "Step 3: Measuring the Only Really Important Thing—Your Return on Investment," we talk about these objectives in greater detail, but for now, keep these points in mind:

- 1. The objective for some social media campaigns is to drive *immediate* sales.** As mentioned previously, Dell Computers uses this model with its DellOutlets Twitter page. The tweets on the DellOutlets page are specifically designed to drive immediate sales.
- 2. The objective for some social media campaigns is to drive *future* sales.** The MyStarbucksIdea.com Web site is designed to create Awareness, Interest, Desire, and Action (AIDA). You can't buy a cup of coffee on the MyStarbucksIdea.com Web site—but you sure can build up a desire for one there.

Keep both of these points in mind as you're thinking about your own social media campaign. Be sure to ask yourself, "Do I want to drive sales immediately? Or do I want to build demand for future sales?" They're both important objectives, and they're not mutually exclusive. They're important to keep in mind as you move forward with your campaign.

THE SEVEN DEADLY SINS OF SOCIAL MEDIA MEASUREMENT

The Seven Deadly Sins of Social Media Measurement are the most common mistakes people make in measuring social media. It's a good idea to be aware of these as you move forward. After all, it's sometimes easier to learn from others' mistakes than to learn from their successes.

- ▶ **Deadly Sin #1: Not measuring your social media campaign**—Not measuring anything around your social media campaign is, well, not very smart. Surprisingly, many people who dive into social media without setting up a plan for measurement. Remember, you need to set your business objectives first and then determine how you're going to measure against those objectives. We think of this as taking a step back before you take a step forward. It's a good approach.
- ▶ **Deadly Sin #2: Measuring everything**—Social media is primarily digital in nature, so just about anything can be tracked. You can keep an eye on uploads, downloads, ratings, comments, bookmarks, fans, followers, and a slew of other things. But if you don't have a plan behind what you're measuring, you'll end up with too much data. Believe it or not, you can run a successful social media campaign by keeping track of as few as five to ten key metrics.
- ▶ **Deadly Sin #3: Measuring the wrong thing**—It's easy to get distracted with social media. Many people go on tangents and measure things that don't lead to *making money*. Remember, in our opinion, the only reason to run a social media campaign is to eventually make money, so be sure everything you do points in that direction.
- ▶ **Deadly Sin #4: Measuring just to measure**—Don't just measure something because you can. After all, there's no point in having information if you don't also have *insight*. Spend some time developing insights using the data you do have. For example, don't just track the data that shows

the average person visits only 1.5 pages on your site. Try to understand *why* people visit only 1.5 pages, and then try to get them to increase their page views to 2.0 per visit and more.

- ▶ **Deadly Sin #5: Not tracking your progress**—If you're taking the time and trouble to measure something, be sure you can compare it to past performance. That way, when you see improvement over time, you can go into the CEO and say, "See? I told you this social media stuff works. Here's proof, Mr. Big Shot." (*Please be advised:* Don't call your CEO "Mr. Big Shot" unless he's a man and you're on very good terms with him.)
- ▶ **Deadly Sin #6: Not sharing your progress.** Remember the CEO you were calling Mr. Big Shot? Whether or not you call your CEO that, be sure to share your results with all the relevant members of your management team. It's better to overshare than to not share enough. You always want key influencers and decision makers within your company to be aware of your social media successes.
- ▶ **Deadly Sin #7: There is no seventh deadly sin**—There are only six deadly sins of social media measurement. But if we called this the "Six Deadly Sins of Social Media Measurement," it wouldn't have the same ring to it, so we called it the "Seven Deadly Sins." Can you think of a seventh deadly sin of social media measurement? If so, let us know about it. Just visit 60SecondMarketer.com/SeventhDeadlySin and add yours to the growing list of social media deadly sins.

Those are the Seven—okay, *Six*—Deadly Sins of Social Media Measurement. Keep them in mind as you set the foundation for your social media measurement program.

SEGMENTING SOCIAL MEDIA MEASUREMENT INTO CATEGORIES

This list includes just some of the things you can measure in a social media campaign. After a while, it gets pretty confusing—and if you tried measuring everything on the list, you'd end up with a lot of *information* but little *insight*. Because of that, we are going to categorize the information into three groups—but first, let's look at a list of *some* of the things you can measure:

- ▶ Twitter followers
- ▶ Facebook fans
- ▶ Comments
- ▶ Social bookmarks
- ▶ Page views
- ▶ Inbound links
- ▶ Click-throughs
- ▶ Leads generated
- ▶ Ratings
- ▶ Downloads

- ▶ Conversions
- ▶ CPM
- ▶ Likes/Favorites
- ▶ Uploads
- ▶ Growth rate of fans, followers, and friends
- ▶ Online mentions across blogs, microblogs, message boards, and so on
- ▶ Geographic distribution of mentions
- ▶ Positive and negative sentiment surrounding your brand
- ▶ Viral video activity
- ▶ Bounce rate

These are just some of the things you can measure in a social media campaign, and you can see by this short list that it can get pretty confusing pretty quickly.

Quick Start Guide

In an effort to take a step back before we take a step forward, let's break things down into three easy steps so you know how to move forward:

Step 1: Measure the quantity. These social media metrics are quantitative in nature. By that, we mean that the metrics simply measure data and have little emotional content. They include the number of Twitter followers, the number of inbound links,

the geographic distribution of mentions, the click-through rates, and other items that are data-centric in nature.

Step 2: Measure the quality. These social media metrics are qualitative in nature. They provide information about the emotions, thoughts, and intensity of feelings about your product or service. (For example, having the word *cheap* used to describe your brand is very different than having the word *inexpensive* used.)

Step 3: Measure the ROI. These social media metrics help you track your progress toward your ultimate goal, which is to make money with social media. They include metrics such as leads generated, customers retained, prospects converted, and, most important, profits generated.

In upcoming chapters, we dive deeper into these categories of social media measurement tools. For now, let's do a recap of the key concepts and action steps from this chapter.

- ▶ **Key concept:** The most important social media metric is your return on investment (ROI).
- ▶ **Action step:** It's easy to get distracted by other important metrics, but every other metric you measure should ultimately lead to ROI. Always keep your social media ROI on your radar screen.
- ▶ **Key concept:** The social media management principle is a way to stay focused on social media tools that help you make money, grow market share, retain customers, or build visibility.

- ▶ **Action step:** Sketch out the social media management principle on a yellow sticky note and attach it to your computer monitor. Seriously, try it. It sounds silly, but it'll keep you focused on the only thing that's important: generating a positive ROI.
- ▶ **Key concept:** Social media campaigns come in two flavors: those that help you generate immediate sales and those that help you generate future sales.
- ▶ **Action step:** Figure out which kind of social media campaign you want. Remember, they're not mutually exclusive, so you can have both.
- ▶ **Key concept:** The Deadly Sins of Social Media Measurement are the most common mistakes people make when measuring their social media campaigns.
- ▶ **Action step:** Review all Six Deadly Sins of Social Media Measurement and make a recommendation for a seventh deadly sin at 60SecondMarketer.com/SeventhDeadlySin.
- ▶ **Key concept:** Social media measurement involves following a process. Step 1 measures the quantity. Step 2 measures the quality. Step 3 measures the ROI.
- ▶ **Action step:** Keep these three categories in mind as you develop your social media campaign. By grouping your social media measurement tools into these categories, you'll be able to stay more organized in your approach.

IN THE PREVIOUS CHAPTER, WE MENTIONED THAT IT'S EASIER TO WRAP YOUR MIND AROUND ALL THE WAYS YOU CAN MEASURE SOCIAL MEDIA IF YOU LAY IT OUT IN THREE DISTINCT STEPS. STEP 1 IS MEASURING THE *QUANTITY*. STEP 2 IS MEASURING THE *QUALITY*. STEP 3 IS MEASURING THE *RETURN ON INVESTMENT (ROI)*.

CHAPTER 21

STEP 1: MEASURING THE QUANTITATIVE DATA

Measuring the *quantity* gives you insight into the volume of traffic your social media campaign is generating. A basic metric for measuring quantity is the number of Twitter followers or Facebook fans you have. That's pretty straightforward.

Measuring the *quality* gives you insight into the emotions, thoughts, and feelings surrounding your brand. By studying the emotional component of your social media campaign, you'll be able to get a sense of how loyal people are to your brand and what inner needs are being fulfilled by your brand's social media campaign.

Measuring the *ROI* is, of course, the most important metric. By analyzing your leads generated, prospects converted, customers retained, and profits generated, you'll be able to track your progress on your ultimate goal, which is to make money with social media.

MEASURING TRAFFIC ON YOUR OWN WEB SITE

We're going to kick off this chapter by talking about Step 1, the *quantitative* measurement of your campaign. Quantitative measurements give you an understanding of how people are engaging with your brand online.

The first and easiest way to get a quantitative measurement of your social media program is to track visits to your Web site using a tool such as Google Analytics, GoingUp!, Coremetrics,

or Omniture. All four of these tools provide in-depth information that let you track data involving number of visits, page views, pages per visit, bounce rate, reach, and average time on site.

Did You Know?

The *bounce rate* is the percentage of visitors who “bounce” off your site after visiting only one page. The *reach* is the percent of global Internet users who visit your site.¹

Here’s a quick rundown of these important tools:

- ▶ **Google Analytics**—What’s not to like about Google Analytics? By dropping a line of code into your Web site, you can track how people get to your site, how they navigate through your site, and how long they stay on your site. It has an easy-to-use dashboard that keeps things snappy and efficient. Best of all, it’s free.
- ▶ **GoingUp!**—This Web analytics package helps you track the progress of your online marketing campaign. You can check out your traffic trends, referring keywords, user profile data, and Google Page Rank progress. It has an easy-to-use graphical interface that really enhances the experience of analyzing and understanding large quantities of data.
- ▶ **Coremetrics**—If you’re ready to step it up a notch, you’ll want to invest in Coremetrics. It’s a Web analytics tool that captures every click by every visitor over time and

stores them in a profile database. One of the advantages of Coremetrics is that it can track and measure individual behavior across multiple visits for the entire lifecycle of each visitor. This gives you the ability to customize your prospects' experiences, thereby improving your conversion rate.

- **Omniure**—As with Coremetrics, this tool requires an investment. But the added horsepower is perfect if you're interested in getting deep insights into your visitors. Omniure lets you measure trends in customer behavior in real time, allows you to test site design and navigational elements, and provides advanced segmentation and analytics tools to give you a clear understanding of who your customers are and what their needs are.

A wide variety of tools are available to help you track prospect and customer data. But Google Analytics, GoingUp!, Coremetrics, and Omniure are the top tools in this category—you won't go wrong with any of them.

MEASURING TRAFFIC ON YOUR COMPETITORS' WEB SITES

You're probably interested in measuring the traffic to your Web site because it gives you insights into your target market's behavior. Similarly, you should be interested in measuring the traffic to your competitors' Web sites because it gives you insights into their prospects and customers. Both metrics are important but different.

One of the best tools to measure visits to a competitor's blog is Compete.com. The Freemium version is an engaging and powerful tool that lets you check traffic data on competing Web sites. (It's worth noting that Compete.com doesn't track all Web sites—just sites with a reasonable amount of traffic.) Compete.com also lets you compare traffic across a variety of Web sites. So, for example, you could compare the unique monthly visits to AcmePlumbing.com, ZZZPlumbing.com, and AAAPlumbing.com all at once.

Alexa.com is another good tool for measuring traffic. It usually focuses on the very largest Web sites, but it has a number of good features that can come in handy for people interested in measuring the chatter around a specific Web site. Some of these features include the capability to look at traffic statistics, audience information, traffic rank, page views, reach, and bounce rate.

Technorati is another good tool that can track traffic to your site or a competitor's site. It was originally designed to help bloggers by collecting, highlighting, and distributing information about other bloggers. Since then, it has evolved into an online resource for Web site owners but still includes helpful tools that can give you insights into other blogs and Web sites.

MEASURING TRAFFIC ON YOUR SOCIAL MEDIA CHANNELS

Where do most of your YouTube viewers live? What are the demographics of your Facebook fans? And how many people

in your LinkedIn group went to Yale? These are just some of the insights you can derive simply by taking a deeper dive into the tools readily available to you—for free, no less—on your existing social media channels.

Next time you're uploading a video to your YouTube channel, go to the My Account link and navigate to your YouTube Insights page. There you'll uncover a wealth of information about your visitors. You'll be able to find out the ages of the people who are looking at your videos, how many are male or female, and the total number of views your videos are getting. You'll even be able to see how *attentive people were when they were watching your videos*. Seriously, YouTube has analytics tools that can tell whether people are doing other activities (such as checking e-mails) while watching your videos. It's scary. And kind of cool. Come to think of it, it's both scary and cool all wrapped up into one.

Facebook has a similar set of tools. Facebook Insights can provide information about your total number of fans, their interactions with the page, and the number of wall posts they've made. It can also provide demographic information such as age and gender. And you can manipulate all of this data on easy-to-use, graphical charts that can quickly give you a snapshot of your visitors and their interactions with your Facebook page.

LinkedIn provides some good information about your connections, but it focuses more on individuals than broad swaths of people. For example, you can find out where one of your connections went to college, where that person worked, and whether he already knows some of the people you know.

LinkedIn is perfect for people in sales who need to get the inside scoop on someone before smiling and dialing. It's not as good for large-scale data analytics.

Other tools are coming online all the time. Some of these tools are designed to give you insights into your visitors and followers on Twitter, Flickr, Vimeo, and other sites, so keep an eye out for them. Most of all, *use them*. There's no point in having access to information unless you're going to derive insights from your data.

MEASURING YOUR ONLINE MENTIONS ACROSS DIFFERENT PLATFORMS

Are you interested in finding out what people are saying about your brand across blogs, microblogs, message boards, wikis, and video-sharing sites? That's not as difficult as it once was. Today tools such as Alterian SM2, Spiral16, Google Alerts, and SocialMention can help you do that.

Here's a quick rundown of these tools:

- **Alterian SM2**—This robust and engaging Web tool provides insights into what people are saying online about your brand, your competitors' brands, or just about any other topic you choose. SM2 provides data and information about the volume of mentions, the share of voice, the demographics, the content tone, and the

content emotions. You can even set it up so that it e-mails you a customized report at the end of each day.

- ▶ **Spiral16**—If you're a visual person, Spiral16 may be just what you're looking for. It's a Web-based platform that helps you listen, measure, and visualize your brand's online presence. You can measure the impact your traditional campaigns have on your social media campaigns and understand why consumers are behaving the way they are. It's a data-centric platform that uses graphics to quickly and efficiently help you spot trends and react to them in real time.
- ▶ **Google Alerts**—If you're not already using Google Alerts, put down the book and go to Google.com/alerts to set it up. It takes about two minutes to type in several keywords and then get daily e-mails letting you know what was said about those keywords and where. For example, you'll want to set up your Google Alerts to tell you when someone has mentioned your brand or your competitors' brands online. You can even set it up to alert you to topical mentions such as "marketing tips" or *How to Make Money with Social Media*.
- ▶ **SocialMention**—This tool is similar to Search.Twitter.com, in that it provides data and information about certain keywords and how they're used online. Interested in finding out what people are saying about Toyota right now? Stop by SocialMention.com and find out. It's a good tool that can provide some quick information on just about any term that strikes your fancy.

OTHER QUANTITATIVE METRICS

You'll want to keep track of other important metrics as you grow your social media campaign. Here's a quick rundown of some of them:

- ▶ Social bookmarks
- ▶ Inbound links to your Web site
- ▶ Click-throughs on your Web site
- ▶ Likes/Favorites on Facebook
- ▶ E-book downloads
- ▶ User-initiated reviews
- ▶ Ratings
- ▶ Traffic generated by earned media vs. free media
- ▶ Participation in polls
- ▶ Contest entries
- ▶ New e-newsletter subscribers
- ▶ E-newsletter unsubscribers

The Big Idea

By breaking down your data into these distinct categories, you'll be able to develop key insights around each set of data:

- ▶ Traffic on your own Web site
- ▶ Traffic on your competitors' sites
- ▶ Traffic on the social media channels you own

- ▶ Comments about your brand, your competitors' brands, or other topics on social media channels you don't own
 - ▶ Inbound links, ratings, e-book downloads, and other relevant metrics
-

The bottom line is that social media provides a wealth of information for anyone who wants to spend a few minutes tracking it down. The problem isn't a lack of data; the problem is that there's *too much data*. By breaking down your data down into several distinct categories, it's easier to wrap your mind around it and keep track of the insights derived from it.

With that in mind, let's recap some of the key concepts and action steps from this chapter.

- ▶ **Key concept:** You can measure a wide range of quantitative data on your social media campaign, including traffic to your site, traffic to your competitors' sites, and traffic on social media channels you own.
- ▶ **Action step:** Break down your data into groups so that you can wrap your mind around the information and develop insights from it.
- ▶ **Key concept:** You can track comments about your brand, your competitors' brands, and your industry by using a few simple tools, such as Alterian SM2, Spiral16, Google Alerts, and SocialMention.
- ▶ **Action step:** Don't use all of these tools, or you'll be overwhelmed. Your best bet is to start with Google Alerts and then add one other tool on top of that.

- ▶ **Key concept:** Some important quantitative metrics fall outside the groups we've broken out here. They include e-book downloads, inbound links to your Web site, user-generated ratings, and other data.
- ▶ **Action step:** Figure out three to six additional metrics you'd like to keep track of. Even though these metrics fall outside of the nice, tidy little groupings we've created, it doesn't mean that they aren't important. You should still keep tabs on them.

ENDNOTES

1. See www.google.com/support/analytics/bin/answer.py?hl=en&answer=81986; <http://gigaom.com/2010/03/17/sequoias-kvamme-social-media-marketing-can-replace-advertising/>.

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IN THE PREVIOUS CHAPTER, WE DISCUSSED SOME OF THE TOOLS AND TECHNIQUES YOU NEED TO MAKE QUANTITATIVE MEASUREMENTS IN YOUR SOCIAL MEDIA CAMPAIGN. THESE INCLUDE YOUR NUMBER OF TWITTER FOLLOWERS, THE NUMBER OF COMMENTS ABOUT YOUR BRAND ON INDUSTRY FORUMS, AND YOUR BOUNCE RATE ON YOUR WEB SITE.

CHAPTER 22

STEP 2: MEASURING THE QUALITATIVE DATA

All these are important metrics, but they're just the first step to getting an in-depth and complete understanding of the effectiveness of your campaign. Quantitative data is important, but so is *qualitative* data.

USING QUALITATIVE DATA TO GET INSIGHTS FROM YOUR CUSTOMERS

What is qualitative data? It's the data that gives you insight into the emotions, thoughts, or feelings people have surrounding your brand. You can gain a lot of insight into your brand and how people perceive it by studying what people are saying about it online. Previously, we mentioned that if people say your product is "inexpensive," it has a much different meaning than if they said it was "cheap." And if someone said your YouTube video was "funny," that would be much better than if they said it was "laughable."

You can get qualitative data about your social media campaign in two primary ways. The first is to use tools readily available on the Internet to "listen in" on people's public conversations about your brand online. The second is to ask people directly by using inbound and outbound surveys.

Let's start by talking about inbound and outbound surveys. As you know, a survey is a tool you can use to get data and insights into people's impressions of your brand. With an inbound survey, prospects and customers have come to you and stumbled upon a survey tool or button on your site. With

an outbound survey, you've reached out to prospects and customers and asked them to participate in your survey.

Did You Know?

Most people fall into the trap of measuring just the *quantitative* data about their campaign, but the deepest insights are often found in the *qualitative* data.

Three popular tools for inbound surveys on your blog or Web site include UserVoice, Kampyle, and Get Satisfaction. You may have seen these tools on a few blogs or Web sites you've visited. Typically, they include a tab or button located on the site that, once clicked, provides a short survey or forum for visitors to provide useful feedback.

Here's a quick rundown of each platform:

- ▶ **UserVoice** is easy to install and directs people to a forum where they can provide tips, hints, and suggestions about your product or service. It's primarily used to allow open-ended feedback in a forum environment.
- ▶ **Kampyle** allows you to drop a line of code into your Web site that places a feedback tab on one of the corners of your site. Visitors see the feedback form and can provide short suggestions, compliments, or input on their experience with your brand, Web site, or blog.

- **Get Satisfaction** allows feedback from prospects and customers across a variety of other venues, including Facebook and WordPress. Users can ask a question, share an idea, report a problem, or give praise. You also get the ability to respond to their input.

You can expand the scope of your inbound survey by creating an entire Web site designed to generate feedback. As discussed earlier, Starbucks has done this with the MyStarbucksIdea.com Web site. It gives people an opportunity to share their ideas for improving Starbucks with others, and can then vote on their favorites, discuss which ones they like the best, and see the results of their feedback. It's a robust Web site with great links and pages, definitely worth checking out.

Outbound surveys are surveys that you create and send to customers and prospects. The best and easiest way to send out an outbound survey is via e-mail, using a tool such as ConstantContact, ExactTarget, or iContact. Be sure you follow CAN-SPAM guidelines when you're using any of these tools to conduct outbound surveys. Many have a "one strike and you're out" policy when it comes to misusing e-mail lists.

CREATING YOUR OWN SURVEY

What are some questions you might want to ask in an inbound and outbound survey? How should you write the questions? And what can you learn from someone who didn't buy your product or service?

Consider a few tips on creating a survey, to help you get started:

- ▶ Introduce only one issue for every question. If the issue is complex, divide it into several questions.
- ▶ Make sure your questions are crisp and clear. Test them on business associates first, to ensure that there's no room for misinterpretation.
- ▶ Are you interested in finding out whether your customers are satisfied? Some customer satisfaction questions include "How satisfied were you with your purchase?" and "How satisfied were you with your customer service?" and "How satisfied were you with our company overall?"
- ▶ Are you interested in finding out whether your customers are loyal? Some customer loyalty questions include "How likely are you to buy from us again?" and "How likely are you to recommend our product/service to others?" and "How likely are you to recommend our company to others?"
- ▶ Remember, surveys aren't just about information; they're about insights. What trends have you spotted? Do they vary by region? What are the demographics of the people responding to your survey? What unspoken insights can you derive from the data? Don't just look at the data—try to draw actionable insights from it.
- ▶ You'll learn more from a lost prospect than from a gained customer. If you can contact prospects who didn't buy your product or service, ask them why they didn't buy it. Find out if they can articulate what drove them away.

Sometimes the answers will surprise you: “I didn’t like your logo.” Other times, the answers will frustrate you: “Your salesperson didn’t return my call.”

LISTENING TO THE ONLINE CONVERSATION

We have some good news. When someone makes a comment about your brand on a blog post, a forum, a Twitter account, a Facebook page, or just about any other social media platform, that’s public information. It’s as if they stood on a street corner with a megaphone and announced to the world that they’re a fan (or not) of your product or service.

We have some better news. Plenty of wonderful tools are available for monitoring those conversations. Some of them are free. The best ones cost money. But if you’re a company that’s interested in getting insights into your customers and prospects, these tools are a great way to do that.

But wait—it gets even better. Some of these tools actually do some of the work for you. After all, if you downloaded a slew of comments about your brand, you’d be overwhelmed pretty quickly. The best tools allow you to derive insights into the sentiment associated with comments about your brand. That way, you can get a deeper understanding about people’s thoughts and feelings about your brand.

The Big Idea

Quantitative data gives you a snapshot of the state of your social media campaign. Qualitative data provides you deeper insights about your customers' needs and wants.

We discussed several tools in the previous chapter that help measure the quantitative data surrounding your social media campaign. Some of those tools can also measure the qualitative data surrounding your social media conversation. In other words, they can give you insights into the meaning behind the conversations.

Here's a quick rundown on some of the most important tools on that front:

- ▶ **Nielsen BuzzMetrics**—This tool is especially good for big brands with big budgets. BuzzMetrics monitors data from nearly 100 million blogs, social networks, groups, boards, and other consumer-generated media platforms. It allows you to listen to customer conversations, monitor and analyze how customers are discussing your brand online, gain an understanding of what customers think about your new product concepts, and discover how your online and offline marketing campaigns resonate with customers.
- ▶ **Social Radar**—This tool enables you to track, measure, analyze, and understand chatter from all over the Web. You can track a new product launch, measure the response of an ad campaign, listen to the thoughts and opinions of consumers, analyze buzz, and review where to target your

ads and social efforts. You can even measure and track mentions of any topic during any time range, dating back several years. Best of all, you can measure the sentiment of conversations and learn what's causing the emotions behind the comments.

- ▶ **Rapleaf**—This tool is slightly different than the two already mentioned. BuzzMetrics and Social Radar monitor the chatter online and allow you to derive insights from that data. With Rapleaf, you reverse-append existing data, such as e-mail addresses, to match social media profiles. In other words, you can use your e-mail database and, based on existing profiles on LinkedIn, Facebook, and other social media platforms, derive insights into the wants, needs, and desires of your existing pool of customers and prospects.
- ▶ **Radian6**—This Web-based platform enables you to monitor the online chatter about your brand. It's set up to be easy to use and to provide ways to quickly discuss insights with other team members in your company. You can share information with customer service, sales, product, and executive teams to coordinate responses, notify team members of emerging issues, or keep account teams apprised of new details related to the comments. Overall, it's a robust platform that combines power with ease of use.
- ▶ **Alterian SM2**—This tool provides data and information about the volume of mentions, the share of voice, the demographics, and the tone and the emotions of the comments about your brand that happen online.

- **Spiral16**—This tool can help you listen, measure, and visualize your brand's online presence. You can even measure the impact your traditional campaigns have on your social media campaigns and understand why customers are behaving the way they are.

That should give you a quick snapshot of some of the better tools available to measure the qualitative nature of your social media campaign. New tools are coming online all the time, so don't hesitate to do a search on "social media monitoring tools" or "how to measure online."

MISTAKES TO AVOID WHEN MEASURING QUALITATIVE SOCIAL MEDIA DATA

People do three things wrong when they set up a qualitative social media measurement program. By keeping these three on your radar screen, you can avoid shooting yourself in the foot:

- 1. Gathering too much data**—It's tempting to gather reams of data about your social media campaign, but a better solution is to start small, with just a few sets of data. Wrap your mind around those and watch for trends. When you've got a handle on those sets of data, add one or two more. Rinse and repeat.
- 2. Not sharing the data**—If you're in marketing, you'll be looking at the data with a different set of eyes than someone in sales. Ditto for someone in the C-level

suite. Remember that sharing data isn't about spewing spreadsheets around the office. It's about providing data along with insights about that data. When you share insights, you're allowing others to build upon your initial input. That's good for you and your company.

- 3. Not acting upon the data**—This is another all-too-common problem. People forget that data is just data until you do something with it. If you're presenting a report, be sure you end the report with action steps based on the data.

With that said, let's talk about the key concepts and action steps from this chapter.

- ▶ **Key concept:** You can use two kinds of social media surveys to gather actionable data from customers and prospects: inbound and outbound.
- ▶ **Action step:** Decide which kind of survey is best for your purposes. In some cases, you want to incorporate both inbound and outbound surveys to get the best results.
- ▶ **Key concept:** A number of good tools enable you to monitor the social media chatter about your company online.
- ▶ **Action step:** Use one of the tools to gather data. But use your most important tool, your brain, to derive insights from the data.
- ▶ **Key concept:** The three most common mistakes to avoid when monitoring social media qualitative data are

1) gathering too much data, 2) not sharing the data, and
3) not acting upon the data.

- **Action step:** Of these three, the most egregious crime is not acting upon the data. What's the point of gathering data if you're not going to act upon it. Get acting, will ya?

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WE'VE TALKED ABOUT WHERE MARKETING HAS BEEN AND WHERE IT'S GOING. NOW IT'S TIME TO TALK ABOUT SOMETHING THAT'S IMPORTANT RIGHT NOW: YOUR RETURN ON INVESTMENT (ROI). AFTER ALL, THE ONLY REAL REASON YOU'RE SETTING UP, RUNNING, AND MANAGING A SOCIAL MEDIA CAMPAIGN IS TO MAKE MONEY, RIGHT?

CHAPTER 23

STEP 3: MEASURING THE ONLY REALLY IMPORTANT THING—YOUR RETURN ON INVESTMENT

UNDERSTANDING CUSTOMER LIFETIME VALUE

Before we dive into ROI, let's talk about an important concept called Customer Lifetime Value. **Customer Lifetime Value (CLV)**, is the amount of revenue you'll generate from one customer during the lifetime of your relationship.

For example, let's assume that you're a cable TV provider who knows that the average customer spends \$100 a month on your service. In 12 months you generate \$1,200 from the typical customer. But that customer doesn't stay with you for just 12 months. He stays with you for 3.5 years, which means that his Customer Lifetime Value is \$4,200 ($\$100 \text{ per month} \times 12 \text{ months} \times 3.5 \text{ years}$).

The next step is to figure out how much money you'd spend to acquire that customer. Many chief marketing officers (and chief financial officers) believe that 10 percent of CLV is a good estimate. So in the example of the cable company, you might spend approximately \$420 in marketing costs to gain a new customer. That's considered your allowable **cost per acquisition (CPA)**, which is sometimes called **cost per sale (CPS)**.

Many companies spend a lot of time analyzing their CLV and their CPA. On the low end of the scale, you might have a software company that sells its software for \$49. Its customers might purchase the software only once every two years, and they might repurchase it only when it contains a significant upgrade. In this example, the company's CLV is just \$49 (because customers repurchase only when it contains a

significant upgrade), which leaves *just \$4.90 for the company's allowable CPA*.

On the other end of the spectrum might be a car company that sells a model for \$40,000. If the average customer buys 2.5 cars from the car company before switching brands, that's a CLV of \$100,000 and an allowable CPA of \$10,000—not bad.

The bottom line is that you can use multiple approaches to calculate CLV and CPA. The examples mentioned previously start you with a good, basic formula for understanding the metrics of your social media ROI.

USING SOCIAL MEDIA FOR CUSTOMER RETENTION PURPOSES

A general rule of thumb for most businesses is that *it costs three to five times as much to get a new customer as it does to keep an existing one*. That's part of the reason most corporations focus so much time and money on customer retention—it pays to keep existing customers happy.

For example, say you're The Home Depot and there's a Lowe's across the street from you. (This is not as unusual as you might think.) You'd probably spend a great deal of money training your employees on everything they need to know about customer retention. If it costs three to five times as much to acquire a new customer as it does to prevent an existing one from leaving, it would be smart to focus time and money on keeping the existing customer satisfied.

Another great example of this is the Comcast cable company. It has a number of formidable competitors, ranging from AT&T to DirecTV. Comcast, AT&T, and DirecTV all know their CLV and their CPA. And they spend a lot of money training their customer service representatives on how to keep and maintain their existing customers.

That's exactly what was crossing Frank Eliason's mind when he was taking a spin around Twitter one day and noticed that some of Comcast's existing customers were venting their frustrations about Comcast on Twitter. As a longstanding employee of Comcast, the odds were pretty good that Eliason knew Comcast's CLV and that he also understood how hard it is for any corporation to get new customers. So when Eliason saw people venting their frustrations with Comcast on Twitter, it hit pretty close to home.

The good news (for Eliason, anyway) is that he knew he could solve a lot of the customers' issues remotely. For example, when a customer loses Internet connection, the solution is often to turn off the modem and then turn it back on again. Half the people tweeting their frustrations were complaining about their Internet connection, and Eliason realized that he could fix the problem via Twitter (for example, "Hey, @60SecondTweets—if you're having problems with your connection, turn off your modem and then turn it back on again. If that doesn't work, call us at 1-800-COMCAST.")

Let's assume that Comcast's CLV is the \$4,200 that we mentioned in the previous cable example. (That's a guess, but it's probably not far off.) The allowable CPA in that calculation

is \$420. If it costs three to five times as much to get a new customer as it does to keep an existing one, then Eliason knows that every time he prevents a customer from leaving Comcast to go to DirecTV, he's saving his company between \$1,260 and \$2,100.

Now before you run to your CFO with these figures, you should note a few things. First, we don't know for sure that Comcast's CLV is \$420. Second, the cost to get a new customer varies by industry, so the three to five times figure might be different for your company. Third, not everyone who complains on Twitter about Comcast goes to a competitor. (In fact, only a small percentage do.) However, these metrics *can* give you an idea of how to create a model to calculate the ROI of one aspect of your social media program.

The Big Idea

If you know your CLV and your allowable CPA, you'll be in a good position to calculate the ROI of your social media program.

GENERATING LEADS WITH SOCIAL MEDIA

Many companies sell their products over the Internet on e-commerce sites. It works successfully for 1-800-Flowers, iTunes, and OverStock.com. But what if you don't sell products online? What if you're Roto-Rooter, a car dealership, or a

real estate agent? If you're in one of these businesses, you're interested in generating *leads*.

A **lead** is an inbound prospect who is interested in your product or service (or your competitor's product or service). If you can capture a lead and nurture it through the sales funnel, you can convert that prospect into a customer. And that means revenue for your company.

The challenge many people face when they use social media to generate leads is that they don't go the final mile. They use social media to build awareness and generate demand for their products or services, but they don't know how to take the final step and turn it into a viable lead.

One of the best ways to use social media to generate leads is to become an *information station* for people in your target market. That's what BKV Digital and Direct Response did with the 60 Second Marketer.

As we've mentioned, BKV is a marketing communications firm that develops highly measurable marketing programs for corporations such as AT&T, Six Flags, the American Red Cross, and Caterpillar. The idea for the 60 Second Marketer started with an analysis of BKV's target market, which is comprised of marketing directors working at large corporations throughout the world.

If you get inside the mind of the typical marketing director at these corporations, you find someone who is very busy and interested in staying abreast of the latest tools, tips, and techniques in marketing. BKV estimated that marketing

directors download two to three marketing white papers a month, but they have time to read only a couple of pages of those white papers. The rest get stacked on their desk—unread—and then get tossed in the trash about once every three months.

But what if you could distill those white papers to their essence? What if you could put the most important information into a short, 60-second video that gave the marketing director the key bits of information about the new tool, tip, or technique?

BKV did that with the 60 Second Marketer. BKV set it up to be an information station for marketing directors and, in the process, to introduce them to BKV Digital and Direct Response. BKV nurtured the leads captured through the 60 Second Marketer until the company could convert them into clients through the sales funnel.

The 60 Second Marketer uses a hub-and-spoke system to drive prospects to the Web site and to capture their attention. When prospects sign up for the e-newsletter, participate in a free Webinar, or attend a 60 Second Marketer event, they get subtle, long-term exposure to BKV. The result is an engaged and loyal prospect base, some of whom convert to customers.

You can do the same with your social media campaign. As soon as you've finished this chapter (and not a moment before), we recommend that you sketch out a hub-and-spoke of your own and use it as a way to analyze which social media tools you will use to capture lead data for your business.

CONVERTING LEADS INTO CUSTOMERS

What should you do when you've captured the lead data for your customer prospects? You should start remarketing to them to close the loop. A lead is just a lead until you actively pursue it and convert it to a customer.

This requires good, old-fashioned hard work. Your parents and grandparents used a telephone to connect with prospects for their businesses. They also used sales letters. E-mail is another good tool to convert prospects into customers. The only difference is that your grandparents (and, perhaps, your parents) didn't use it.

A lead doesn't count for anything until you do the hard work to convert it to a sale. That's the final mile, and it's probably the hardest mile. But executing that last mile differentiates the social media wannabes from the social media superstars.

TRACKING YOUR SOCIAL MEDIA ROI

In Chapter 20, "How to Measure a Social Media Campaign," we mention that the only truly important social media metric is ROI. Everything else—traffic, comments, followers, leads—is just a stop along the way.

In this chapter, we've covered a lot of important concepts, including CLV, CPA, lead generation, and prospect conversion.

If you understand those concepts, the rest is just a matter of tracking the data and using it to improve your results.

Most people are familiar with an old question: If a tree falls in the woods and nobody is there, does it still make a sound? The same question holds true for social media: If a social media campaign isn't measured, is it effective?

The answer is "no." A social media campaign that isn't measured isn't effective because you can't tell whether it worked.

The specifics of measuring a social media campaign vary with every company, but let's use a basic example to illustrate the approach. Let's say that you're a lawn care company, and your typical customer spends \$80 per month on your service and stays with you for three years. That gives you a CLV of \$2,880 and an allowable CPA of \$288.

In the past, you might have used direct mail as your primary tool to generate leads and convert those leads into sales. If the conversion rate on your direct mail campaigns was 0.5 percent, you'd have to send out 200 direct mail pieces to acquire a customer. If your printing, postage, list, and marketing costs for those direct mail pieces was \$1.44 each, the math works out perfectly to \$288. You're golden.

But let's say that the CEO and CFO decide to test a social media campaign against the existing direct mail campaign. Now the math gets kind of interesting. Let's assume that you spend \$2.4 million each year to send out two million direct mail pieces

that generate 10,000 new customers each year (2 million direct mail pieces \times 0.5% = 10,000 new customers). If your annual revenue per customer is \$960, that's \$9.6 million in incremental revenue each year from new customers. (Don't forget that you have some customer churn, so some of the \$9.6 million replaces revenue from lost customers.)

You want to test your social media campaign against your direct mail campaign. If you spend \$2.4 million each year on your direct mail campaign, a safe bet would be to spend 10 percent of that, or \$240,000, on a test social media campaign.

The costs associated with setting up, launching, and running a social media campaign are often underestimated. Because you don't have media costs for using Twitter, YouTube, Facebook, LinkedIn, or other social media platforms, people often assume that running a social media campaign is cheap. But the manpower involved in running a social media campaign can be significant. So can the costs for producing the content for your social media campaign.

If you're a large company with a brand to protect, you need to create top-notch landing pages on your Web site. That costs money. So do well-produced YouTube videos and effective Facebook promotions.

The point is, you need to dive deep into some of the hidden costs of social media to get a good, clear understanding of your campaign's ROI. In this example, we said that you have \$240,000 to spend on labor and production costs. For that \$240,000

investment to match the ROI of the direct mail campaign, it would have to generate 1,000 new customers.

That's not as easy as it looks, but it's also not impossible. One of your objectives might be to drive 100,000 people to your landing pages via your social media campaign. Assuming that you were able to do that, it's reasonable to calculate that 1,000 of those would convert to customers, which would match your direct mail campaign dollar for dollar. From that point on, it's simply a matter of testing ways to grow your inbound traffic and to improve your conversion rate.

THE BOTTOM LINE

The most important thing that you can do is track your campaign to the level of prospect conversion. When you're tracking data at that level, you can calculate your ROI. And assuming that the ROI is positive, you can grow your campaign and improve efficiencies over time. And that, friends, translates into profits.

- ▶ **Key concept:** Customer Lifetime Value (CLV) is the revenue you'll generate from a typical customer during the lifetime of your engagement.
- ▶ **Action step**—Calculate your CLV using this simple formula:
$$\text{Monthly revenue} \times 12 \text{ months} \times \text{Average customer lifecycle} = \text{CLV}$$

- ▶ **Key concept:** Allowable cost per acquisition (CPA) is the amount of money you would spend to acquire a new customer.
- ▶ **Action step:** Determine your allowable CPA by calculating 10 percent of your CLV.
- ▶ **Key concept:** Leads or prospects generate \$0 for your company until you convert them into a customer.
- ▶ **Action step:** Embrace the idea that a social media campaign is useless unless you convert your leads and prospects into customers. Track your data to the prospect conversion level, to generate a clear sense of your actual ROI.

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PART VI

CONCLUSION

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IF YOU'RE A REAL ESTATE AGENT, AN INTERIOR DESIGNER, OR A LANDSCAPE COMPANY, MAKING THE DECISION TO SET UP, RUN, AND MANAGE A SOCIAL MEDIA CAMPAIGN CAN BE PRETTY SIMPLE. ONLY A HANDFUL OF PEOPLE HAVE TO BUY INTO THE CONCEPT, AND WITH A LITTLE PLANNING AND STRATEGIZING, YOU CAN BE OFF TO THE RACES PRETTY QUICKLY.

CHAPTER 24

SOCIAL MEDIA GUIDELINES FOR CORPORATIONS

But if you work at a larger corporation, getting buy-in is only part of the challenge. Invariably, you'll be asked to set up a series of *social media guidelines* for the 10 or 100 or 1,000 people who are going to be helping you execute your program.

With that in mind, we asked Ann Pruitt with the 60 Second Marketer to help us compile a list of guiding principles for large to midsize corporations that want to encourage their employees to take part in using social media. Her goal was to provide guidelines that gave employees clear boundaries but didn't hem them in so much that they would feel overly constricted or limited.

Remember, as our friend Erik Qualman states in his book *Socialnomics*, "What happens in Vegas, stays on YouTube." With that in mind, the last thing your corporation wants is for a random comment or inappropriate conversation to make its way across the social media sphere. It's the quickest way we know to dampen the effects of a successful social media campaign. But at the same time, it's important to recognize that the snowball effect of social media can really work only when employees are given the freedom to respond openly and quickly on any of your social media channels.

Let's take a look at five core values that we've compiled as guiding principles for your company's social media program. These values are based on research we've done into the ways companies such as Dell and The Coca-Cola Company conduct their social media campaigns.

THE FIVE CORE VALUES OF SOCIAL MEDIA BEHAVIOR

All employees who are asked to participate in social media dialogues should embrace the following core values:

- ▶ **Show respect**—The people on the other end of your social media dialogue are human, too. They have feelings, emotions, and points of view just like you do. Treat them like your neighbors (or, at least, like the neighbors you're friends with).
- ▶ **Show responsibility**—Take initiative to be trustworthy. If you've been assigned to the social media team, that means you've been given a certain level of responsibility. Honor that responsibility by taking it seriously.
- ▶ **Demonstrate integrity**—Show sound, moral character. Pretend your grandmother is watching you. After all, she probably is, from somewhere.
- ▶ **Be ethical**—Be right and honest in your conduct. If you find yourself doing something that you can't be totally transparent about, it's probably not the right thing to do.
- ▶ **Add value**—Move the ball forward in all your conversations. Provide an insight, a point of view, or something helpful in each one of your interactions. Every time you move the ball forward an inch, you're helping your company achieve its goals.

Now let's drill down a bit and look at 17 guiding principles that fall under these five core values.

17 SOCIAL MEDIA PRINCIPLES FOR CORPORATIONS

Under each value outlined in the last section, you'll find several guiding principles that encourage your employees to be responsible in all your social media initiatives.

Show Respect

- 1. Respect property.** Show respect for the opinions and property of your company and of others. Give credit when appropriate, get permission when needed.
- 2. Respect privacy.** Any information gathered or personal identifiers collected about customers should not be published or misused irresponsibly. There are no exceptions to this rule.
- 3. Respect copyrights and trademarks.** Do not post another company's trademarks or any copyrighted material belonging to another company without getting approval first.

Show Responsibility

- 4. Accept personal responsibility.** You post it, you accept the consequences.
- 5. Demonstrate admirable online behavior.** Express yourself, but remember anything you say lives forever on

the Internet. Comply with any regulations that govern your site.

- 6. Conscientiously represent your company.** Everything you say as a member of the company represents the company. Likewise, writing harshly about your company can have repercussions for you, obviously, when your company gets the news. If internal issues arise within your business, keep them internal.
- 7. Mix personal and business lives carefully.** Remember, everything you post on your personal Facebook or My Space could get back to the company.

Demonstrate Integrity

- 8. Show transparency.** If you work for a company, you should reveal that information when commenting about that company or its competition.
- 9. Use good judgment.** Share your opinions online, but avoid anything that could be considered poor taste; it reflects poorly on you and your company. Certainly avoid anything that could be considered illegal.
- 10. Provide a framework for your arguments.** Provide background to support your postings. Arguments that are thoughtful and that go beyond “xx sucks” make your point-of-view more valid.

Be Ethical

- 11. Protect the company's proprietary information.** You are obligated by your contract to protect vital company information, and state laws govern trade secrets.
- 12. Don't forget your day job.** It's important to maintain productivity at your job and not get lost in cyberspace. Realize that customer service may best be handled through social media, but avoiding your work to post an opinion about the new company dress code doesn't add value.
- 13. Let the experts be the experts.** Your readers may have questions on specific products or services about which you have limited knowledge. Forward those questions for the experts to respond to. The same holds true for PR issues.
- 14. Post truthful information.** Do your research to ensure that you aren't just spreading rumors. Correct errors if you find them later.

Add Value

- 15. Provide value for customers.** Social media should bring customers closer to the products and services you sell. Ranting on Facebook about the way Shipping messes everything up makes you look petty and provides no value for the customers. The same holds true for not responding to customers' comments.

- 16. Monitor your social media sites.** Posting a Facebook page and then not monitoring it defeats the purpose and is not social media participation. Online sources must be nurtured though active monitoring and participation.
- 17. Remember the audience.** Don't forget that readers include clients—past, present, and future—and employees. Don't publish anything that would insult or otherwise alienate these people.

PUT THESE GUIDELINES IN PLACE SOONER RATHER THAN LATER

The Internet is rife with stories from companies or individuals who wish they'd followed these guidelines. One of the more notable is Domino's Pizza, a company that spends tens of millions of dollars each year building and nurturing its brand.

Unfortunately, several rogue employees at a Domino's franchise in North Carolina decided to post a prank YouTube video of some unsanitary and disgusting food-preparation practices. The viral nature of the Internet helped the video generate a million views within days of being uploaded. Worse still, for a short while, Google had five different links on its first page highlighting the video.

It's unfortunate that a few irresponsible employees at a small franchise can do so much damage to a business that has spent so much time and money building a deservedly good reputation. But social media doesn't care how many years

you've spent building a brand, even when what's posted on YouTube is false.

Domino's isn't the only company that has had to deal with these kinds of challenges. Not long ago, an employee of a large, well-respected public relations firm was flying to Memphis, Tennessee, to discuss, of all things, *social media* with one of the firm's largest clients, Fed Ex. Unfortunately, this employee, who, as a social media expert, should have known better, decided to tweet his disdain for the city of Memphis just as he was exiting the city's airport.

Twenty minutes later, as he was entering the FedEx headquarters, all hell had broken loose. A number of FedEx employees who followed this gentleman on Twitter saw his tweet about Memphis and, as proud residents of said city, took offense.

Within days, the story had spread across the globe, embarrassing the employee and the PR agency, and bringing into question FedEx's wisdom for hiring a social media expert who assumed nobody was reading his tweets.

Of course, it's easy to look back on other people's missteps and to use 20/20 hindsight to critique their actions and responses. That's actually not our intent with these stories. Our intent is to use these illustrations to highlight the importance of putting some social media guidelines in place as you roll out your social media program.

Let's take a look at some of the key concepts and action steps from this chapter before we move on to the next chapter for a step-by-step action plan for a social media campaign.

- ▶ **Key concept:** As Erik Qualman says, "What happens in Vegas, stays on YouTube."
- ▶ **Action step:** Help employees understand that once a comment, video, or dialogue is posted on the Internet, it's very hard, if not impossible, to make it disappear.
- ▶ **Key concept:** All employees should follow 5 core values and 17 principles if they're going to participate in a corporate social media campaign.
- ▶ **Action step:** Review the 5 core values and 17 principles with all the employees who will be part of the social media team. It sounds like a goofy thing to do, but it'll help them understand that you're taking this seriously.
- ▶ **Key concept:** Companies such as Domino's and FedEx have had their share of negative experiences with social media.
- ▶ **Action step:** If it can happen to Domino's and FedEx, it can happen to you. Be proactive and incorporate these guidelines into your corporate DNA today.

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WE'VE COVERED A LOT OF IMPORTANT INFORMATION IN THE PAST FEW HUNDRED PAGES. YOU MIGHT HAVE JOTTED DOWN A FEW NOTES IN THE MARGINS, OR YOU MIGHT HAVE REVIEWED AND TAKEN ACTION ON SOME OF THE KEY CONCEPTS AND ACTION STEPS AT THE END OF EVERY CHAPTER. BUT SOMETIMES IT HELPS TO HAVE A SINGLE CHAPTER WITH A LONG CHECKLIST OF TASKS THAT YOU'LL NEED IN ORDER TO HAVE A SUCCESSFUL SOCIAL MEDIA CAMPAIGN.

CHAPTER 25

59 THINGS YOU NEED TO DO ON YOUR WAY TO A SUCCESSFUL SOCIAL MEDIA CAMPAIGN

That's what this chapter is for. It doesn't cover every task we've discussed in the previous chapters, but it should give you a starting point from which you can launch your campaign.

So here goes. Put a check mark next to each task as you complete it. Before you know it, you'll be well on your way to generating real money from your social media campaign.

The preliminaries:

- ☐ I've conducted a review of my company's *business* and understand its mission, goals, and objectives.
- ☐ I've conducted a review of my company's *sales program* and understand how a prospect is brought into the sales funnel and converted into a customer.
- ☐ I've conducted a review of my company's *marketing program* and understand the role the marketing program plays in the overall success of the company.
- ☐ I've conducted a review of the strategies, tactics, and tools involved in a social media campaign and understand the role each of those strategies, tactics, and tools plays in a well-run social media program.
- ☐ After doing all of this, I've asked myself, "Is social media right for my company?" If I've concluded that it is, I've moved on to the next steps,

The competitive landscape:

- ☐ I've reviewed the *overall strengths and weaknesses* of my company's top five competitors.

- ☐ I've reviewed the *sales and marketing* efforts of my top five competitors.
- ☐ I've analyzed the specific *social media campaigns* being conducted by my top five competitors.
- ☐ I've created a list of social media strategies and tactics my competitors are using that appear to be *effective*.
- ☐ I've created a list of social media strategies and tactics my competitors are using that appear to be *ineffective*.
- ☐ I've joined my competitor's LinkedIn groups, Facebook pages, YouTube channels, Twitter accounts, and other social media member sites.
- ☐ I've set up Google Web Alerts and Blog Alerts to send me notifications any time my competitor, my industry, or my company is mentioned in blogs or articles online.

The internal management team:

- ☐ I've asked the social media proponents in my organization to be advocates for my program. I've asked them to be engaged in any way they can to help my social media program succeed.
- ☐ I've identified people within my organization who might not be social media advocates and have begun a program to help them understand the value a well-run social media program can bring to our company.
- ☐ I've assembled a team to help me set up, run, and manage the social media program for my company.

- ☐ I've asked each team member to buy *How to Make Money with Social Media* to ensure that we're all working from the same playbook.
- ☐ I've asked each team member to buy *How to Make Money with Social Media* and to give copies to their friends, neighbors, relatives, acquaintances, and complete strangers because I think *everyone* should know this stuff.

Setting up for success:

- ☐ I've assembled a social media team to help me execute my program. (This team can be as small as 1 or larger than 100.)
- ☐ I've set specific, measurable, actionable, realistic, and time-bound goals (SMART goals) for my social media campaign.
- ☐ I've reviewed my SMART goals with my team and encouraged feedback and input.
- ☐ I've done an in-depth analysis of my target market and have a genuine understanding of who they are and what makes them tick.
- ☐ I've set up my social media campaign so that it can be measured.
- ☐ I've conducted a review of each of the three categories of social media platforms—networking platforms, promotion platforms, and sharing platforms.

- ☐ I've developed a *strategic framework* for my social media campaign that will help me accomplish my overall business goals.
- ☐ I've developed a tactical framework for my social media campaign that will help me accomplish my strategic goals.
- ☐ I've developed an executional framework for my social media program that will help me accomplish my tactical goals.
- ☐ I've aligned my social media campaign with my overall branding campaign so that they're essentially one and the same.

The days before launch:

- ☐ In an effort to get started quickly, I've completed the following tasks:
 - ☐ I've updated my company's LinkedIn profile.
 - ☐ I've joined several LinkedIn Groups within my industry.
 - ☐ I've created a Facebook business page.
 - ☐ I've set up a Twitter account.
 - ☐ I've followed several hundred other people on Twitter who are in my industry or have similar interests.
 - ☐ I've incorporated a blog into my Web site.

- ☐ I've created a YouTube channel.
- ☐ I've created a MySpace page.
- ☐ I've created an e-newsletter for my customers and prospects using ConstantContact, ExactTarget, or iContact.
- ☐ I've updated any references our company has on Wikipedia.
- ☐ I've opened accounts on Flickr, SmugMug, and Picasa.
- ☐ I've uploaded content to Slideshare, Scribd, and Slideo.
- ☐ I've added Feedback, Uservoice, or Get Satisfaction to my Web site.
- ☐ I've investigated and incorporated accounts on other social media platforms, including hi5, Xanga, Plaxo, XING, Ning, and Friendster.
- ☐ I understand that a social media campaign is an ongoing process and can't be executed in "five minutes a day." As such, I've allocated a realistic and reasonable amount of time to execute my program.

The first 30 days:

- ☐ I've committed myself to the following goals for the first 30 days of my social media campaign:
- ☐ I'll update my company's LinkedIn profile once every two weeks with news and information about my company.

- ☐ I'll visit LinkedIn.com/Answers and answer one to five questions each day.
- ☐ I'll update my Facebook business page several times a week (at a minimum).
- ☐ I'll send out helpful, interesting Tweets anywhere from 10 to 20 times a day.
- ☐ I'll write two to three blog posts a week (none of which will be about our company holiday party or our CEO's trip to the convention).
- ☐ I'll comment on five blog posts a week with a relevant, insightful comment.
- ☐ I'll upload a series of YouTube videos designed to provide value to our customers and prospects.
- ☐ I'll update my company's MySpace page with relevant posts and content that will help build awareness for my company's product or service.
- ☐ I'll upload photographs on Flickr, SmugMug, and Picasa that are business oriented and that help sell my product or service (no summer party photos, please).
- ☐ I'll upload content to SlideShare, Scribd, or Slideo once or twice a month during the launch of the campaign.
- ☐ I'll respond to the Feedback, Userveice, or Get Satisfaction comments left on my site within 24 hours of receipt.

Measuring success:

- ☐ I understand that social media can help me with customer retention and customer acquisition.
- ☐ I've installed Google Analytics, Omniture, or CoreMetrics on my Web site so that I can track inbound traffic and analyze when and how a prospect converts to a customer.
- ☐ I'm prepared to generate weekly and monthly reports that highlight the success of my social media program.
- ☐ I'm continuously *testing* my social media program so that I can improve the results and generate an increasingly robust return on investment.

HOW TO MAKE MONEY WITH SOCIAL MEDIA

There's a difference between people who make money with social media and people who don't. The people who don't make money with social media typically *never get their campaigns off the ground*. In most cases, they upload a YouTube video or update their LinkedIn profile and then claim that they have a social media campaign.

Not.

The people who *do* make money with social media are different. They set objectives, create a plan, and *execute the plan relentlessly*.

You're now in a spot to make money with social media. We've given you all the best tools for a successful social media campaign and helped you understand how to implement them. The only thing we can't give you is a kick in the butt to get started.

Which is why we'd like you to kick yourself in the butt.

Unfortunately, kicking yourself in the butt can be a bit of a challenge. Given that, we thought we'd provide you with an alternative. Keep in mind three tips as you launch your program, to keep you moving ahead quickly and efficiently:

- 1. It's better to get ten things done than it is to do one thing perfectly.** Don't get stuck trying to make everything perfect. It'll never be perfect. Besides, if you don't like your blog post, your tweet, or your LinkedIn profile, you can just go back in tomorrow and change it.
- 2. Begin each day with five or ten social media tasks that'll help you feel like you're off to a good start.** This is easier than you might think: Send out three tweets, answer one question on LinkedIn, and make one helpful comment on a good blog post you've read. See? Your day is already off to a *terrific* start.
- 3. Visit the 60 Second Marketer for more inspiration.** We're constantly updating the 60 Second Marketer Web site with content from marketing experts around the globe. Stop by and check out some of the tools, tips, and techniques we have on the site. We guarantee that you'll walk away with a bunch of great marketing ideas each time you visit.

That's all, folks. Keep the cards and letters coming. And let us know what tools, tips, and techniques you'd like us to incorporate into future versions of this book.

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About the Author

Rawn Shah is best practices lead in the Social Software Enablement team in IBM Software Group, helping to bring the worldwide population of more than 350,000 IBMers closer together and to improve their productivity through social software. His job involves investigating the wide range of social computing technologies, collecting best practices, measuring the usage and behavior of social software as it impacts productivity, and advising on implementation, governance, and operations.

In his prior job as community program manager for IBM developerWorks, he led a team of operations and development staff covering the worldwide network of thousands of communities, blogs, wikis, and social computing environments supported by IBM. He also led the creation of the developerWorks spaces software tool, a multi-tenant system to allow individuals and teams to bring many social tools together into their own focused social environments.

An avid software gamer, he has been involved in the online gaming world since 1990, both as a player, a guild leader, and hosting massively multiplayer games. He has witnessed how these social environments have grown from underground curiosities to the billion-dollar businesses of today, with the nature of social grouping and collaboration evolving hand in hand with every new offering.

He has previously served as network administrator, systems programmer, Web project manager, entrepreneur, author, technology writer, and editor in different business environments: as a sole proprietor, in a small startup, and in a Fortune 50 company. He has contributed to six other books, the most recent being the category-leading *Service Oriented Architecture Compass*, which since has been translated into four languages. His nearly 300 article contributions to technical periodicals such as JavaWorld, LinuxWorld, CNN.com, SunWorld, Advanced Systems, and Windows NT World Japan, covered a wide range of topics from software development to network environments to consumer electronics.

In his spare time, he is a student and teacher of Ryuseiken Bat-todo, a Japanese art of sword fighting, helping middle school, high-school and college students, and adults to develop mental focus and physical agility.

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Social Computing on the Ascent

Determining where to focus innovation efforts is a challenging open-ended and uphill battle. Most businesspeople look for answers from product and technical leadership balanced against the current business strategy. This often hinders a wider look at what needs and opportunities exist.

In large multinational organizations such as IBM, with many different product lines, research interests, and industry foci, this is multiplied. IBM's answer was simple: Ask everyone. In 2006, its InnovationJam online event drew 150,000 business partners, employees, and even family members to focus on a number of high-level innovation themes. IBM has conducted such InnovationJams since 2001, but this was by far the largest. Thousands of users brainstormed, discussed, and debated ideas within each theme online to improve how people stay healthy, work toward a better planet, and improve finance and commerce. By committing \$100 million to build new businesses for each theme, IBM created smarter healthcare payment systems, real-time language services, and a 3D Internet project. Gathering input for innovation initiatives and corporate social responsibility isn't new, but IBM's approach was an innovation in itself for its time—the company cast a wide net and invited a multitude of perspectives, expertise areas, and deliberation to arrive at the best ideas.

IBM isn't the only company working with groups of users on complex, subjective business problems. In its drive to provide innovative customer support, Verizon, a leading wireless phone and communications carrier, encourages a core of tech-savvy customers to answer

deep-level technical support questions for others at no cost.¹ The company is taking advantage of a known phenomenon of users' desire to help others as they themselves tinker on the systems. With the expertise of Lithium Technologies, a consultancy in Emeryville, California, Verizon is quickly learning how to shape its community toward the focused business goal of customer support.

Amazon.com, the well-known retailer of books and other products online, is discovering other ways to involve the collective energies of many individuals in helping it sell more. Through customer reviews, recommendations of similar products, and categorization of items based on how people really see products fitting together, Amazon is driving return-customer sales.

The list goes on: Best Buy is asking its workforce to predict future prices for its inventory of products. Disney reaches an increasingly online generation of children ages 6–11 with a safe online world of *Club Penguin* designed just for them. Busy executives—Jonathan Schwartz (CEO of Sun Microsystems), Bill Marriott (Chairman and CEO of Marriott International), Bob Lutz (Vice Chairman of General Motors), and David W. Hill, Yao Ying Jia, and Tomoyuki Takahashi (design executives at computer manufacturer Lenovo²)—now communicate regularly through Internet blogs to customers, shareholders, and other industry watchers. Chacha.com provides fee-based services that enable mobile and online users to ask any question, which Chacha.com hands to its collections of experts to find and provide answers. Many businesses are now actively investigating how to harness the collaborative strength of their customers through online sites such as MySpace, Facebook, Second Life, and Twitter. Other businesses help their employees or business partners discover skilled resources, share expertise, or even develop new products and projects within their company.

¹ Steve Lohr, "Customer Service? Ask a Volunteer" *New York Times* (online edition), 25 April 2009. Accessible at www.nytimes.com/2009/04/26/business/26unbox.html?_r=2&ref=business.

² Jonathan Schwartz blogs at <http://blogs.sun.com/jonathan/>. Bob Lutz's *FastLane* blog is at <http://fastlane.gmblogs.com/>. Bill Marriot blogs at www.blogs.marriott.com/brands/. Hill, Yao, and Takahashi from Lenovo blog at *Design Matters*, at <http://lenovoblogs.com/designmatters/>. The Lenovo team's design work on the Thinkpad laptop computer is the subject of Steve Hamm's *The Race for Perfect* (New York: McGraw-Hill, 2008).

From internal innovation to customer support, and even to developing new business services, all these companies are finding different ways to structure groups of people to work on common goals to solve business problems. You have probably used these tools, or others have used them to try to reach you. Like it or not, you will need to understand how they work, how they impact your business, or even how to turn them to your financial advantage. However, these companies aren't "managing people" in the classic sense of task assignments, job roles, and team projects today. The approach they're taking falls into a new field of software- and group-assisted business processes called *social computing*. (See the sidebar "Social Networking, Social Media, Social Computing: What's the Difference?")

According to the 2006 *Global CEO Study* by the IBM Institute for Business Value,³ CEOs expect that the top three primary sources of new ideas and innovation will come from business partners, general employees (other than internal research and development), and clients; 75% of CEOs agree that collaboration is a key influencer of innovation. A McKinsey report⁴ describes it as follows:

Although collaboration is at the heart of modern business processes, most companies are still in the dark about how to manage it...they do a poor job of shedding light on the largely invisible networks that help employees get things done across functional, hierarchical, and business unit boundaries.

By framing collaboration toward specific goals and methods instead of a large, amorphous concept, social computing helps develop and direct innovative development in an organization. At the same time, social computing is shaking up a fundamental aspect of business: how people communicate and work together to produce results. It has an impact on many areas of business and management: It changes team and organizational unit structures, who can participate in and influence business decisions, decision-making processes, and the business environment that encourages people to work together effectively.

³ *Global CEO Study 2006*, IBM Institute for Business Value (2006). Accessible from www-935.ibm.com/services/us/gbs/bus/html/bcs_ceostudy2006.html.

⁴ R. L. Cross, R. D. Martin, and L. M. Weiss, "Mapping the Value of Employee Collaboration," *The McKinsey Quarterly*, no. 3 (2006): 29–41.

Social Networking, Social Media, Social Computing: What's the Difference?

Generally, *computation* means applying a defined set of procedures to solve a particular problem. In *social computing*, people become part of the overall computation system by examining, analyzing, and addressing the issues. Problems well suited for social computing are often the same ones that are difficult or unfeasible to solve using only software analysis and formulaic calculations: They're problems that require ingenuity or associative thinking, relationships and trust between people, and subjective knowledge.

This is social in the sense that it relies on groups of people interacting in some way. Although many people interact simply to keep in touch with friends or for their own personal entertainment, we're interested in how social computing techniques apply to business relationships and interactions that lead to results.

The role of software in social computing is to support the way people can interact and to frame the steps for them to work on loosely defined problems. The software helps users communicate, keep track of their interactions and relationships, collectively make choices and decisions, and filter the business results within the vast tracts of content and messages that these interactions produce. Not all social-software applications support all types of social computation. And software is only one necessary tool. Social computing also depends on human factors, such as the tasks people perform, how they interact, and what encourages them to participate.

Social computing accelerates the key business element of collaboration. It incorporates different approaches to collaboration—supported by IT infrastructure, well-defined user experiences, and tasks formulated to different business areas—while considering the culture of how people interact and collaborate. *Social networking* is a popular term referring to all kinds of social software tools. It also refers specifically to how users build networks of relationships to explore their interests and activities with others. The difference between social networking and social computing will become more apparent in later chapters. *Social media*, another popular term,

refers to the online content, or methods to create, share, or build on such content through social means. By definition, a *social environment* is a virtual place where the interactions between the people involved in social computing take place. It has no one particular shape or form; instead, think of it as the vessel wherein ideas and interactions mix together into a complex recipe. Successful social computing involves determining the right ingredients, recipe, and preparation techniques that deliver the expected result.

These changes require new ways of thinking about how people work together in an organization. More important, larger business and customer trends are impacting the nature of how modern enterprises operate that in turn reinforces the need to apply social computing to business management processes.

Reshaping the Way We Work

Two main trends are changing how we work: an increased pace of business across the globe, and the way users are taking to online environments. These trends are meeting at a nexus that blatantly pushes organizations to investigate and implement more social interaction and online collaboration through social environments.

The speed of business is calling for strategic improvements in business agility through faster innovation, exploration of new and emerging markets, and increased partnering activities. To keep pace, organizations are focusing their strategic IT assets to institute faster computer networks for an increasingly flexible, mobile, and distributed workforce, enabling them to communicate complex information within the organization and with partners and customers. Although e-mail and Web access to support communications have become common in most organizations, corporate users are looking for better ways to organize their enterprise data, manage their business relationships, communicate detailed content, and discover new information, customers, and the expertise to guide them. For companies with a distributed workforce, simply keeping track of who works in their organization and what time zone they're in becomes a time-consuming task in itself.

The other significant trend is a swirl of changing online user behavior. A new wave of employees who have been active online from a young age are now entering the workforce and exemplify these changes particularly well. These “digital natives” have grown up Internet aware, actively using online software, visiting Web sites, and connecting and developing relationships over the virtual world of the Internet. According to the Pew Internet and American Life Project, 75% of adults age 18–24 and 57% age 25–34 have a profile on a social network site.⁵ Eighty percent say that being a networked worker improves their ability to do their job, and 73% indicate that it improves their ability to share ideas with coworkers.⁶

How these digital natives use computers is also resulting in an increasing reliance on *cloud computing*: an emerging IT system in which data and applications reside entirely online instead of on any single computer or device. In the United States, 69% of users are moving to Web-based tools to manage their e-mail, photos, and files.⁷ They use the Internet to research information about products, organizations, and even other people to guide their decisions. Their information can now also move with them as they change jobs. Their focus has shifted from “What’s on my computer?” to “What information do I have access to?”

In a world where computers are everywhere, from the massive supercomputer systems in the largest corporations to Internet-capable household appliances, it seems that *people* are taking back some of the power previously relinquished to faceless devices and organizations. The tools of this new order are social interaction and collaboration—ironically, facilitated by the same computers that previously locked us away into fixed processes, compartmentalized information, and isolated workspaces.

⁵ Amanda Lenhart, *Adults and Social Network Websites*, Pew Internet and American Life Project, January 2009. Available online at www.pewinternet.org/~media/Files/Reports/2009/PIP_Adult_social_networking_data_memo_FINAL.pdf.pdf.

⁶ Mary Madden and Sydney Jones, *Networked Workers*, The Pew Internet and American Life Project, September 2008. Available online at www.pewinternet.org/~media/Files/Reports/2008/PIP_Networked_Workers_FINAL.pdf.pdf.

⁷ John B. Horrigan, *Use of Cloud Computing Applications and Services*, Pew Internet and American Life Project, September 2008. Available online at www.pewinternet.org/~media/Files/Reports/2008/PIP_Cloud.Memo.pdf.pdf.

Businesses should take note of where the two trends of the speed of business and enhanced online user behavioral changes merge turbulently. Employees, customers, and partners are getting used to working online, connecting to each other, and sharing on a level far beyond what e-mail access and the static content on Web sites provide. People are using these tools to collaborate in more ways than one-on-one communications. They are voicing their opinions to a larger audience through more channels of communication, across organizational lines both within and beyond the company. They are trying to overcome organizational silos, facilitate idea sharing and innovation, and build stronger relationships with fellow employees. By supporting these drives with software, social computing is now reshaping the process of organizational decision making.

This kind of collaborative effort points to new ways of looking at how employees work across teams, departments, geographies, time zones, and skill sets. It can happen anywhere at any time: directly between members who knowingly engage each other, indirectly between those who contribute to a group, or even incidentally in a shared environment when people working for their own goals reveal some bit of knowledge that can help others. Such interactions can last a few minutes, a few hours, a few days, or a few weeks, or might even continue to exist indefinitely as long as a need exists. Collaboration can bring together skills and knowledge in more permutations than members might have imagined.

Such complex networks of people across the enterprise and beyond (for instant, short, or even long-duration projects) hint at a new way of defining a “team” effort and how to manage and lead such effort. These groups might involve participants independent of the organizational structure, or they might stand entirely beyond the organization. Yet they can produce useful work and information that can help a cause.

These do not follow the traditional behaviors of high- and low-performing teams, as Jon R. Katzenbach and Douglas K. Smith described in the business classic *The Wisdom of Teams*.⁸ Instead, a

⁸ J. Katzenbach and D. Smith, *The Wisdom of Teams* (New York: Harper Collins, 1993).

revised look at the basis for high-performing individuals and groups now includes those who demonstrate social intelligence⁹ and find the best ways to incorporate the wisdom of crowds.¹⁰ Instead of focusing on direct people management, social computing centers on driving results through influence and indirect leadership. Working in this mode requires an understanding of the context of the social environment and applying the right techniques.

Social computing methods raise new questions about how to conduct business in the Internet age: What business problems can social computing methods address? Do they offer new opportunities or approaches to providing value to customers? Do these changes require new business models or changes to existing ones? To answer these questions, we need to look at how organizations are applying these social computing methods.

Integrating into Business Processes and Activities

Verizon's social computing applies to customer-support processes. Amazon focuses on increasing sales. IBM's InnovationJam combines research goals and corporate social responsibility activities. Best Buy's project combines market intelligence, inventory management, and sales planning. Other social environments, such as for Disney and Chacha.com, are business services to customers.

Amazon's recommendation system and IBM's InnovationJams are substeps of the overall business process—in these cases, the innovation process and the retail-sales process. In other instances, social computing methods are parallel or ancillary supportive steps to existing business processes, such as Verizon still providing official customer service in addition to the community-driven approach. Disney and Chacha.com's social computing activities comprise entire areas of business and include many processes within.

Social computing methods can seemingly apply anywhere in a single business and across industries. The recurring pattern seems to

⁹ Daniel Goleman, *Social Intelligence: The New Science of Human Relationships* (New York: Bantam Books, July 2007). <http://tinyurl.com/3pssto>.

¹⁰ James Surowiecki, *The Wisdom of Crowds* (New York: Random House, 2004).

be the set of social computing methods and the decision-making processes they support.

First, we need to recognize that many approaches exist to social computing. Each approach seeks to get a group of people to focus on a certain task. However, the way people interact in the group, and the approach to driving results, can vary with the task. Understanding the right mix of shared experience, leadership model, and task helps set the right context for a social computing project. This context sheds light on the expectations for the social computing project to both your organization and the potential participants. Getting results out of a social environment also requires an understanding of the culture of the social group and a plan for enabling the members of the group to participate in and act on the goals. You will also need ways to describe how these social computing activities deliver and impact your own business processes.

Summary

Businesses, large and small, are finding ways to involve employees, customers, and partners in shared, online, collaborative activities that perform distinct business functions. Such *social* computing methods replace pure computer hardware-based methods for analyzing complex information and supporting decision-making processes. These methods guide a diverse group of participants to focus on tasks that take advantage of the experience, expertise, and subjective analysis skills that they bring to the group. They can apply to a wide range of business areas and industries by providing collective effort and wisdom to support the underlying decision-making steps in these processes.

Achieving results from social computing involves looking beyond simply gathering a group of people together online. With the high-powered support available, it can be relatively easy to bring people to the stage. The challenge lies in getting a widely diverse group to contribute to the actual performance of social computing. This takes a coherent effort to create a defined context for the social computing activity, generate an enablement plan to guide it, and establish a measurement approach to show how both the participants and the organization benefit.

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Sharing a Social Experience

Music Web site *last.fm* offers the equivalent of radio stations on the Web, with a particular social aspect that provides innovative customer value: Whenever a listener chooses or plays a song, last.fm detects the choice of artist and song, and uses this as input to future recommendations. To re-create the continuous streaming experience of traditional radio stations, the site automatically chooses the next song to play to the listener by using the collective preferences and choices of its members to suggest similar artists and bands, to deliver a better customer experience.¹ This moves well beyond traditional music stations, with songs and artists chosen by a staff of DJs based on a combination of their personal, expertly guided choices; what music promoters actively set before them; and perhaps selections provided by their parent company network. C. K. Prahalad and M. S. Krishnan describe in *The New Age of Innovation*² how supporting this capability for users to customize their experience creates opportunities for the customer and you're the organization to share in innovation.

If last.fm used only the listener's own choices to make recommendations, it would lose the social involvement and instead be just a personal experience. The transformation to a social experience occurs when last.fm examines the patterns of similar choices across many users: The recommendation for a listener's next song is then based on what other users may have picked after the previous choice. The site adds value to the customer by applying social information to guide an

¹ The site is located at <http://last.fm>. Though unusual, this is a valid Web address—adding .com or other suffixes to it is not necessary.

² C. K. Prahalad and M. S. Krishnan, *The New Age of Innovation* (New York: McGraw-Hill, 2008).

individual's choices, making it easier for the customer to find similar music. This puts the site two steps ahead of traditional broadcast radio, with both customized choices for each individual and socially guided recommendations.

In the last.fm model, users make selections from a large set of products; those selections then influence their own or others' future decisions. Other online retail sites, such as Amazon.com, the Netflix movie-rental service, and retailer Target.com,³ use this same model. These sites often take a structured approach to getting input from a social group, resulting in a *mass collaboration experience* aggregating many individual views into common streams of information.

As more customers make choices, those decisions contribute to the existing information about what selections people make, providing better information to each customer. In this way, such services can actually *increase* in usefulness and value as the number of participants increases. The value to the business rises as customers make more choices and, hopefully, more purchases.

The input that a person gets from other users of a Web site is the hallmark of a social environment. This input—or, rather, the output that goes to someone else—does not have to be direct; it can go through filters, transformations, or aggregations with other information before it reaches another person. In the case of tracking “similar choices,” the social value depends on aggregating the information from many people, indirectly collaborating *en masse*. In contrast, it is also possible to be social without aggregating any information, but by independently sharing information with others.

Slideshare provides a distinct online service that lets users share their slide presentations with others, a common need both inside businesses and when presenting at public events and conferences.⁴ A user can post a presentation and indicate whether others can

³ On Amazon.com, every product page lists a set of other products that people either examined or purchased, to encourage the customer to consider other purchases. Netflix shows other popular movie choices based on individual user choices as well as those from their city or local region. Target.com shows related products that other customers examined.

⁴ The site, located at <http://slideshare.net>, is open to anyone who wants to join and post presentations.

download the document or only view it online. Other users can read, rate, and comment on the material, or share it with others. An added convenience is the capability to show a presentation on other Web sites, further increasing its visibility.

Unlike the last.fm example, each content item (slide) on Slideshare can stand on its own; slides do not need to be aggregated to provide value to users. Users post as many presentations as they like, focusing on their own interests even while sharing with others. Users do not even need to form relationships with other Slideshare users to get value from sharing. Therefore, while sharing with others, users are directing their friends or peers to an experience focused on social experience but centered on a user's individual identity. This same model is common in millions of single-author blogs on the Internet.⁵ Every blogger builds an *individual experience* focused on the author's persona or interests.

Some social environments extend the individual's experience to emphasize a person's network of relationships. In these environments, each person provides content to share with others, but the value comes from the relationship network provided as a service of the context of the Web site. For instance, LinkedIn enables people to maintain and manage their network of business contacts online.⁶ Unlike a traditional list of contacts, which you might store in desktop e-mail software such as Microsoft's Outlook, in an online e-mail service such as Google's gmail, or on your cellphone, the LinkedIn system brings together every member's network, enabling people to find and create new contacts through others.

Users either indicate whether they are willing to share their contacts with others or evaluate individual requests to establish a contact. In particular, this approach takes advantage of pathways between people; it enables a requestor to reach a target contact by asking each

⁵ Blogs can have a single individual owner or share control among a group of users as a group blog. However, these are two different types of experiences. The sidebar "The Trouble with Flexible Social Software," later in this chapter, describes the significance of multiple experiences from a single tool.

⁶ The site is located at www.linkedin.com. Anyone can create a profile, such as mine, www.linkedin.com/in/rawnshah. The owner of the profile can determine whether to share the contact network with others.

person along the path to bring him closer to the target. This is useful to just about any job role but is of particular interest to marketers, business development managers, and salespeople, who meet and need to meet many people in a single year. No more paper business cards or even online contact information files to pass around—it's all stored on LinkedIn.

LinkedIn has millions of users, but each person knows only his particular network of contacts, not everyone's. In other words, each person's social experience is primarily with his own social network.⁷ Users can communicate with individuals in their network or with the entire network. Because users can add information about their expertise, as well as a resumé, they can learn more about each other. Public social sites such as Plaxo⁸ or Facebook⁹ support similar ideas, but they also enable users to designate others as a family member, a friend, a work contact, or another relationship, to qualify how users prefer to talk to them.

The value of LinkedIn comes from meshing many relationship networks, enabling users to discover and form new relationships they might not have otherwise made. This *social network experience* differs from the individual experience, in that communications are socially output only to members of your network instead of being open to anyone. This is useful when you want to have a conversation only with people in your relationship network.

In contrast to the person-centric approach of a social network, people frequently work on common goals in groups. Such a workgroup might have a leader, but it typically does not center on a single individual. The traditional view of a team within a specific hierarchy of an organization under one manager fits here, but so does the

⁷ LinkedIn also includes a way to interact with a group of people, through LinkedIn Groups, but for this discussion, let's focus on the basic social network experience of LinkedIn.

⁸ Plaxo is available at www.plaxo.com.

⁹ Is Facebook an individual experience or a social network? The Web site, at www.facebook.com, can support either position: Users can restrict access to their profile to only their social network, or can alternatively open it to anyone and everyone. Most people refer to Facebook as a social network, to emphasize the relationship building.

concept of workgroups with members from multiple teams with different managers.

IBM Lotus Quickr is a social software tool designed to allow workgroups to share documents, coordinate calendars, and assign and track tasks.¹⁰ The software supports this classic model of team or workgroup collaboration, acting as a common container for all the products of members' joint or combined efforts. These products are stored in a common context instead of being stored individually on each member's computer, making it easier for group members to understand and keep track of the shared activities. In closed workgroups, a member must be invited to the social environment, and what that member shares is generally kept private to the group.

However, some workgroups might need to share their work with others, while still preserving their core group members as the "team" behind the information. They can do this by assigning some team members the core workgroup rights, to perform functions such as creating, editing, and deleting, while allowing others only to read or provide comments. This distinction creates two classes of people with identities of "the workgroup members" and "everyone else," which has its own benefits and consequences.

A visible workgroup of music experts at Pandora.com, another online radio station, performs the job of categorizing music (as in last.fm). Although both Pandora and last.fm are online radio stations with similar goals of providing guided choices personalized to each user's tastes, they go about it in different ways. Pandora is an outgrowth of the Music Genome Project,¹¹ an organized approach meant to categorize any type of recorded music according to distinguishing qualities. For example, a song might have a particular lyrical style, harmony, use of instruments, and genre. In all, several hundred factors describe a "genome" for any piece of music. Pandora examines each user's direct selections of artists or songs and tracks the

¹⁰ IBM Lotus Quickr is part of the family of social computing tools IBM offers—see www-01.ibm.com/software/lotus/category/network/.

¹¹ Pandora Media's service is available at www.pandora.com. You can find out more about the Music Genome Project on Wikipedia at http://en.wikipedia.org/wiki/Music_Genome_Project.

commonalities in these genomic factors of their preferences. Users are also offered other selections and asked to rate them, to further determine their taste preferences.

The primary social aspect of Pandora comes from the collective work of the group of musical experts who work together to describe the qualities of each piece of music. The results from this core group's efforts factor into the decision-support system of Pandora music, provided to all its customers.¹²

Whether restricted to use by only its own members or openly visible to others, after a certain point, a core group can become too large for everyone to know or work closely with each other. The tightly knit experience of a small circle breaks down, but a different form of value can emerge from this larger entity of a community experience.

Software technology vendor SAP's Developer Network provides a community in which members can reach out to each other to get advice on issues they face or to gather information on new features or products.¹³ The nature of complex enterprise applications, such as the one from SAP, means that it might be impossible for a vendor to describe all the possible problems a customer could run into. There are simply too many permutations of the vendor's own software, along with other systems and databases in the organization to integrate with. However, large vendors have many customers who come across similar situations, so these customers can help each other. As an example, SAP's Developer Network, open to anyone who wants to direct a question to other members, can potentially reduce support calls, as well as uncover new methods or practices directly from customers.

Some might consider the changing list of members and not knowing all other members in a community experience as a disadvantage. Although some subset of the members could stay the same over the

¹² Pandora also enables users to share their collections of music, pointing to a second social experience: an individual experience model, similar to sharing a collection of presentations on Slideshare.

¹³ The SAP Developer Network (SDN), at <https://www.sdn.sap.com/irj/sdn>, is open to everyone and provides a number of social computing services. The example in this book centers on the discussion forums.

long-term, this open-ended possibility makes the community experience continually evolving, both an advantage and a challenge at the same time. Thus, participating in a community is different from interacting in a workgroup because it introduces greater unknowns about others—including their expertise, skills, experience, and opinions or positions on different matters—and usually relies on weaker relationships between members. However, a larger membership offers greater diversity of ideas and perspectives. Additionally, in many circumstances, a community approach is needed instead of a workgroup approach simply because of the number of people involved.

In contrast to the indirectness of mass collaborations, such as in the last.fm example, communities are necessary when the identity and background of people matter in decision making. Whom you get advice from in the SAP Developer Network can make a big difference when you need to rely on another member's recommendation. Therefore, understanding others' experiences and seeing some demonstration or getting references from others can strengthen a recommendation. Here, people need to interact more directly with each other than in a mass collaboration because identity and role make a difference. A person's identity and reputation, as well as his history of direct contact with the requestor, enhances the output of the social environment. Also, unlike workgroups and social networks, how someone communicates to a public community might be different from what that person would say to his direct contacts. Relationships can be weaker in general, so greater emphasis falls on finding commonality and shared interests. Hence, the topic or purpose of the community becomes the center of the experience, often with members pursuing many possible goals within the overall theme.

Modeling Social Experiences

The previous examples have distinguished some of the models for social experiences commonly found in different types of social software tools (see Table 2.1). Another type of experience also can transform into a social one (see the sidebar “Nonsocial Experiences”).

TABLE 2.1 Social Experience Models

Social Experience Model	Example	Description
Individual	Slideshare, blogs	Each member has an environment where they can share their ideas and knowledge, visible to all other users in the same domain.
Social network	LinkedIn, Plaxo, Facebook	Each person has a select network of direct relationships with other users they can collaborate with. To work with others outside this network, the user first must form relationships with them.
Closed workgroup	Lotus Quickr	A select group of members collaborate on ideas and experiences among themselves within a dedicated space.
Visible workgroup	Pandora/The Music Genome Project	A select group of members collaborate and contribute ideas and experiences within a dedicated space, but they also selectively allow other users to access their information.
Community	SAP Developer Network	Any member can join the group, to contribute to or read the information within the dedicated space. Many communities can exist within the overall domain, and users can join any of these.
Mass collaboration	“Similar choices” on last.fm, Amazon.com, or Target.com	Anyone can contribute to or read the information in the space. Membership is not necessary to contribute. Beyond individual information, the experience aggregates their inputs into collective results.

These *social experience models* are not just an aspect of their social environments—they’re instrumental to how they deliver their value. These models serve a distinctive purpose in how they enable relationships or focus users to work on a task. They also describe different roles for participants in the social environment, indicating who can provide input, who controls the direction of the work, and who gains the benefit of the output.

All these models have several generic roles: the visitor, the member, the leader, the owner, and the sponsor. These roles come in handy when trying to distinguish the abilities or involvement of different people in a social environment.

Nonsocial Experiences

Aside from the social experiences listed in Table 2.1, another variety of digital experience can potentially become social. In the last.fm example, you saw that if the content customization were limited to each user without any kind of sharing involved, this would become a *personal* experience for each user, not a social one. This personal experience model is important to keep in mind because, although many Web sites today are possibly customizable for users, they are not social. Yet such personal experience sites are possible starting points for a social computing project. The last.fm example shows this transition implemented when the individual customer choices are shared as collective input along with the input of other users. High-fashion retailer Coach provides an expertly crafted online store¹⁴ where anyone can browse collections or purchase items. However, this is, by design, an individual shopping experience, with no input from other shoppers on what items they prefer or why—this is an entirely personal experience, not a social one.

Visitors often come to social environments to investigate or participate without establishing their identities. Depending on what access and capabilities are granted to this role, the visitors might be able to just read basic information. When visitors establish their identities—for example, by creating an account in that environment—they become distinctly identifiable *members*. Not all social experience models require an identity to perform actions—in this case, members are essentially identical to visitors. However, sharing an identity communicates a longer-term interest in the environment and distinguishes a person as one with whom others can build a relationship.

All social experiences have leaders as direct or indirect influencers on the social group. The owner—or owners—of a social group has administrative control over the software behind the environment. This means that the social group owners can manage the content or membership, if needed. Because of this level of control, the owners

¹⁴ You can access the Coach online store at www.coach.com.

can make leadership choices and decisions for all others involved in the social environment. (We return to the topic of leadership in Chapter 3, “Leadership in Social Environments.”)

These benefits arise from the activities in the environment, but the various roles have to work for it. Successful social environments focus on delivering the appropriate value to all roles in a balanced manner (see Table 2.2). Providing value to members without returning some value to leaders or sponsors eventually results in a lack of leadership or support for the environment. On the other hand, focusing on delivering just to sponsors without benefiting members eventually results in poor participation and poor results. Similarly, when all the focus is on building up the prominence of the leaders but not delivering to members, the environment simply becomes a vanity piece. As with the actions of circus performers spinning many plates on sticks, the balance of a social environment is not about trying to spin one plate faster than the other ones, but about paying equal attention to each of them.

TABLE 2.2 Sources of Value in Experiences to Owners, Members, and Sponsors

	How the Owners or Leaders Benefit	How Visitors or Members Benefit	How the Sponsors or Organization Benefit
Personal	Through the value of the content offered to them	Not applicable	Through top-down distribution of content to users
Personal social network	By building contacts and relationships with others	Depends on how they value the expertise or relationship of the owner	By enabling relationship building across members, to further individual development and knowledge sharing
Individual	By demonstrating their personal expertise, interests, and actions to draw a network of relationships with others	Initially through value from the owner’s content, followed by the longer-term relationship value	By providing individuals the opportunity to build their skills or expertise and helping to identify prospective leaders that connect well with others

TABLE 2.2 Sources of Value in Experiences to Owners, Members, and Sponsors

	How the Owners or Leaders Benefit	How Visitors or Members Benefit	How the Sponsors or Organization Benefit
Closed group	By developing an invited group to focus efforts on an activity or topic, and by building stronger relationships with members	Through shared group efforts and relationships within the group	By focusing on the competence and experience of group members on a specific activity, and enabling deeper relationships directly between the members
Visible group	By developing an invited group to focus efforts on an activity or topic, by building stronger relationships with group members, and by demonstrating their efforts to a wider population	Through shared efforts and relationships within the group, and exposure of their combined efforts to a wider population	By focusing on the competence and experience of group members on a specific activity, building deeper relationships directly between members, and building extended relationships with others
Community	By bringing in diverse perspectives and new opportunities and relationships	Through the value of the collectively gathered or analyzed content, and the help of other members	By creating an open invitation to allow members to self-organize and deliberate around a focused topic or interest
Mass collaboration	Same as for sponsors	Through the value of the collectively gathered or analyzed content	By focusing a population to build consensus around specific activities

Different Experiences for a Complex World

Social environments can be much more complex than shown in the examples at the beginning of this chapter. Many social environments implement multiple experience models, combined into different parts of the environment. This enables the environments to capitalize on different tasks when individual users require a particular type of experience. For example, Amazon.com's online store provides individual experiences in which users can create "plogs" (product blogs), where authors can write about their products and what they are working on. As a company, Amazon.com also provides a set of

The Trouble with Flexible Social Software

The flexible nature of some social software tools can also work against the intended use or goal of a social environment. Social software can confuse members when the software supports multiple social experience models that differ only in configuration. For example, a wiki (a collection of Web pages designed to enable anyone with access to contribute or modify content) is a particularly versatile type of social software tool that enables one or more users to collaboratively edit a document on the Web. These can be particularly confusing because the same wiki software can be configured in several ways, each using a different experience model:

- I use the wiki as an online word processor to create and save documents that only I can read—an entirely personal nonsocial experience.
- I use this wiki as a tool to create and manage content only for myself, but I might allow specific others in my personal network of relationships to read it—a social network experience.
- Only I can edit the information, but I openly share it with everyone in my company so they can give feedback on my ideas—an individual experience.
- I invite and limit participation to a core permanent group of members to contribute to or read the information—a closed workgroup experience.
- I invite a core permanent team of contributors, but I allow anyone to read the information—a visible group experience.
- I open the wiki for anyone to read or contribute to at any time—a community or mass collaboration experience.

The concept of a wiki is so dynamic that it is overloaded with possibilities. On entering a wiki environment that doesn't identify its particular model and intent, users can easily misunderstand the model and its intended use, causing frustration and, in turn, discouraging participation.

business services entirely separate from its retail store: Amazon Web Services. Here, other tools implement social experiences, which we examine in Chapters 4, “Social Tasks: Collaborating on Ideas,” and 5, “Social Tasks: Creating and Managing Information.”

Other social software makes creating and maintaining social environments additionally complex because the environments become capable of supporting different experiences, each depending on the configuration. For example, within IBM, thousands of wikis exist for various individuals, groups, teams, or projects; each wiki implements an individual, closed workgroup, visible workgroup, community, or even mass collaboration experience, depending on the needs of the owners. However, as you can see from the sidebar “The Trouble with Flexible Social Software,” trouble can arise from selecting a social software application without defining the goals of the environment.

Summary

Social collaboration occurs within various contexts in a shared social experience. Each type of experience provides its own value to the owner of a social environment, its members, or its sponsors; you can apply each experience in a different manner. A handful of archetypes exist as common models of these social experiences: social network, individual usage, closed workgroup, visible workgroup, community, or mass collaboration. In addition, the nonsocial personal experience model, a precursor to these others, is common to many Web sites.

By applying these social experience models, we can better understand the purpose of the roles and relationships between people in the environment, their activities and culture of working together, and the necessary leadership within these environments. Selecting a social experience model also depends on other factors of the social computing task that is placed before the participants, and one factor is the particular model for leadership that can guide members to work on tasks. We take a look at leadership models next.

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Leadership in Social Environments

Jimmy Wales is famous for founding Wikipedia, the largest free encyclopedia on the Web. But fewer people recall his project before that, Nupedia, which had a similar goal of providing encyclopedia content for free on the Internet. Wikipedia's success is evident in its millions of users and entries, and in supporting 55 languages as varied as Vietnamese, Arabic, and Russian, all submitted by volunteers across the Internet. Its success might even have helped shutter Microsoft's MSN Encarta, a leading commercial competitor.¹ By the time Wales's Nupedia effort closed down after about three years of operation, the site had 24 published articles, with 74 others in review.² By comparison, Wikipedia reached about 200,000 articles in the same amount of time.³

Why did two efforts to produce online encyclopedias involving some of the same leaders end so differently? The difference lies mostly in how these systems reviewed and published articles, and in who made those decisions. The Nupedia model followed the traditional peer-review process for publishing academic articles, faithfully followed by encyclopedia publishers for more than a century—but this time in an online venue. Wikipedia tried a different approach: Let anyone contribute an article—give enough people opportunity to

¹ MSN Encarta, "Important Notice: MSN Encarta to Be Discontinued," http://encarta.msn.com/guide_page_FAQ/FAQ.html.

² Wikipedia, "Nupedia," as accessed on 1 May 2009, <http://en.wikipedia.org/wiki/Nupedia>.

³ Wikipedia, "Wikipedia: Statistics," as accessed on 1 May 2009, <http://en.wikipedia.org/wiki/Wikipedia:Statistics>.

participate in its development, and the “best” article would emerge. Content quality control became a dynamic process based on how interested parties would edit or make changes to the material, without limitations on review time, degree of change, or other factors. This defining change in how people could make decisions on the content and direction of the site—a *leadership model* that allowed anyone to become an editor and leader—drove Wikipedia’s overwhelming success.

Not everyone publishes on Wikipedia, of course. Many people prefer an independent platform for their ideas. The millions of blogs on the Internet are a testament that individuals still want to voice their own opinions independently and perhaps lead their own conversations. Unlike Wikipedia, where numerous authors consolidate their thoughts into one set of results, individual blogs allow each person to speak independently. Wikipedia itself is one gigantic social environment with common rules for all. The success of each blog is a result of the leadership of its owners, who independently set the rules for what to publish and who can contribute. As such, individual blogs and Wikipedia have distinctively different leadership models.

How do these two social environment types compare to leadership in corporations and other organizations? For starters, blogs and Wikipedia emphasize the role of individuals—their ambitions, preferences, competitive spirit, interactive behavior, personal characteristics, interests, and personal goals. In contrast, most organizations still try to manage themselves through centralized, hierarchical structures, forged in the days of ancient empires. This command-oriented structure emphasizes predictable and standardized processes to manage an operational environment, while deemphasizing individual expression and direction.

Social environments can be managed either in the style of the sponsoring organization or as an independent entity with an autonomous leadership. Wikipedia’s example represents how its sponsoring foundation manages itself. In contrast, employees in many companies author blogs from their company Web site or on their own, but this does not necessarily mean that they are mouthpieces for their employer. How they lead their blogs is independent from the management style of their employers.

This does not eliminate the possibility of centralized leadership in social environments. Rather, it suggests the need to separate the authority of organizational sponsors from authority in the social environment. It allows the owners of each social environment to choose how transparent they want to be in their decisions and operations (see the sidebar “Transparency in Social Environments and Organizations”).

Transparency in Social Environments and Organizations

Is transparency a strategic advantage? Consider the fact that most social environments compete for the attention of existing and potential members. An environment with greater transparency enables people to determine at an earlier stage whether the social group meets their interest. As a strategy to draw more members, transparency offers advantages over other groups that restrict information.

Selecting a particular leadership model does not necessarily exclude the possibility of *transparency*, or clear insight into the workings, issues, and possibly even strategies of a social environment. Transparency adds a dimension that enables members to evaluate and analyze the workings and leadership of a social environment, in terms of the goals and the cultural values of the group (see Chapter 7, “Building a Social Culture”). The greater the transparency, the easier it is for members to decide whether decisions and directions meet their expectations and agree with their shared cultural values. Often, however, cultural values are open to interpretation, and even when the leaders consider that their actions are in line with the values of the group, other members might not agree. In a transparent situation, that can lead to disagreements and disharmony.

Creating a transparent social environment that is autonomous (free standing) from the sponsoring business is one strategy for creating a limited venue that can share more openly, especially for businesses that need to be fairly opaque.

Governance and Leadership Models

No single form of governance or leadership can reach across something as large as the Internet. Each social environment is its own microcosm, with its own population, activities, goals, and direction, within larger networks such as the Internet or a corporate intranet. Social environments can thus range from being strongly centralized to being entirely decentralized leadership control models.

Leadership models and governance in social environments are not always formally introduced or established. They often emerge naturally, as a result of people working together in a social group. Over time, as populations grow, members might seek new patterns to coordinate some of their efforts. As they tackle these efforts, they lay the basis for leadership, acceptable behavior, and direction for the social group. This implies some form of governance, however formal or informal, in guiding that population.

Whether planned from the beginning or as an eventual outcome of organizing a social group, each model of leadership offers particular advantages or sets limitations or predispositions to governance mechanisms. Therefore, it's important to understand these leadership models by themselves.

Leadership models encompass several ideas:

- **How do you select leaders?** This model emphasizes who can lead a particular social group and focuses on the nature and expression of their authority. Additionally, it relates to how those leaders are selected and who can be part of the selection process.
- **How can people participate?** Who decides who can participate and the format of their participation? Does everyone participate on the same equal level, or do different strata of distinctions exist?
- **How do you set goals and direction?** Who can define the goals, tasks, and direction of the group? Who can change them? How do nonleaders have an impact on the direction for the social group?

These ideas focus on the question of authority—who leads a social group. Although the steps to establish authority vary, they tend to be based on a few archetypal leadership models. These leadership

models then rely on *governance processes and policies*, a subject in Chapter 9, “Community and Social Experience Management.” These processes and policies consider the myriad issues in the day-to-day running of the social group and environment, covering technical aspects (such as managing membership and access controls, editing or deleting information, and so on) and human issues (such as defining acceptable behavior, arbitrating debates and contentions, encouraging participation, training and educating members, and communicating cultural values).

After selecting a leadership model, identifying the processes and policies to fit into that model becomes easier. Both the leadership model and the processes and policies have an impact on how members participate. But processes and policies are relatively easier to change than the leadership model. In the physical world, this is analogous to changing laws in a country versus shifting from a democracy to a monarchy.

A Selection of Leadership Models

The leadership models in Table 3.1 describe the variety of archetypes on enterprise networks and across the Internet. They are independent of social software tools and products themselves, which opens the choices available. Each model allows a business to choose, based on its own readiness level, whether to adopt social software to share control, leadership, participation, and direction.

We look at several government models in the following sections, including the *centralized* (and the slightly different *centralized-with-input*) model, *delegated*, *representative*, *starfish*, and *swarm* models. After we examine the following leadership models, we look at how they fit together with social experience models.

The Centralized Models

The centralized model is the closest to traditional top-down business management. In this model, the owners of the environment

TABLE 3.1 Social Government Models

Type	Leader Selection	Participation	Direction	Social Environment Example
Centralized	Leaders are selected by sponsors and can transfer leadership to anyone they choose.	Leaders have total control over all content in the environment—this is not quite a social environment.	Leaders have total control over direction.	A traditional Web site, with perhaps a personal tone
Centralized with input	Leaders are selected by sponsors and can transfer leadership to anyone they choose.	Leaders have majority or total control over the content, but they enable users to add secondary input, such as feedback and comments.	Leaders have total control over direction.	A standard individual or group blog, or a wiki editable by only a core team
Delegated	Leaders are selected by sponsors and can transfer leadership to anyone they choose.	Leaders share control and enable others to enter input, but still have the option to control or edit this input.	Leaders have majority control over direction.	A single community on Ning.com, vendor-supported forums or wikis, or many corporate workgroups
Representative	The membership elects leaders. Leaders can nominate others but cannot assign leadership without election.	All members have equal capabilities and rights to participate, but leaders might have additional administrative control over the environment.	Leaders have equally shared control over direction.	Large industry standards workgroups, such as the Internet Engineering Task Force and the World Wide Web Consortium

TABLE 3.1 Social Government Models

Type	Leader Selection	Participation	Direction	Social Environment Example
Starfish	Leadership is purely voluntary from members.	Everyone has equal basis and capabilities, but members agree to follow some general principles, rules, or ideologies.	Leaders have no control, or little but localized pockets of control.	Wikipedia, which enables anyone to input or edit, but has a structure for how the contents are organized; activity-based computing
Swarm	No explicit leadership exists. Leadership is purely based on influence.	Everyone has equal basis to provide input, with either only a basic definition of the input format or no definition.	No single individual has overwhelming control over direction; the direction is aggregated through the combined effect of the swarm.	Digg.com enables anyone to vote on items, creating a sorted list of news for the social group

aim to put together information and share it with an audience, but they prefer to retain control of contributions, goals, and directions taken within their particular environment. The owners might enable the audience to send feedback directly to the environment, but the owners choose whether to share this feedback openly. This is common to most traditional Web sites that focus on delivering organizationally produced content directly to an audience, such as news or magazine publishers, online retail sites, and corporate informational sites.

A variation of this centralized model occurs when social interaction starts to enter the picture. The owners still create primary information that makes up the majority of the content in the social environment. However, the subtle but important distinction is that other users can also contribute their thoughts and views as visible secondary input, in the form of comments, notes, annotations, or

other feedback. This opens the opportunity for some basic level of interaction by a social group, even when the owners still maintain control.

The same examples of traditional Web sites (publishers, retail sites, corporate sites) have started to incorporate this degree of open feedback. For example, CNN.com and Businessweek.com's main site allows feedback as comments and polls, but users cannot write an original article without their consent. LinkedIn, described in Chapter 2, "Sharing a Social Experience," allows members to directly manage their own business profiles and contact networks. Although each network has many individuals as members, the owners can decide whom they want to allow into their network.

The benefit of this modification to the centralized model is that it provides a way for a group of people, beyond the core, to collaborate and exchange ideas among themselves. It also differentiates the contributions of the owners from those of other community members. The only drawback of the model is that it doesn't set everyone at an equal or peer status. Essentially, it is still a place for the owners to lead with their ideas.

Many organizations still find the *centralized-with-input* model a "safe" starting point for an initial foray into social computing. The leaders of the social environment are usually representatives that the organization trusts. However, the invitation to provide secondary input welcomes the community to share thoughts.

Before you think of this as an unpopular approach, consider that most individual blogs tend to follow the centralized-with-input model. The blogger holds most of the conversation, while others can only comment. Those who post comments might influence the decisions of the owners or other readers, but they still have to defer to the wishes of the blogger.

The Delegated Model

The delegated model moves toward greater social interaction by enabling non-owners to provide their own primary input, assist in execution, or guide the direction. The owners are still involved, but cooperation and coordination occur with some others, often hierarchically below the owners. These delegates might come from a

different organization than that of the owners who sponsor the social environment.

For succession of leadership among the delegates, the owners choose a replacement, possibly from recommendations by other delegates. For example, if the delegates are representatives of several teams, a replacement for an outgoing delegate might come from another member of the same team. Alternatively, the owners might choose new delegates on their own.

A typical example of a delegated model is a group blog that names each participating owner with every post. For example, BoingBoing.Net⁴ provides news and commentary on Internet culture and names several key delegates as coeditors: Mark Fraunfelder, Cory Doctorow, David Pescovitz, Xeni Jardin, and John Battelle. Chris Anderson's book *The Long Tail*⁵ describes how this group blog competes for readership with the likes of news powerhouses such as *The Wall Street Journal*. From time to time, the BoingBoing bloggers also invite guests to participate and publish entries. Not all group blogs follow the delegated leadership model. *PostSecret*,⁶ a social commentary group blog, allows anyone to post anonymously to the blog, making it more a swarm leadership model.

Forum discussion communities sponsored by companies might also exhibit this model. In such communities, the sponsor assigns one or more employees to lead the environment. Those employees then invite specific participating members to become delegates for the rest. For example, the science periodical *Scientific American* offers "Ask the Experts," in which any user can submit any science question. Any number of other users vote on priorities for the submitted questions, and the editorial team routes the questions to appropriate experts or existing articles that respond to the queries.⁷ Essentially,

⁴ You can read the fairly frequent blog entries from BoingBoing at www.boingboing.net.

⁵ Chris Anderson, *The Long Tail: Why the Future of Business is Selling Less of More* (New York: Hyperion 2006)

⁶ The PostSecret social media project is published at www.postsecret.com.

⁷ The "Ask the Experts" feature is available on *Scientific American* magazine's Web site at www.sciam.com/askexpert_directory.cfm.

this delegates the responsibility of covering a host of scientific topics across many designated experts.

The Representative Model

The representative model enables the membership to elect a core set of leaders to represent their interests for the overall direction of the social group. The election process might be well defined or loose, but its existence differentiates this model from the delegated or centralized model. This is typically a democratic election, open to any members and voted on by some or all of the members. The decisions for the social environment become the responsibility of these elected leaders.

In this model, most members have equal capability to participate and post in the environment. However, they have delegated leadership responsibilities, such as establishing the topic focus or providing direction to the representatives. Members don't always have to agree with the leadership's choices and direction: Those who object strongly (and fail to be part of the leadership) either can become hidden influencers or splinter off into their own group elsewhere if they can gain enough supporters. Leaders cannot pass on their mantle of leadership to others they choose directly; the general membership still must elect future leaders.

The 125-year-old professional technical organization IEEE (originally an acronym for the Institute for Electrical and Electronic Engineers, it now covers many other technology disciplines as well) supports its 375,000 members worldwide through many chapters and branches both in physical locations and online.⁸ The discussion forums and online communities that it supports reflect the representative governance and leadership model of the overall organization. That is, leaders of forums come from the leaders of various chapters and subgroups. Any member can volunteer and eventually work up to becoming a leader.

⁸ IEEE, "About the IEEE," published at www.ieee.org/web/aboutus/home/index.html.

The Starfish Model

The name of this model comes from the ideas of decentralized structures defined in the book *The Starfish and the Spider*.⁹ The starfish model—and, later, the swarm model—is based on leaderless organizations in which no central group defines the structure of the overall social system. The starfish and swarm models come “closer” to the idea of democracy in its purest form, with every member getting an equal voice in every matter. This idea isn’t just for small groups; it can have a fairly substantial population, with many subset groups, subchapters, or regional or topical affiliations. In the offline world, this sometimes leads to cumbersome deliberation by many members, but it is not impossible. *The Starfish and the Spider* gives the example of Alcoholics Anonymous—a starfishlike organization across North America and other countries that is leaderless but has more than 2 million members.

The key idea of the starfish model is that, although it is decentralized, the members willingly follow an organizing set of principles, ideas, or processes. This usually applies to a group context instead of an individual context. All members often are equal; any roles in the group simply exist to facilitate interaction instead of to give strict leadership direction over the group.

Open source application-development projects, such as Apache or Mozilla, started in principle with starfish approaches. The Apache Foundation started initially to cover its namesake Apache Web server, the most popular vendor-independent Web server software application available on the Internet. The Foundation has expanded to support many other projects, each of which typically comes under the starfish model.

Although starfish-governed environments are decentralized, they still depend on direct interaction among members to create consensus. The next model takes to an extreme the concept of aggregating the views of many members.

⁹ O. Brafman and R. A. Beckstrom, *The Starfish and the Spider* (New York: Portfolio Press, 2006).

The Swarm Model

The swarm model might have only the slightest of common principles, ideas, or processes that bring people together. Aside from the high-level purpose, any member can perform some common structured actions, such as voting, rating, or submitting information. This model comes closest to a pure democracy and can suffer or benefit—depending on your viewpoint—from a constantly shifting focus. Because of their instantaneous and cross-population democratic approach, swarms excel at identifying trend behavior in a social group.

In nature, swarms exist by instinctual actions: A colony of ants can hunt for food in a seemingly anarchic fashion, yet still have some method to their madness. For example, when the ant colony needs more food, a random number of ants might take it upon themselves to go foraging beyond the anthill for food. As they go off, each in their own directions, they leave chemical pheromone signals indicating the way they went. Some ants might follow, while others go off in other directions. When an ant returns with food, it leaves a different message on the trail. Other ants see the signal and start to follow; eventually, they set off an overall signal that the food is “this way.” Initially, the trail toward the food might be winding, but as successive ants find shorter routes, their combined messages create a stronger “this way” message for others to follow. Eventually, the others adapt to follow the shortest trail.¹⁰

The argument that people are not like ants is immaterial. With each person taking individual action, the collective is seemingly “organized” along actions that a majority of them hold in consensus, thereby setting the overall activity and direction of the social system. It can converge toward a single major activity, diverge in different directions, or wind around.

¹⁰ Eric Bonabeau and Guy Theraulaz, “Swarm Smarts,” *Scientific American* online (March 2000). Accessible at www.sciamdigital.com/index.cfm?fa=Products.ViewIssuePreview&ARTICLEID_CHAR=AB97C110-6A49-42A2-90F8-ED14E26FFDB. This is not universal behavior in all ants. Some also use other methods to find their way—for example, Nigel Franks and Tom Richardson, “Teaching in Tandem-Running Ants,” *Nature* vol 439 (12 January 2006): pg 153–153. Accessible at <http://www.nature.com/nature/journal/v439/n7073/full/439153a.html>.

As a strategy, it simply *works* without any overall coordination or bureaucratic decision-making or guiding processes. There is simply no need for such processes. This might seem chaotic and is often hard to grasp, but within that chaos are areas of self-organization. The appeal of this leadership model comes from its simplicity and lack of strong oversight. However, some common actions are needed for the activity to be cohesive.

Some types of social software emphasize the swarm model. For example, a social tagging (folksonomy) method enables users to individually associate a Web location with a term of their own choice, but the overall system aggregates common terms across users and combines the overall set of Web locations. Therefore, the swarm behavior of individual users driven by their own reasons contributes to productive overall decisions.

In terms of social management, the swarm model can depend greatly on influence—either of the participants or of the strength or importance of the ideas themselves. For example, the online news site Digg.com enables each person to vote on a particular news item, filtering across a collective basis the important news of the moment. However, as prominent “diggers” know, some members can influence others to vote on their item, thereby raising its prominence.

The benefits of this model are flexibility and adaptability—it generally follows the pulse of participating members. Given an objective set of choices, it is possible to determine what people consider the most significant. The downside is that, to minimize the impact of a few top influencers, a site needs a large population of participants. This model also more easily follows objective ideas than subjective ones. The more subjective the actions or ideas are for members to consider, the less likely it is that the swarm will converge toward an overall result.

Choosing a Leadership Model

Choosing a leadership model can lead to four different states: a formally defined model; an informal, loosely described model; a *de facto* state; or an indeterminate state. You might assume that choosing no model would automatically result in the *de facto* state, as commonly used in the rest of the industry. However, this can be confusing when multiple possibilities exist.

For example, individuals who create a blog to share their thoughts and communicate their ideas generally assume that they, or people they pick, are the only ones who can post ideas, thereby defaulting to themselves as the central authority of the blog. However, some social tools allow for multiple possibilities, and making no choice puts the leadership model in an indeterminate state.

For example, as Chapter 2 describes, wikis are generally a way to share the responsibilities of editing a document with a group—yet they allow for a variety of social experiences and leadership models. The leaders might choose to limit the ability to edit or change the content while allowing others to read; in contrast, users may assume that they have a right to edit as well. Users who enter a wiki come with their own expectations of how the wiki will operate, particularly who is allowed to participate.

Leadership models define the authority of leaders in a social environment, but we need to combine this with other concepts to create a more accurate picture, especially with the concept of social experience models. Most experience models have multiple choices of possible leadership models (see Figure 3.1).

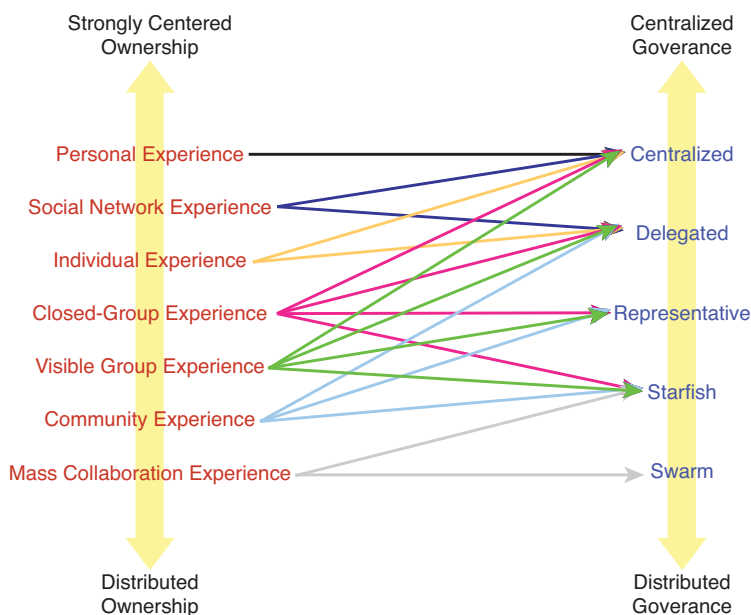


Figure 3.1 Mapping social experience to social governance models

Social sites need not implement the pure versions of these pairs of models, but understanding the connection helps leaders define goals and governance processes. Some social systems fall somewhere in between two or more models. Wikipedia generally reflects the starfish model, in which anyone can edit and contribute. But a core of volunteers helps manage the “thought wars” that might break out for controversial topics; in such cases, the volunteer editors might lock down a page so that others cannot edit it. Some people view this as an aspect of the representative or delegate leadership model.

Some complex social environments offer the same population of members access to multiple social tools, each of which follows a different leadership model. For example, a single community site might have a discussion forum where anyone can start and lead discussions, while also hosting a blog where only designees of the community can do so.

Organizations that support an ecosystem or collection of many social environments could allow each to choose their own leadership models. In doing so, users should be aware of the possibility of variability and should keep in mind the model employed in each social environment.

Choosing a leadership model can also depend on the particular task you want the members to focus upon. Chapters 4, “Social Tasks: Collaborating on Ideas,” and 5, “Social Tasks: Creating and Managing Information,” take a closer look at the structure of these tasks for social environments and identify particular leadership models that work well for each. Consider the example of newsgathering through the help of a social group (also covered in more detail in Chapter 5). The Web site Slashdot.org provides daily updates of “news for nerds”—their description.¹¹ The editors of the site choose the news items from a wide range of submissions from their members, and they enable readers to comment on and discuss the news. Because of the editorial direction, it is similar to the hierarchical structure of traditional newspaper organizations, even though the “reporters” in this

¹¹ Slashdot.org describes itself as “News for Nerds” as part of its tag line. Accessible at <http://slashdot.org>. The name of the site is an anachronism from the structure of how files are stored in UNIX-like computer operating systems to indicate the topmost location.

case come from the audience of masses that contribute. By comparison, Digg.com focuses on similar topics but enables all members to vote on the best news instead of having a dedicated editorial team. The goals of the two sites are similar, yet they have radically different leadership models.

Both models have advocates. The idea that a set of knowledgeable editors does some of the filtering for the audience helps build some confidence that it isn't filled with complete rubbish or, worse, spam. However, others see the Digg model as a better representation of what is important to many people instead of just a few key individuals. Both models take different approaches about who leads the overall focus of the conversations and, thus, steers the direction and social government of the site. Any business advantage of one model over the other is not yet clear; both are successes in their own right. However, achieving success in either model requires the leaders to understand the benefits of each model and consider appropriate techniques.

Leadership models might also evolve into another type. For example, it is easier for a particular social system to start as a delegate model and evolve toward a less strongly centered or more distributed leadership such as the representative or starfish model, when greater trust exists among the membership—enough that strong one-sided leadership is no longer required. However, the inverse—moving from a distributed starfish model toward a centralized one—typically does not occur. Such a change might be seen as an oppressive or controlling leadership move and might have drastic consequences on the members' participation or commitment level.

Governance in many social environments is often a fluid concept. Leadership models tend to solidify over time, but initially, the leaders and members can experiment with different approaches on how they want to work together. People generally see this as a good thing because it allows their voices to help shape the direction.

Leaders and Influencers

All long-running social groups with distinct identities have influencers in official or unofficial capacities. They help shape the direction of the social group and attainment of goals. Official leadership

depends on how formal the group becomes in terms of defining governance of the group. Influence, on the other hand, can have little to do with what title you hold in your organization, where you work, or to whom you report.

As indicated earlier, as an autonomous group from the sponsoring organization, the structure of leadership can be radically different and even independent of the structure of the sponsoring organization. Chapter 7, “Building a Social Culture,” takes a closer look at how the values of a parent or sponsoring organization can bleed into the social environment, especially when more of the members come from the same organization. Similarly, the leadership structure of the sponsoring organization can bleed into the social environment: Members might recognize their seniors from the organization and automatically defer to their leadership. The more heterogeneous the membership is across multiple organizations, the less this becomes a factor.

This raises the question of where influencers actually come from and whether influence is a *sticky* characteristic—after a person demonstrates influence in one social group, will that person continue to exhibit that behavior at all times or in other groups? Two leading minds take somewhat opposite stances on this topic. Malcolm Gladwell, author of *The Tipping Point*, describes key influential roles as inherent characteristics of certain people; they are naturally drawn to that kind of behavior, so they influence those around them with ideas they consider significant.¹² Duncan Watts, coauthor of *Six Degrees: The Science of a Connected Age*,¹³ contends in his more recent research work¹⁴ that influence does exist but is less a function of a few people in key roles and depends more on people who become influencers by accident when the right environmental situation arises for an idea to spread. However, both authors agree that people can

¹² See Chapter 2, “The Law of the Few,” in Malcolm Gladwell’s *The Tipping Point* (New York: Little, Brown & Co., 2000).

¹³ Duncan J. Watts, *Six Degrees: The Science of a Connected Age* (New York: W. W. Norton & Co., 2004).

¹⁴ Clive Thompson, “Is the Tipping Point Toast?” *Fast Company* online (February 2008). Thompson’s article talks about Duncan Watts’s new experiments in understanding how ideas spread in social groups.

become influential in specific matters and that detecting these influencers can help identify how the idea will spread and what shape it will take.

A number of ways can help identify influentials:

- Relationship networks can describe leadership, especially when they indicate a direction of interest. For example, members who have tens of thousands of followers on Twitter are inherently influential to some degree because they can easily communicate to a great many. Mapping these relationship networks can help identify other influencers simply in terms of how well connected or how frequently people turn to them for help.
- Some members might also intentionally take on prominent, unofficial, or self-declared roles as subject-matter experts or relationship brokers. Although not official leaders, they are well known or well connected, so they become influencers.
- Social environments that implement a way for members to collectively assign reputation to each other inherently identify influencers, as described by their high rankings or notable achievements.
- Social environments that implement a way for members to assign expertise areas can also identify influencers with different competencies.

With social software, it might seem easier to discover influence by tracking interactions. Unfortunately, accurately measuring the degree of influence and understanding this on a large scale remains an elusive goal. Even without understanding the true extent of leadership here, we can still examine where they are applied in different leadership models.

Summary

Leadership models, in conjunction with social experience models, help focus the purpose of the social environment. Leadership models offer different approaches to describing authority in a social environment, which helps shape the governance processes and policies. A variety of these models, such as the centralized, delegate, representative, starfish, and swarm models, are frequently used on the

Internet and within enterprises. These models vary based on how authority is concentrated within or distributed across the membership, by the mechanism for choosing leaders to set goals and direction, and by how members can participate in the social group. Not everyone directly states their choice of leadership models, but every social environment has one, even those that seem to have no identifiable leaders. Leaders can also choose to modify or evolve their model over time and in reaction to members' ideas and views. This fluid nature is typical in the early stages of a social environment's growth but tends to formalize over time.

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Social Tasks: Collaborating on Ideas

Mars Incorporated—also known as Masterfoods outside North America—offers a way for people to personalize Mars products through its Web site, such as enabling users to add their own messages or images printed on the face of its famous M&Ms candy. I used the Mars offer to create personalized candy for our son's second birthday. However, the custom version I created with my son's photo and name is probably not something that I would want others to use. In this situation, although users can create their own custom versions, this isn't a task for users working or sharing collectively. In essence, this task is a personal experience, no matter how many people might repeat it each day.

In comparison, BurdaStyle, a site for sewing and clothing-design enthusiasts, enables members to not only create their own versions, but also share these ideas with others, to create outfits of their own. Users' capability to share their ingenuity and output with others illustrates the social aspect of this task.

Social groups radiate energy as a group, but harnessing and focusing this social power on a desired task requires some planning. As the differences between the approach of Mars and BurdaStyle suggest, a task for a social group is more than simply enabling a mass of people to engage in a task. It doesn't become social until the members of the group are *somehow* collectively interactive or involved in the overall process. How well you harness this social energy depends on the organization of the group and how you frame the task to perform.

Many social sites define these *social tasks* as part of a mission statement, activity, or goal for the group members. The social lending Web site Prosper implies in its name the goal for its members: to

help each other prosper financially through social lending and borrowing. The Squidoo social site boldly declares, “Everyone’s an expert at something”¹ and acts as a platform for people to share their expertise with knowledge seekers (the social task). Some social tools separate the task for members from the business objectives of the environment. For example, the children who play games and participate in Disney’s Club Penguin do it for the entertainment, but Disney aims to deliver an entertainment platform as a commercial venture.

The Web site Web2list.com² identifies hundreds of social sites on the Internet, each with different approaches, technical implementations, and target populations, yet many sites have frequently repeating tasks and similar patterns. This chapter and the next aim to distinguish the different patterns of performing work in online social environments. These social task models might address only a subset of the possibilities across these hundreds of social sites, but they offer ways to understand the differences between models and the principles behind each model.

The Structure of Social Tasks

In contrast to the interpersonal, content, and environment actions that users can perform discretely, a social task is a larger view of collaborative work. Not all members might participate in the task, the tasks might not be assigned to specific members, the task might not need singular results, multiple tasks can exist in the same environment, and a variety of beneficiaries are possible. However, the task tries to get some possible permutation of the overall membership involved by asking members to provide input, perform some steps of a more complex task, make a decision, or consider or consume some information.

The dimensions of a social tasks model combine many of the ideas presented so far in this book, with a few additional concepts. Additionally, there are certainly other possible types of social tasks, derivatives, or variants that are not detailed in this book. This chapter

¹ On the front page of www.squidoo.com in August 2008.

² <http://Web2list.com> is a list generated by user contributions of hundreds of links to social and Web 2.0 sites.

provides a framework on how to define a social task and relate it to the other concepts from this book. The examples of tasks in this and the next chapter are here to guide you to develop your own methods using this framework.

Identifying Beneficiaries

The first identifying question is about the intended beneficiaries of the social task. Table 2.2 in Chapter 2, “Sharing a Social Experience” pointed out that members, owners, and sponsors can all simultaneously benefit from participating in a social environment. A social environment can have multiple tasks for its members, each of which can have a different beneficiary. Tasks can focus on short-term activities and benefits for members, compared to the long-term value of socially interacting in the environment. Members might be more willing to perform this work if they understand who else benefits from their efforts. Identifying the beneficiary group doesn’t describe the form of the benefit,³ but it has an impact on the decision for a prospective member to get involved. Table 4.1 shows that members can contribute their efforts to a number of possible beneficiaries.

TABLE 4.1 Potential Beneficiaries of Tasks

Beneficiary	Description
Task participant	Only members who participate in the task reap the results.
Social instance member	These are some or all members of a single instance of a social environment (for example, one person’s social network, a single group, or a community), regardless of whether they participate in the task.
Ecosystem member	This includes anyone registered with the ecosystem—a collection of many social environment instances, such as many individuals, personal networks, groups, communities, and so on—regardless of whether they participate in the task.
Sponsor	This is the sponsor (individual or organization) that provides or supports the social system.

³ It isn’t always possible or desirable to ascribe value to the benefits or results of a social task, but take a look at Chapter 10, “Measuring Social Environments,” for ideas on measuring social systems.

TABLE 4.1 Potential Beneficiaries of Tasks

Beneficiary	Description
Sponsor offering	In addition to the sponsor, members can potentially benefit as customers of these products, services, or other offerings.
Third party	The task benefits specific individuals or groups in addition to the members or the sponsor.
Anyone	This includes anyone in the domain, regardless of whether they are a member or whether they participate in the task.
Cause	This beneficiary is an altruistic or abstract cause or philosophy, such as averting poverty worldwide, aiming for a healthier workforce, or supporting environmental causes. These beneficiaries aim for wide categories of common interests instead of targeting specific populations or organizations.

Describing the Form of Aggregation

The next step of defining a social task is to consider how members perform this task collectively. Social software aggregates the behavior or content from many individuals into overall results or collections of results. However, you can use different methods to perform aggregation:

- **Independent**—Members work on the task separately, but the results are aggregated across all members. Their discrete actions and results might not be directly visible to others—the results are visible only a converged aggregate value (for example, closed ballot voting).
- **Autonomous**—Members work on the task separately of each other, and their results are distinctly visible to other members as separate work. This creates opportunities in which members might benefit from information that multiple other members share. A collection of divergent results across the many members or a single convergent result (such as brainstorming on ideas) can occur.
- **Consensus**—A group of members works directly together on the task with the *intent* to deliver an overall collective result, even if it's not unanimous or convergent. Tasks often require analysis, discussion, and debate to arrive at a collective answer. The ultimate goal is to converge and deliver a single collective

result, but members might not always agree on one answer and there sometimes produce multiple options as results.

- **Deliberative**—A group of members works directly together without the intent or necessity of coming to a consensus on a single result. These are typically discussions or interactions that can spread out in many directions, depending on how subsets of members interact.
- **Combative**—Members must compete against each other to derive the best result from the group, denying other choices.⁴ Unlike consensus forming, only a single answer is provided from all the choices the group generated.

Building a Template for a Task

Putting these methods together with the concepts covered previously, Table 4.2 illustrates a template we can build for these tasks. It identifies who could benefit from a task, the type of aggregation performed, social experience models that sites often apply to this task, and possible social leadership models.

TABLE 4.2 A Template for Social Tasks

Task
Beneficiaries
Aggregation
Experience
Leadership

Different Models of Social Tasks

Using this template approach, we can build models of various social tasks to apply to a social environment. Each of these tasks requires the necessary software implementations for members to

⁴ Bryce Glass, *Designing Your Reputation System in 10! Easy Steps*, IA Summit 2008, Miami, Florida.

conduct the steps of the task. However, the focus is to differentiate between social tasks; understand the necessary settings for social experience, leadership, and aggregation models; and define the types of actions that occur in each task.

Idea Generation

Idea generation as a social task aims to use the energy of the social group to either develop or pick new ideas from many possible options. Because members can contribute many ideas at a time, these tasks often include methods to examine the top ideas. This type of social filtering is another social task that can work independently of idea generation, which Chapter 5, “Social Tasks: Creating and Managing Information,” covers in more detail. In generating ideas, people have an advantage over computers because they can apply their experience, knowledge, brainpower, and inspiration to come up with a wide variety of options. The two common forms of social idea generation are *social brainstorming* and *prediction markets*.

Social Brainstorming

Social brainstorming creates an open stage for members to identify, discuss, and lobby for ideas. It can be open to any set of topics, but typically the sponsor sets a frame of reference. For example, IBM has been using social brainstorming in its Jam sessions since 2001. In 2006, its InnovationJam⁵ drew more than 150,000 employees, partners, and family members to contribute on the themes of “Going Places,” “Staying Healthy,” “A Better Planet,” and “Finance and

⁵ Osvald M. Bjelland and Robert Chapman Wood, “An Inside View of IBM’s InnovationJam,” *MIT Sloan Management Review* (Fall 2008), Vol 50, No 1: 32–40. IBM’s Jam sessions (see www.collaborationjam.com) are annual activities on a public-facing social site that enable employees, partners, and other members of the public to participate in a mass social brainstorm to address worldwide issues. Also see “IBM Jams: Big Blue Can Innovate, Too,” by Robert Katz, on his WorldChanging blog, accessible at www.worldchanging.com/archives/005342.html; and see Martin LaMonica’s article “IBM’s Chief Steps into ‘Second Life’ for Incubator Launch,” *ZDNet News* (14 November 2006), accessible at http://news.zdnet.com/2100-9595_22-150263.html.

Commerce.” Other examples include Dell’s IdeaStorm⁶ and MZinga’s IdeaShare for the “We Are Greater than Me” project.

These are open feedback platforms that can generate basic ideas and enable others to agree, disagree, or further develop the ideas. The sponsoring organization should provide some degree of commitment to turn the best ideas into real implementations or products. For example, IBM committed a \$100 million fund to support the best ideas that its 2006 social brainstorming session produced. This eventually led to the creation of a number of new business activities for the company, covering ideas such as smart healthcare payment systems, real-time language-translation services, and the 3D Internet initiative.⁷ More than just the carrot at the end, these social brainstorming sessions also require leaders to champion the ideas, present them to others, or recruit others to help develop them. Otherwise, these ideas can die on the vine from inadequate support.

Although the mass collaboration model applies well when the only catalytic factor is the aggregate vote on each idea, a better experience model is a community formed around the topic with defined leaders in catalyst roles. Group collaboration might also work for smaller, more population-limited engagements.

Social brainstorming (see Table 4.3) can work with a defined group, community, or mass collaboration experience model. However, a community manager or catalyst must sponsor, promote, and support the idea to develop it from concept to reality. To accomplish this, social brainstorming can lead to *codevelopment* (covered later in this chapter). Ideally, many catalysts help ideas compete against each other for the most support. A delegated, representative, or starfish social leadership model can work well after the initial task of voting on ideas has taken place.

⁶ Jeremiah Owyang, “When the Web Team Leads Product Development, the Evolution of Dell Hell to Dell Swell,” Web Strategy Show, accessible at <http://tinyurl.com/292qm9>. This is a nice video interview between Owyang and Lionel Menchaca, blog strategist and community manager at Dell, with some discussion about IdeaStorm. The site itself is at www.dellideastorm.com.

⁷ See note 5.

TABLE 4.3 Social Brainstorming as a Social Task

Task	Social brainstorming
Beneficiaries	Any
Aggregation	Autonomous, then consensus or combative
Experience	Closed or visible workgroups, community, or mass collaboration
Leadership	Delegated, representative, or starfish

Prediction Markets

An alternative to the free associative thinking approach of social brainstorming is the prediction market. A prediction market is typically a voting or speculation platform in which members can distribute a limited set of points across multiple ideas. Unlike social brainstorming, this task model involves a limited, although possibly numerous, predefined set of choices for ideas and a definite end date. Each session typically applies a single question to decide among multiple open-ended choices or possibilities—for example, “How many items of product X will we sell in the winter?” The value of assets can go up or down relative to each other until the end date, at which point you can examine the final status. This helps filter the most valued ideas to the top.

Best Buy’s internal prediction market, called TagTrade,⁸ enables its employees to speculate on a wide variety of business predictions (such as predicting revenue on Memorial Day or gift card sales on Father’s Day) and also provides pure entertainment for employees (for example, predicting whether *Pirates of the Caribbean 3* would do better than *Spiderman 3* before the launch of each). The Hollywood Stock Exchange⁹ is another example of members speculating on the potential box office success for new movies in the United States.

⁸ Dawn Keller, *TagTrade: Best Buy’s Prediction Market*, Prediction Markets Conference, Kansas City, Mo. (November 2007).
⁹ Hollywood Stock Exchange, *Welcome to Hollywood Stock Exchange: The Entertainment Market*, (December 2008). Available online at www.hsx.com/about/whatishsx.htm.

The structured nature of a prediction market (see Table 4.4) suggests that mass collaboration is best suited to running the actual overall task. However, as the Hollywood Stock Exchange site shows, each asset or stock can also have an associated subcommunity within the overall ecosystem. This enables users to share views and often try to justify or negotiate their valuation in a shared context. Prediction markets pair mass collaboration with swarm leadership, and many possible communities with starfish leadership.

TABLE 4.4 A Prediction Market as a Social Task

Task	Prediction market
Beneficiaries	Any
Aggregation	Consensus
Experience	Mass collaboration, optionally with subcommunities or groups for discussions
Leadership	Swarm, with subgroups as starfish

Codevelopment

Codevelopment involves applying collective effort to transform an idea from a high-level concept into well-refined ideas or substance. Social brainstorming and predictive markets define what the social group considers interesting to pursue. Codevelopment can take the interesting ideas from social brainstorming and predictive markets to the next step of making them real. The outcomes can be products, services, knowledge, or other concrete ideas. Table 4.5 illustrates the spectrum of idea conception, development, and realization tasks, in which the “products” of social brainstorming and prediction markets are ideas. This section analyzes approaches for idea development realization: *crowdsourcing by template* or *auctions*, *distributed human computation*, and the development approach that originated from *open source development*.

TABLE 4.5 Different Models for Social Codevelopment

Type	What Is the Task's Focus	Who Creates Ideas	Who Develops Actual Product	Which Experience Model
Crowdsourcing by template (such as BurdaStyle)	Templates are offered for users to cocreate their own custom versions or designs of products.	The site provides tools or templates for membership to create new ideas and vote on the best ideas.	Members develop the product that might be handed to a dedicated product team for final implementation or packaging.	Mass collaboration.
Crowdsourcing by auctions (such as InnoCentive.com)	Topics or problems are narrowly predefined.	A sponsor offers a specific problem to solve, possibly with an offered reward.	Members bid by auction to solve the problem in part or in full.	Mass collaboration.
Distributed human computation	Tasks can be deconstructed and completed in pieces.	Sponsors, leaders, or external customers pose computational tasks.	Members complete pieces of the problem and return to the site, which reassembles it into a complete result.	Mass collaboration.
Open source development (such as Mozilla)	The project has defined goals, but ongoing development can evolve the goals.	The membership defines the goals with help from leaders.	The community develops the product collectively.	Mass collaboration, defined groups, or community.

Crowdsourcing

Crowdsourcing has been one of the more pleasantly surprising outcomes of social computing. The idea poses a problem to a crowd of users that is impractical to solve through computation but is possible through human analysis. This is precisely the business model that InnoCentive.com and BurdaStyle have successfully discovered. Crowdsourcing works through a template-based approach that members can customize to create original designs, and also through an

auction in which members bid to provide solutions to sponsors’ or customers’ projects.

Template-based crowdsourcing (or *socially-driven prototyping*—see Table 4.6) is handy when the problem can be defined in an easily understandable and reconfigurable way, but it requires human ingenuity to develop new designs or prototypes. BurdaStyle enables users to take virtual raw materials and create new designs or templates of their own with the help of online design tools, which other users then rate on their appeal.¹⁰ This approach provides a mechanism to explore new designs and ideas with the help of consumers. It also helps promote greater use of products and drives revenue.

TABLE 4.6 Crowdsourcing by Template as a Social Task

Task	Crowdsourcing by template
Beneficiaries	Task participant, sponsor offering, ecosystem members, third parties, or anyone
Aggregation	Autonomous creation, deliberative or combative selection
Experience	Community and mass collaboration
Leadership	Centralized design and review steps, swarm acceptance steps

Crowdsourcing by auctions (or *idea outsourcing*) is better suited when it’s difficult to define the subcomponents or steps needed to complete the task, and when the ingenuity of the social group is required to offer viable solutions. The sponsoring organization either puts a proposal out to bid with a given reward or asks bidders to provide their price.

Both crowdsourcing models work well in mass-collaborative experiences because participants work on an individual level according to their own motivations to provide part of the overall solution. The social group can be involved in the decision-making or voting processes for the best ideas (or can even use a prediction market).

¹⁰ BurdaStyle is a project cofounded by Nora Abousteit and Benedikta von Karaisl of German publishing house Hubert Burda Media. Available online at www.burdastyle.com/content/about_us.

Distributed Human Computation

Amazon.com's Mechanical Turk¹¹—a marketplace for piece-work that requires human intelligence—transforms an old idea in software computation into a social task: breaking down a computational problem into smaller pieces and spreading the piece-work over many “processors” to solve in parallel. This kind of parallel processing works best when one or more steps can be independently repeated over many subsets. The social task version, which replaces computer processors with people, works well for tasks that computers find difficult to analyze yet can be fairly straightforward for the human brain. For example, identifying some object or recognizing specific people in a photo requires an understanding of what constitutes the boundaries between objects, knowing how to interpret objects from different angles, and recognizing an object from a lifetime of memories. Each participant performs this action on a single photo, repeated many times for a whole collection of photos. By working in parallel, people can find commonalities more quickly than it would take a computer system to analyze these photos. Amazon offers this business service to customers with such problems to analyze, and then handles how the work is broken down and assigned to members in this social environment. Amazon's service then consolidates the results and returns them to the customer.

Although this is “distributed computing,” because the problem set can be broken down into units that many computation units (people) can process in parallel, the key point is that the human mind is doing the processing, not computers. The process also differs from the other forms of crowdsourcing by template and auction because each member doesn't take on a unique project of his or her own, and it might not involve as much creative thinking or originality (see Table 4.7).

Open Source Development

Open source development can be more effective than other varieties of codevelopment in creating the detailed implementations of projects. Members can be involved in this task on many levels, from working on small improvements independently of the main effort, to

¹¹ Amazon.com, *Mechanical Turk* available online at www.amazon.com/gp/help/customer/display.html/ref=hp_navbox_inbus_turk?nodeId=16465291.

TABLE 4.7 **Distribution of Human Computation as a Social Task**

Task	Distributed human computation
Beneficiaries	Sponsor, sponsor offering, task participants, third party, or causes
Aggregation	Independent
Experience	Mass collaboration, supporting community
Leadership	Computation as a swarm; delegated, representative, or starfish supporting community

taking on a deep-level involvement in designing, implementing, and leading the project. They also generally have a lot of freedom in how to carry out the task. Open source development stems from software-development projects in which the software source code is available and visible to any potential developers who want to improve it. This contrasts with the “closed” approach of many software vendors who closely guard access to their software and limit anyone but their own developers from making any changes.

Open source development can work in a defined group, a community, or a mass collaboration (see Table 4.8). It’s possible to carry out such a development in multiple parallel experiences:

- A defined group of members who know each other well and handle the core development effort
- A community that exchanges ideas and helps improve the components
- Members who create improvements or additions just for themselves, which they eventually give back to the project—essentially acting as a mass collaboration

TABLE 4.8 **Public Open Source Project Development as a Task**

Task	Public open source projects
Beneficiaries	Anyone—ecosystem or instance members, causes, or sponsor offerings
Aggregation	Autonomous contributions, and consensus or combative on final choices
Experience	Primarily community, secondary groups, and mass collaborations
Leadership	Primarily delegated, representative, or starfish leadership

Finding People

Social computing tools are a great way to locate people, either by proactively seeking out people or by serendipitously finding them in a location. As with other social tools, having a social environment with an active and well-identified population is more likely to help someone find a good match. Although successfully finding exactly who you are looking for depends on the list of members in the social environment, you should consider how this task works independently of the chances of success. Some tools also discover and map the relationships between people based on content in enterprise databases and e-mail systems.

Relationship Mapping and Mining

Managing and discovering contacts comes naturally to a system that focuses on the social interactions of many users. Keeping track of contacts is an essential part of business. However, traditional contact-management systems and relationship databases that require users to actively submit the status of contacts and relationships can quickly become outdated and require too much time to maintain manually.

However, social computing tools can develop an almost real-time perspective of relationships as a constantly changing and evolving model. Tools such as BranchIt Corporation's eponymous software and IBM Lotus Atlas for Connections can examine the interactions between users as they occur and map the relationships. These tools examine social interactions in different channels such as e-mail, instant messaging, enterprise databases, and other tools that embody shared or social activities among a known set of users who have given their permission. In essence, a relationship-mapping tool creates a collection of social networks across all these users. Users might be able to see only their own networks, but these applications could help users also discover other connections through their intermediary relationships (see Table 4.9). Although users might recognize many of the people in their networks, they might also be surprised at the new possibilities such systems discover or might see relationships they didn't know they had.

TABLE 4.9 Relationship Mapping and Mining as a Social Task

Task	Relationship mapping and mining
Beneficiaries	Task participants or social instance members
Aggregation	Autonomous
Experience	Social network and community
Leadership	Centralized

Location-Centered Social Interactions

When people share information on their current or planned future location, it creates opportunities where people can meet each other, learn from their shared expertise, or state their opinions and preferences. This can be particularly useful for meeting new people at business events such as trade shows and conferences, or for locating peers and experts (see Table 4.10).

TABLE 4.10 Location-Centered Interactions as a Social Task

Task	Location-centered social interactions
Beneficiaries	Task participant, social instance members, or ecosystem members
Aggregation	Autonomous
Experience	Social network or individual
Leadership	Centralized

The Dopplr social site provides ways for members to share their upcoming travel destination or information with others, either privately to their social network or openly to any other member of the site.¹² Dopplr users identify a city or location and dates when they will be going. As they travel, they might find other users in their social network in the vicinity, or vice versa. Other users watching them can be notified of their plans, saving them from needing to recall or find people in each location to notify them of their plans.

¹² Dopplr is a social atlas service for travelers to share travel plans and patterns among people, founded by Marko Athisaari (Finland) and Matt Biddulph (UK). Available online at www.dopplr.com/main/about.

This also creates serendipitous opportunities to meet others if, for example, they happen to be in the same city at the same time. Although Dopplr itself is nonspecific in its use, many possible scenarios arise. Researchers and academics can use it to discover opportunities to meet their peers at different events. Consultants can use it to discover which knowledge experts are available in their region. On a personal level, enterprising parents can use it to set up play dates for their children.

BrightKite is another tool to help people discover each other based on geolocation, especially through cellphones.¹³ This site enables users to share their location information and status autonomously (per the description in the earlier section “Form of Aggregation”) with others in the social network they identify, or share it openly with everyone to meet new people. These tools do allow for privacy. For example, BrightKite can limit who can see a user’s location and can also limit this to a certain physical range (up to 500 meters) based on the member’s availability or privacy indicator.

Summary

Performing work collectively as a social group involves more than just gathering people in a virtual place. It involves the social group at some point of the task—in input, analysis, or output—aggregating the work through one of several ways. The work to perform, the social task, frequently recurs in common patterns across many social environments. By creating a model for a social task, you can consider the situation necessary to enable group work based on the social experience model, the government, the aggregation approach, and the interpersonal, content, or environment actions involved.

The different task models described in this chapter focus on ways people can collaborate in pairs, small groups, or large populations. Chapter 5 further explains how to work with information in social task models.

¹³ Brady Becker, “New Features: Place Privacy and People Near Me,” BrightKite Blog (July 2008). Accessible at <http://blog.brightkite.com/2008/07/30/new-features-place-privacy-people-near-me/>.

Social Tasks: Creating and Managing Information

Working with information that is unstructured or qualitatively subjective is another category of tasks that can be complex for software to solve by itself. Often such information requires a human perspective to indicate preference, quote alternative sources, categorize, or filter to add perspective, supporting material, or assessment of quality. This helps others consider, consume, or apply this information to their own work. Social computing tasks help guide a group to analyze information in this way. By simplifying the steps and working with crowds, it is possible to build substantial information about any subject. This chapter examines three categories of social tasks involved in creating or managing information: recommendations and reviews, creating and categorizing, and information filtering.

Recommendations and Reviews

Social computing embraces and enhances the natural inclination of many people to offer their opinion on practically any subject they care to talk about.¹ This is evident not only in the many variations of ratings, reviews, and recommendations found on sites, but also in the marketing tactics companies use to promote by word-of-mouth.

¹ This is culture dependent. Some cultures don't encourage directly offering contrarian opinions or ideas to their seniors or managers. In such cultures, social users often take on pseudonyms or aliases to enable them to contribute but not interfere with the cultural norms.

Reviews

Online qualitative review systems enable social environments to collect user opinions in different ways. Analysts have researched review systems and the influence of reviews² on products and services. How is this different in the online environment? The statistical processes for analyzing quantitative ratings remain the same, although collection, storage, and processing have become easier. However, creating a balanced system for qualitative reviews continues to be an art form, even on online systems.

What has changed is the distribution of this information, and integration into other systems. Regardless of the domain of the system, it has become much easier to refer to particular ratings and items and to redistribute these opinions to others. Digg.com's metric (the number of "diggings") refers to how many individuals have indicated that a news item on some Web site is worth others' consideration. Other sites can also depict this rating as a widget, showing the value of the content item on an industry-wide scale (digg.com). Review systems providers such as Bazaarvoice and PowerReviews offer a service that organizations can add to their own sites in the public-facing domain. People can also apply the survey tools discussed in Chapter 10, "Measuring Social Environments," to gather ratings and reviews in other domains.

In product reviews, the reviewer's identity assuages bias. Knowing that the reviewer has actually purchased the product also matters. Amazon.com's RealName system³ is intended to provide assurance of users' identities by authenticating them based on their credit card information. PowerReviews's Verified Buyer⁴ program verifies that reviewers have actually purchased the product they are discussing. Both programs lend credibility and reputation to reviewers.

² Grant Blank, *Critics, Ratings, and Society: The Sociology of Ratings* (Lanham, Maryland: Rowman & Littlefield, 2006). Blank covers a wide range of research about reviews and ratings systems.

³ Amazon.com, *Your Real Name Attribution* (August 2008). Available online at www.amazon.com/gp/help/customer/display.html?nodeId=14279641.

⁴ PowerReviews, PowerReviews Customer Reviews Service (July 2008). Available online at www.powerreviews.com/social-shopping/solutions/customer-reviews.html.

Quantitative ratings are typically consensus focused, whereas qualitative reviews consolidate many autonomous or combative individual reviews. Reviews can be quite descriptive and can be considered content items in their own right if they are substantial and useful to the social group. Reviews can drive some discussion and deliberation as a community experience (see Table 5.1). To gather more users or customers, companies can use reviews and ratings as recommendations to distribute socially.

TABLE 5.1 Reviews as a Social Task

Task	Reviews
Beneficiaries	Any
Aggregation	Autonomous, deliberative, or combative
Experience	Individual or community
Leadership	Centralized or starfish

Direct Social Recommendations

After users create or discover some piece of content, a common instinct is to (positively or negatively) recommend it to others they know. Unlike reviews, which are open to anyone else in the domain, direct social recommendations emphasize direct relationships. Therefore, reviews can easily be a feature of social network and defined group experiences. This form of word-of-mouth transmission of recommendations directly among users has several possible mechanisms.

One approach is to formalize word-of-mouth as a marketing campaign. A company can operate a word-of-mouth program in many ways, incorporating features such as tracking paths across users, collecting sales leads, and even rewarding participants. The Word-of-Mouth Marketing Association lists numerous business providers that can assist others in conducting such a campaign.⁵

Even without such a formalized program, basic systems simply entice users to e-mail a friend about a site they have seen. This

⁵ WOMMA.org, WOMMA Member Directory (September 2008). Accessible at www.womma.org/members/.

information can be fed to a social navigation system that shows “most e-mailed pages.” The site typically automatically generates a formatted e-mail in which the sender identifies himself and one or more addresses. The generated e-mail might have a Web URL with special parameters to identify it as an invitation from another user. This helps the site measure the success rate of invitations. Beyond this “e-mail a friend” system, other word-of-mouth methods frequently use a standard URL with a special parameter or tag. A word-of-mouth marketing program might invite a core set of members to formally sign up to participate to receive marketing messages (containing a tagged URL) and, by their own means, distribute these messages to others they know (their social network).

The converse of pushing recommendations to people is when users intentionally want to receive (or pull) notifications from others (see Table 5.2). This pull for information is common when a member is trying to keep up with the activities of their friends, peers, or managers. For example, the Flock browser enables people to invite peers to participate in a particular group so that each member can share with the group Web locations, images, audio, video, or other items they find interesting. Members still control their own browsers, but they can receive a stream of suggestions from fellow group members in the browser.

TABLE 5.2 Direct Social Recommendation as a Social Task

Task	Direct social recommendations by notification
Beneficiaries	Task participants, social instance members, and sponsor offerings
Aggregation	Autonomous
Experience	Individual and social network
Leadership	Centralized

Microblogging social tools such as Twitter, Plurk, and Identi.ca enable members to share their activities or interests with peers, or follow other members. Members can post a short paragraph of text (typically 140 words or less) that is automatically distributed to all those who are following them. This enables both the push and pull models of direct social recommendations. As with individual blogs,

authors share their ideas and suggestions with others in an individual experience, often to build a reputation for themselves as a useful resource. Companies are also actively present in these ecosystems of users to share their content and communicate with or respond to users. For example, the Scottsdale, Arizona, police department uses Twitter to send urgent notifications to any followers on their computers or cellphones.⁶ Similarly, NASA actively shares information with the public about the ongoing activities of the Mars Phoenix Lander spacecraft.⁷

Derived Social Recommendations

Some social systems can process the behavior of a social group over time and generate recommendations based on this data. The input is still social, derived from the natural behavior of many users on the site. However, complex software analysis generated the recommendations instead of direct content suggestions from other users (see Table 5.3). Unlike the direct recommendation approach, the visibility of other users or their choices is not an important factor to newly arrived users.

TABLE 5.3 Derived Social Recommendation as a Social Task

Task	Derived social recommendation
Beneficiaries	Task participants
Aggregation	Independent or consensus for contributors
Experience	Personal for task user Community or mass collaboration for contributors
Leadership	Centralized per task user Representative, starfish, or swarm for contributors

The Netflix online movie rental store has a renowned recommendation system that offers suggestions that pair members’ movie

⁶ Amanda Keim, “Scottsdale Police Twitter to Get the Word Out,” *The East Valley Tribune* (online) (Scottsdale, Ariz.: 5 September 2008). Accessible at www.eastvalleytribune.com/story/124996.
⁷ Alan Boyle, “Mars Lander Is a Web Star,” *MSNBC.com* (30 May 2008). Accessible at <http://cosmiclog.msnbc.msn.com/archive/2008/05/30/1085295.aspx>.

interests with models of what they and other members have chosen, as aggregated from the combined social behavior. The algorithm is confidential, but the business value as a competitive advantage is evident; this recommendation system trumps the classic model promoted in movie stores that offer picks by their employees, their own experts, or well-known movie reviewers.

In a different version of this idea, MarketWatch.com provides a portlet of information that highlights Most Read and Most Commented content items. Other sites offer the Most Emailed category. Each of these traffic-relevant methods points out aggregate social behavior to offer suggestions that might interest other users.

Information visualization plays a strong role in this task by showing different ways of linking pieces of information or knowledge, showing priority items, or providing filtering options. These navigation elements might appear in these formats:

- **Sorted list**—Placing the terms in some form of sorting order, such as alphabetically or by date, relevancy, or other sort options.
- **Tag cloud**—The terms are positioned near each other as if floating in a cloud, with significant terms enhanced in bigger fonts or brighter colors.
- **Treemap**—Each term has a set of boxes, decreasing in size from the top term to the lowest term. The name derives from a software programming data structure called a tree, which is then mapped to a visual model as boxes.
- **Network diagram**—This is similar to a tag cloud, but with a web of connections between related terms.
- **Sliding filter**—This format sets a threshold, showing fewer terms or more terms, beginning with the top terms.

Creating and Categorizing Information

Social tools often provide a common means of creating content in a freeform manner, as users see fit. The task of creating information overlaps with other tasks, such as gathering resources and defining categories, making them difficult to separate. Therefore, all these tasks are similar types.

Sharing Collections

Creating a list of information is one of the simplest approaches to categorizing information. Sharing a collection or a list is a natural outgrowth of the social Web. By sharing a list they created, users are essentially lending their opinion and credibility to the contents, and vice versa. A list is a simple suggestion of how a user categorizes a particular selection of information. This task focuses on the collection-creation process instead of the recommendation action (see Table 5.4).

TABLE 5.4 Sharing Collections as a Social Task

Task	Sharing collections
Beneficiaries	Any
Aggregation	Autonomous, deliberative, and combative
Experience	Individual and community
Leadership	Centralized and starfish

Online shopping sites today have ways to save the current virtual shopping cart of items that a customer might want. However, not all sites enable users to share these lists with others; their lists simply enable users to delay purchase for a later time without needing to find all the items when they return in the future—the lists foster a personal experience.

In contrast, when a shopper wants to share a wish list of items with friends, this changes the list to an individual or social network experience and requires mechanisms for other users to manage purchases from that user’s list. This is essentially the same idea as a gift registry (for a wedding, a birthday, or some other event).

A shared list is also a process of recommending or categorizing items. For example, I share my list of social computing books on Amazon.com’s Listmania, with a short description of my views on each.⁸ I use it as a way to quickly recall what I thought of each book,

⁸ Rawn Shah, *My Social Networking Book List*. Accessible at Rawn Shah’s developerWorks space, at <http://tinyurl.com/6noq72>.

but others might see it as a recommendation on useful books on this particular topic. Because this list is on a public ecosystem of other shared lists, it is my individual experience instance. All these varieties focus on a centralized leadership approach to creating a collection of information.

Folksonomies and Social Tagging

Social bookmarking expanded the idea of storing bookmarks on a Web browser to storing them on another Web site so that other browsers and people can access them. Adding *tags* to each bookmark enables users to create their own index to find information according to their individual preference. *Social tagging* combines the entries from many users under each tag into a common set. You can apply this tagging technology to any kind of information by a group (social tagging in general), not just Web bookmarks (social bookmarking).

This technology combines information from many people to create a richer set of information about any subject. The overlap of different mental indexes from many people helps identify common interests and common cross-references, while also adding different possible sources of information. Most systems also eschew qualifying or weighing the quality of such content in favor of creating a simple yet dynamic, evolving system.

This is an entirely different approach to structuring information (see Table 5.5) than top-down approaches of a core team of people creating a hierarchical or networked taxonomy (such as mapping a family tree or a network of friends) or organizing information by aspect (such as organizing music by genres). It is freeform and driven from the bottom up by many users acting independently and shaping it by virtue of their shared social environments—it truly deserves a new name: *folksonomy*.

TABLE 5.5 A Folksonomy as a Social Task

Task	Folksonomy
Beneficiaries	Any
Aggregation	Deliberative and autonomous
Experience	Mass collaboration
Leadership	Swarm

Social bookmarking in folksonomies, such as the social tool sites del.icio.us, stumbleupon, dogear, and reddit, popularized this concept by focusing on two common needs: the need to share Web links with others and the need for a better way to store and categorize one's Web bookmarks beyond a single computer. Such sites overcome the undesirable side effects of the information-intensive world: information locked into an individual's head or a local machine, and conflicts over how information should be categorized. No single team or software approach finds and categorizes this information—the strength of many human minds indexes and shares the information with others.

The Enterprise Tagging Service on IBM's worldwide intranet provides a social tagging alternative to traditional search engines to make enterprise information easier to find across the company. IBM worldwide intranet users can tag information according to how they would individually describe it, find tags they contributed, find others who used the same tag, and find other relevant resources associated with the tag. This helps users navigate in several ways and saves the company an estimated \$7.5 million in productivity improvements, in addition to the value of the information.⁹ A folksonomy can avoid the classic problems of *groupthink*—in which a small group of people who frequently work together develop similar or unilateral ways of looking at information, limiting innovation and new ideas—by removing the need to directly negotiate common meaning or categorization, or by inviting others beyond the group to participate in the information categorization.

IBM Lotus Connections software enables users to socially tag people in the system in addition to any content. This reshapes the purpose and the results of social tagging to focus on individual characteristics and skills. Users can add tags to describe themselves or others. This can help the user find others by, for example, their skill set, product or technology focus, or even personal interests. Although users follow their own approach to define tags for people, the combined social effect groups other people with similar skills or other

⁹ CIO Magazine Editors, "2008 Winner Profile: IBM," *CIO Magazine* (online). Accessible at www.cio.com/cio100/detail/1840.

tags. Therefore, this process becomes a way to find other people or their skills through social tagging.

Social tagging is becoming an underlying infrastructure element of many group-oriented tools, such as wikis, forums, and content databases, as a way for members to create an aggregate index of the information. In fact, this is where *social* tagging is sometimes confused with nonsocial tagging (or simply, tagging). For example, an individual (using the centralized or delegated leadership models) blogger can create tags for each content item they post. Even when there are a few contributors to the blog, this tagging is not on par with a folksonomy (which uses a swarm leadership model).

Both collection creation and social tagging tend to be structured forms of creating online content. Creating a collection to share with others involves adding specific items, typically a description, a location, and other particulars about the item. Social tagging and bookmarking usually involve a simple association: a tag to one or more Web locations, optionally with a short textual description.

Direct Social Content Creation

Creating freeform content is a more complex matter than applying the structured approach of social tagging. It can involve a number of subtasks: writing the content; formatting it; editing it; adding resources and relevant links; and adding subcategories, derivatives, and alternatives. It’s difficult to say where one of these subtasks ends and another begins because users can choose whether to perform any of these tasks, and defining content is highly subjective. Therefore, these subtasks are simply lumped together as a single task here. Several users usually cooperate and manually create such content in a social environment (see Table 5.6), differentiating this process from a nonsocial task.

TABLE 5.6 Direct Social Content Creation as a Social Task

Task	Direct social content creation
Beneficiaries	Any
Aggregation	Consensus or deliberative
Experience	Individual, defined group, and community
Leadership	Centralized, delegated, representative, and starfish

Wikipedia, Google's Knol, and About.com are examples of a task to create a world of information socially. All these sites enable users to create any kind of information. Similarly, Wiktionary provides a free online dictionary of terms, and WikiQuote provides a collection of gathered quotes and sayings.

Some content items become categories in their own right when users start to break them up into multiple content items because of subvarieties, alternatives, and derivatives from the original content. The capability to maintain and manage multiple versions of a single content item, as in wikis, typically still results in one final product.

Mahalo is a search engine powered by people and is a social group that finds, collects, analyzes, and populates information on any given term. Mahalo seeks out popular terms that users search for and actively contributes content under these terms. Unlike the social tagging approach of folksonomies to which a wide population can contribute, only Mahalo's employees screen and filter these terms. Users can then search on these terms and responses.¹⁰ The manual process might mean fewer answers, but that isn't necessarily a bad thing: A search conducted on major search engines such as Google, MSN, or Yahoo! can result in hundreds of thousands of responses, which mostly go ignored in favor of the top entries.

Derived Social Content Generation

Other tools derive and format content from a variety of sources and users, similar to the way some social tools derive social recommendations through software analysis. For example, profile generators can search popular social sites or search engines to discover publicly available information about a particular person. In a way, search engines themselves derive content from the network of links that many users create (see Table 5.7).

Zoominfo.com is an automated profile generator that searches the Internet for information on any entered name and tries to assemble a profile about that person by combining all these sources. Although this

¹⁰ Adam L. Penenberg, "Man vs. Machine," FastCompany.com (September 2007). Accessible at www.fastcompany.com/magazine/118/man-vs-machine.html.

TABLE 5.7 Derived Social Content Creation as a Social Task

Task	Derived social content creation
Beneficiaries	Any
Aggregation	Consensus and deliberative
Experience	Individual and community
Leadership	Centralized

is an automated process, it creates an individual experience instance about anyone who is visible. A person can claim the profile by creating an identity on the site after a verification process. A moral question arises about the significance of a system that can create a profile from information that is already public but is now gathered in one spot. However, it is an example of how an automated system can create a social instance.

Filtering Information

Many users seek out social sites with the objective of finding specific information they need from social groups or achieving some personal goal. This individually directed motive still relies on a social mechanism, even if the individual connects with only one other member in the social group to achieve it. Social benefit to others still can arise in some cases: A solution to one user’s problem could be helpful for other users.

In a Web 1.0 view, social systems such as forums often had a document such as a frequently asked questions (FAQ) list created by experts and then shared with everyone. This task model still exists, but social software has progressed significantly so that the goal-seeking process is now more personalized and focused to each user’s needs.

The different models for tasks in individual goal achievement include finding expert contacts; getting personalized advice, answers, or support; and finding information socially. Some sites implement a way for their individual goal-seeking model to reward the people who submit answers, such as the goal-seeker awarding points for help received, the social group weighing the responses and selecting the

best one, or the site itself awarding points for the most popular or most referenced answers.

Social Q&A Systems

Instead of directly seeking individual experts from a social group, this social task gathers answers from potentially many sources and then enables users to pick from the possible choices. It doesn't guarantee quality or even a promise of getting any answers. However, these sites provide a way to access the minds of many people for a single goal (see Table 5.8). Success in this task model requires active participation by members. Some sites offer explicit rewards, and others focus on promoting the competence of the people who respond.

TABLE 5.8 A Social Q&A System as a Social Task

Task	Social Q&A systems
Beneficiaries	Task participants
Aggregation	Autonomous or deliberative
Experience	Community, social network, and mass collaboration
Leadership	Any type is possible, but it depends on the experience model

Many sites implement the community experience for this task, creating a place users can go to ask questions of a given community. Discussion forums have been used for this task for decades across generations of social tools, from Usenet newsgroups in the 1980s to the Web-based forums of today. Because of its long history, this could be the most popular use of social tools and task models; it frequently serves as the framework for a vendor's product support forums. Users post a question in a particular forum that appears relevant to what they're seeking and wait to get responses from other members; sometimes members provide multiple answers and argue the merits of one solution over another.

Users can also perform this task in a social network or as a mass collaboration experience. For example, LinkedIn enables members to solicit their specific social network for answers to any kind of question. However, users have no guarantee that they will get a useful answer, and their chances of success depend on whom they connect

to. Yahoo! Answers is an example of a mass collaboration in which a user can pose a question to the entire population and enable other users to submit their own answers; the user then picks the best answer. Mobile Web tools like Chacha.com or KGB.com offer a similar activity as a personal experience: Users submit questions to the site through their cellphones,¹¹ and the social site distributes the questions to its group of experts who search, filter, and then deliver a response as a text message to the phone, for a small fee.

Summary

Although you can create and share content in a social environment in many forms, the separate tasks of creating content, making recommendations, and filtering this information define this process. Users can manually perform some of these tasks, such as creating content and making recommendations. On a parallel level, the software itself can provide the content or recommendations based on information gathered about a social group instead of direct input from users. The task of navigating information through the collective intelligence of a social group helps filter what other users find useful. These are all information tasks that can benefit the social group, combining individual responses and actions into socially validated results.

Much of the participation in such tasks depends on how people react to the culture of the social environment and experience, and how leaders encourage members to get involved. The next two chapters cover these topics.

¹¹ Chacha.com, *How It Works* (August 2008). Accessible at http://answers.chacha.com/?page_id=35.

6

Social Ecosystems and Domains

Many organizations combine multiple social experiences into one social environment. Some organizations also support multiple parallel environments with the same experience, leadership, and task model, but different content and membership. They can place these environments under a single leadership, or they can unite many distinct environments but still allow each its own leadership. By defining the target audience and domain each audience comes from, they can also create appropriate governance guidelines and shape the culture of the environments.

Consider the following approaches to grouping different combinations and collections of social experiences and environments:

- Grouping many instances
- Grouping multiple tools within a single instance
- Grouping audiences and supporting participants in different domains (employees, partners, existing customers, customer leads, and shareholders)

Grouping Instances

Some social systems enable many social environments—each generically referred to as an *instance*—to exist simultaneously in parallel. Each instance within this *ecosystem* can support a different purpose or a different set of users. A *homogenous ecosystem* of social environments has many instances; all have the same set of social tools but different owners, leaders, leadership approaches, or topics of

focus. For example, the social site Wordpress.com provides a homogeneous ecosystem of thousands of instances of blogs, each run by different bloggers for their own purposes, but all using the same base blogging application. Homogeneous ecosystems frequently enable each set of environment owners to customize their environment to help them differentiate themselves, or to promote their group culture or individual personality.

General Electric, Intel, and IBM run complex ecosystems of social computing environments internally for their employees. They provide directories to enable employees to understand the location, reporting structure, interests, or other social information that they share. The companies provide wikis that enable groups to record and share their knowledge on different subjects, thus reducing the chances of losing this knowledge when employees change focus or jobs; it also eliminates the need to reinvent the wheel in different pockets within the organization. IBM provides enterprise-wide instant messaging and Web conferencing to enable employees to communicate with each other across departments and organizational silos, and as a business alternative to long-distance phone calls across regions and countries. Laurie Buczek, Intel's global Web program manager, points to other needs for social computing in the enterprise, such as integrating new hires into a complex organization, learning through on-the-job training, and supporting organizational restructuring.¹

The GE, Intel, and IBM examples are *heterogeneous ecosystems* of social environments that can support many different social tools and tasks, with different groupings and purposes for each. Heterogeneous ecosystems enable a greater variety of interaction and social tasks, but at the price of supporting a diverse set of applications and ways of using these tools.

The concept of *multitenancy* can go a step beyond the idea of ecosystems. A multitenant environment can support diverse groups, each within its own “walled garden”—visitors need to first enroll as members before they can see other users or the content within the garden. Because each walled garden is essentially isolated from the

¹ Laurie Buczek, “Why Intel Is Investing in Social Computing,” IT@Intel Blog (13 February 2009). Available at <http://communities.intel.com/openport/community/openportit/blog/2009/02/13/why-intel-is-investing-in-social-computing>.

others, this approach is useful when social environments don't need to share the same identity, culture, or goals, or aren't part of the same organization. Multitenant systems can consist of many isolated instances in a single ecosystem, or can host multiple separate ecosystems.

A number of multitenancy systems exist, such as Ning.com and IBM LotusLive, which can provide entire ecosystems to each tenant. The LotusLive platform also enables tenants to open portions of their collaboration environment to partners (in other tenancies), enabling border crossings to work across organizational landscapes.

Grouping Tools

Social software applications can also provide many choices of tools to users in complex ecosystems and multitenant systems. For example, each IBM LotusLive tenant can implement services such as Web conference meetings, instant messaging, file sharing, tagging, searching for expertise across the group, and more.² However, each customer must consider how and where to apply these tools to complete different tasks. As described in Chapter 2, "Sharing a Social Experience," users can apply a single social tool in different contexts of experience, apply different leadership models (as described in Chapter 3, "Leadership in Social Environments"), and conduct different social tasks (as described in Chapter 4, "Social Tasks: Collaborating on Ideas," and Chapter 5, "Social Tasks: Creating and Managing Information"). The social environment owners must still decide how they want to apply the tools in their environment.

Although they can support multiple experiences across the tools, this kind of *multifunction* or *multitool* environment is still open to one overall set of members. Similar to a department store, such environments cater to different content, interests, and activities for all customers. Customers can choose to interact in the areas they find interesting. Sometimes this means that one area or one tool in the environment might be very popular but another might lack traffic.

² LotusLive is a software service or application service hosted on IBM's server environment and delivered to customers over the Internet. See www.lotuslive.com.

GoingOn.com offers a general-purpose multitool or multifunction platform for any customer, but it also packages solutions for particular industries or common group activities.³ For example, its GO Social Learning Platform solution for educational institutions focuses on the particular social tools that students, teachers, and administrators can use to connect and share ideas through discussion forums, calendars, media galleries, collaboration workgroups, and more. Similarly, ProjectSpaces.com from Forum One Communications Corp. is another multitool environment specifically aimed at collaborating and managing projects.

The multitool scenario for GoingOn makes sense because each solution has an overall purpose—such as helping students interact and collaborate within educational institutions—and the various tools within the package directly support the goals of this purpose. The users share the same context for the purpose even while pursuing different activities, and they develop a shared sense of culture within the environment.

Grouping Audiences into Domains

The next dimension of grouping examines the question of *where* participants in a social environment come from. This is a concern in many businesses, particularly in relation to who has access to the information in the environment. Online social experiences all reside on some shared computer system or network inside an organization or in a public environment. Within a company, the social experience might be available to all employees or perhaps just a select few. Outside an organization, the social experience might be available to anyone on the Internet, or it could be open to select partners with whom members of the organization can collaborate.

A social *domain* describes the target audience to whom you offer the social environment. Although all domains involve some type of

³ GoingOn's GO Social Learning Platform provides a number of customizable services for various types of educational communities, such as supporting educators alone or providing interaction between educators and students. See www.goingon.com/GoingOn/products.html.

collaboration, the nature of the different audiences shown in Table 6.1 is important. The four types of domains shown here describe social environments within the enterprise, those visible to the public, those that span the organization’s external boundary, and those that are available on third-party sites.

Table 6.1 shows the U.S. Air Force Knowledge Network as a private enterprise domain across a global network for U.S. Air Force personnel to develop internal communities on logistics and communicate across their globally distributed organization. Similarly, General Electric supports enterprise-wide social computing services through its SupportCentral to enable employees to create communities among practitioners focused in the same technology, skill set or industry (a community of practice) across the company.

TABLE 6.1 Types of Social Domains

Domain	Sponsors and Owners	Audience	Audience Collaboration Goals	Example
Enterprise	From one company	Members from the same company	Collaboration among employees	The U.S. Air Force Knowledge Network ⁴ and GE’s internal SupportCentral. ⁵
Public-facing	From one company	Members from a sponsoring organization and the public	Collaboration among people in sponsoring organization and public populations	The SAP Developer Network ⁶ provides social environments for its customers and the public interested in its products.
Cross-boundary	A primary sponsoring organization with secondary partners	Members from each organization	Collaboration among the sponsoring organization and partners or customers in invitation-only or limited-access environments	Companies using IBM LotusLive or GoingOn can hold separate Web conference sessions, or share content with each partner.

TABLE 6.1 Types of Social Domains

Domain	Sponsors and Owners	Audience	Audience Collaboration Goals	Example
Third-party	A sponsoring organization using or partnering with a third-party social ecosystem	Members from the third-party ecosystem	Members from the public or the existing population of a popular ecosystem who are invited to collaborate with the sponsor	Ernst & Young uses the social site Facebook as a recruiting ground for new employees and already has 11,000 employees on the site. ⁷

SAP Developer Network, introduced in Chapter 1, “Social Software on the Ascent,” serves an open public audience of IT personnel among customers and partners. Salespeople use IBM’s LotusLive system to make presentations and interact with customer representatives during the course of a complex sales deal. General Motors also engages users on popular car-enthusiast social environments, such as Facebook and Edmunds.com, to gather diverse viewpoints, societal issues, and product interests from across the global marketplace to understand trends and market products. Ernst & Young encourages its employees to use Facebook as a strategic tool to draw new employees and export their own organizational culture.

Members from the same company are likely to share the same organizational cultural values and be familiar with some of the internal structure or workings of the company. In a cross-boundary situation, however, members from different organizations can have different behavioral norms and work cultures, with different goals and motivations. Similarly, social environment leaders would likely

⁴ Randy Adkins, “The Air Force Knowledge Network,” presented at the Enterprise/Mobile/Social Networking Conference 2008, San Francisco (10 July 2008).

⁵ Sukh Garewal, *GE’s SupportCentral Collaboration and Workflow Environment*, Office 2.0 Conference, San Francisco (September 2008).

⁶ For more information about the SAP Developer Network, see Chapter 2.

⁷ H. Green, “The Water Cooler Is Now on the Web,” *BusinessWeek.com* (1 October 2007). Accessible at www.businessweek.com/print/magazine/content/07_40/b4052072.htm?chan=mz.

work differently with a group of employees from their own organization than with business partners or customers.

Organizations aren't limited to just one of these environments. For example, thousands of employees collaborate with each other across the IBM global intranet: They work with partners through LotusLive, Partnerworld, and other services. They also interact with developers, customers, and industry specialists through the IBM developerWorks ecosystem. IBM even reaches out to alumni and potential new hires through social networks such as Xing, LinkedIn, and Facebook.

Aaron Strout, a social media expert, suggests that you might want to take both approaches: joining a third-party site in addition to having a social instance of your own.⁸ In particular, some customers might already be on third-party sites, and this lowers the barrier for them to join your activities.

Domain boundaries identify demarcation points in which governance issues, such as acceptable behavior policies and usage guidelines, can come into play. Some organizations develop policies and guidelines for the entire domain that might have an impact on any social experience within. This helps set the tone and make it simpler for individual organizations or teams within that domain to create their own experiences.

Who in the Organization Should Run the Social Environment?

Although the social domain needs to be accessible by the intended target audience, this isn't necessarily an indication of where the software exists—which is important for enterprise IT resource planning and sometimes to the access and information security level as well. Often larger organizations can have several social computing efforts running in different departments. This particularly has an impact on the question of authority across the environment. This

⁸ Aaron Strout and Jennifer Leggio, "Enterprise Communities: Build or Join?" ZDNet News & Blogs: Jennifer Leggio (23 July 23 2008). Accessible at <http://blogs.zdnet.com/feeds/?p=155>.

authority issue also emerges when an ecosystem has many separate environments, each with its own set of owners.

Jeremiah Owyang of Forrester Research, a leading analyst firm, described three common approaches to how organizations adopt and implement social systems:⁹

- ***Decentralized*** (“**The Tire**”)—Adoption occurs anywhere in the organization, with business units or teams working independently. This often occurs when smaller progressive units adopt social computing before the overall organization is formally willing to do so.
- ***Centralized or command*** (“**The Tower**”)—A central team in the overall organization is responsible for managing all such activities. The organization has agreed to adopt social computing but is looking to establish control over what actually occurs.
- ***Center of excellence*** (“**The Hub and Spoke**”)—A central team defines best practices and policies, but actual activity occurs across the organization. The organization has agreed that a central team can help guide many independent activities to balance a common experience against individual or team-level goals and styles.

This is also partially inferred in Online Community Research Network’s findings¹⁰ (see Figure 6.1): 33% of social environment owners described their community team as part of some existing department (predominantly marketing), 19% identified themselves as having an independent team in the organization, 18% indicated no formal structure, and 17% have community managers throughout the company.

⁹ Jeremiah Owyang, “Corporate Adoption of Social Media: Tire, Tower, and the Hub and Spoke,” on his Web Strategy by Jeremiah blog (18 March 2008). Accessible at www.web-strategist.com/blog/2008/03/18/trends-corporate-adoption-of-social-media-tire-tower-and-the-wheel/.

¹⁰ Online Community Research Network (OCRN), *Online Community Compensation Survey*, Forum One Communications (August 2008). This research report is available to members of the OCRN. You can join the OCRN at <http://ocrn.forumone.com>.

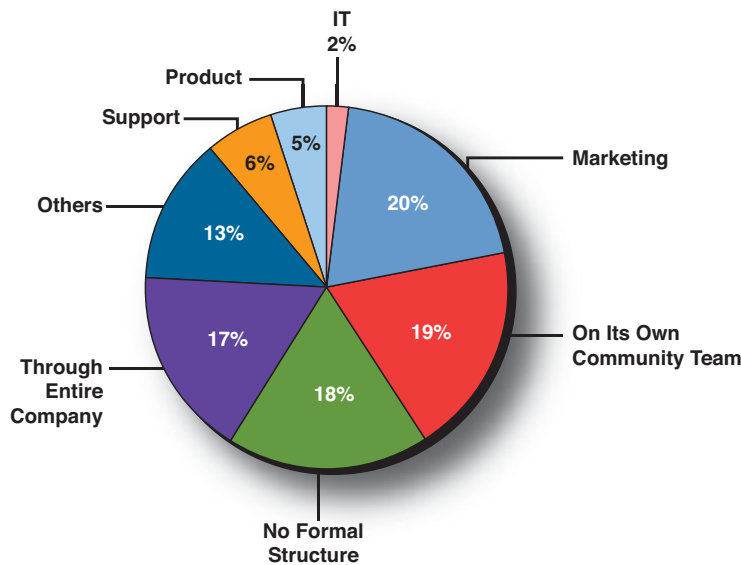


Figure 6.1 Where is your community team located?

(Source: Forum One, Online Community Compensation Survey 2008, $n=255$)

Smaller organizations, or those with fewer groups involved in social systems, can choose to stick to either the decentralized or command models, which can be simpler to manage on smaller scales. However, as an organization moves to deploy social computing more extensively, the eventual direction should be toward a balanced view in a center of excellence model. In this model, a central group (typically led by members from the cross-organizational IT support department) works with members from various teams and departments supporting social environments. This group exists not to command and control all social computing activities, but to act as an information source and coordination point for social computing as it becomes an inevitable part of many functional areas across the organization.

Summary

How multiple social environments or audiences are grouped together into larger entities affects the way the target population can interact. A domain for a social environment defines where potential members are coming from, relative to the organization. Those within

the same enterprise might share the same background and culture, but this changes dramatically when the social environment spans boundaries between the organization and specific customers, or exists in the public environment. Having many separate instances of social environments within a larger ecosystem enables the overall population to decide where they want to interact. Alternatively, social environments can also combine multiple tools and social computing methods to enable the same membership to tackle a problem from several angles. Finally, organizations with ecosystems or multiple separate social computing efforts will eventually need to consider how aligned or separate these efforts will be, choosing a decentralized, centralized, or center of excellence approach. These factors of domain and administration help shape the environment's governance policies and the culture to the constituent members.

7

Building a Social Culture

Over time, every organization develops its own culture—whether well defined or unspoken, fragmented or united—simply by virtue of a population sharing in an overall effort. Organizational culture is a combination of the values that the members and employees hold dear, the acceptable behaviors of working with others, the commonly understood language and ideas, and the social norms and standards.

However, sponsoring organizations can choose whether they should directly project their organizational culture into their social environments, strategically choose a different cultural approach, or enable these cultures to develop independently or variably from their sponsor. For example, Disney's Club Penguin, a social environment for children, shares the family-oriented entertainment themes of The Walt Disney Company,¹ which support the desired goals of Club Penguin. Other social experiences might be entirely different from that of the parent organization. Sony Online Entertainment's *Everquest* game, set in a fantasy world of magic and monsters, seems quite dissimilar from the high-end fashion-oriented technology products and appliances that made Sony famous, yet it is contributing as a revenue-generating business product.

Culture can be of strategic value to an organization. Organizational strategies and business processes can deliver poor results or fail when the values and behavior of the group are not aligned with those

¹ Club Penguin was a successful independent social experience for children ages 6–14 that The Walt Disney Company acquired in 2007. The similar culture and audience segment of Club Penguin probably helped. Disney also has other social environments and MMOGs: Toontown Online, Pirates of the Caribbean Online, and Disneyfairies.com

strategies. Leaders of the social experience can apply the organizational culture to the experience, depending on how the existing parent culture might support the needs of the social environment's membership. From a social environment's view, culture is also an indicator of how well it is doing and how it is maturing.

As a supporting factor to social strategies and to the health of these systems, identifying, explaining, and promoting culture is an integral aspect of social environments. You need to be able to distinguish elements that define and contribute to culture, and consider these cultural elements in the context of online social experiences.

Defining a Culture for a Social Environment

As described earlier, culture is a combination of the shared values (ideology), acceptable behavior and social norms, and commonly used language and visual imagery. In addition, a group that shares a common culture might collectively remember this information and their history in shared stories and anecdotes. A quick mnemonic of these elements of culture brings together the four key areas: ideology, behavior, imagery, and storytelling (*IBIS*). According to MIT professor emeritus Edgar Schein, one of the founding thinkers of organizational culture, these cultural elements appear in three levels² of visibility:

- The *artifact*, or surface level, of identifying objects, structures, and terms that are easy to observe but not necessarily easy to decipher (typically, imagery and stories)
- The espoused *beliefs*, or professed level of official mission statements, strategies, processes, and values that can offer details about what the culture should be (such as espoused ideology, values, and written acceptable behavior)
- The *underlying assumptions* with unspoken, unwritten rules and concepts that the members reinforce over time and eventually internalize (such as unwritten ideology or acceptable behavior)

² Edgar Schein, *Organizational Culture and Leadership*, 3rd ed. (San Francisco: Jossey-Bass, 2004).

You can tell how ingrained members are in the culture of a social group when they can identify cultural elements on different levels. New members to a social group can discover common stories at the artifact level and read the espoused beliefs, but they need to spend some time and effort absorbing the underlying assumptions in a group.

These levels and elements exist in any type of group, whether members are online or physically in the same location. Social computing culture differs in who defines this culture (leadership model), how they experience it (social experience), who can experience it (domains), and what they can do (tasks) through the capabilities of the online and software-assisted medium.

Ideology and Values

Many social sites identify the topic area or activities that they participate in, but others don't formally define their values and *ideology*.³ Often the view is that these values will emerge by themselves over time. In other cases, leaders and sponsors implicitly project their own values and attitudes without expressly communicating them to others.

With individual-oriented social experiences, these attitudes and values tend to closely reflect the personality of the owner of the experience. With group-oriented experience models, the leadership model helps identify who defines these values.

When a culture clearly outlines and shares its professed values, prospective members have a basis to consider whether they want to be part of the group. When the values are unspoken, prospective members might need to spend more time investigating the group to make their decision to stay. The time you must spend just trying to understand the group culture is a particularly significant consideration for public-facing environments in which users have many alternatives. Although it might not be possible or desirable to convert

³ In his book *Organizational Culture and Leadership* (San Francisco: Jossey-Bass, 2004), Schein describes **ideology** as either the total set of basic assumptions of the culture or the collection of rationalization for unexplained or superstitious behavior. I use the former definition.

values from the unspoken level to the professed level, it is useful to define and promote professed beliefs.

Some members might be outwardly willing to accept professed values and attitudes, but then express their own hidden values to replace or work around them. Understanding a social group involves investigating the unspoken level of values and attitudes through the lens of the framework of attitudes described earlier. Comparing it to the professed values can give you a clearer picture of the group's ideology.

Behavior and Rituals

Acceptable behavior and rituals come into play when people begin to understand and accept the basic values and ideology of the group. With online experiences, familiarity with the interface and knowledge of how to use the social tool also apply. These behaviors can dictate how to go beyond the functional and use the tools and features in a socially acceptable way.

For example, many e-mail users are familiar with the idea that posting text in ALL CAPITALIZED LETTERS INDICATES THAT THE PERSON IS SHOUTING and that this is frowned upon. This particular etiquette behavior has evolved with e-mail culture, and Internet and social ecosystems have adopted it until it has become almost universal behavior. Other behaviors are specific to the capabilities of each tool. Some social tool developers have turned particular social behaviors into moderated actions integrated into their tool. For example, some social tools enable you to connect to a friend of a friend without asking permission of the initial contact (your friend). However, LinkedIn requires users to direct that request to the friend first and optionally include a message indicating why they want to connect to the friend's friend. These social tools formalize acceptable social behavior in their models, reducing the effort needed to educate members or to police such behavior. In the previous two examples, the acceptable behaviors relate to actions that cause a conflict between a member's preferences and the group's preferences because of a lack of definition.

This intrusion between different cultures, typically between a professional setting and a personal one, can be quite jarring. Dan

Ariely, Duke University professor and author of *Predictably Irrational*,⁴ provides an amusing example. Although you must normally pay for your meals in a restaurant, it's commonly considered an insult to pay your parents or your siblings when they invite you to a Thanksgiving or holiday dinner—even when it's appropriate to bring a gift that costs you money. What is acceptable in one cultural environment can easily be unacceptable in another.

If each social environment or ecosystem can have its own sense of acceptable behaviors, how do people learn them? This goes back to the professed and unspoken elements of culture. The holiday dinner example might not break any written rules, placing it on the unspoken level. The user might find out only when someone politely points it out or chides him or her on it. This type of negative reinforcement can work for underlying assumptions if users don't get overzealous in such actions. Positive and negative reinforcement (official or unofficial) can also work in mentoring new users.

The overt means of describing acceptable behavior includes user guidelines, new-user guides, and best practices, expounding on both positive and negative behaviors. This kind of documentation is essential as a population grows larger and the distance between members makes it harder to learn through relationships.

Online environments sometimes provide a *sandbox*, or special designated areas for *newbies*—people new to the environment—to experiment with tools and essentially limit any consequences of improper behavior. This also limits new users' exposure to the potential ire of other members.

Some acceptable behaviors that occur frequently can eventually turn into a ritual for the members. *Rituals* are activities performed on a regular or special-event basis as part of the social experience. A ritual can be as simple as how frequently bloggers post their individual experience, or can involve complex activities such as annual (virtual or real-world) gatherings for community experiences with many activities and sessions for members.

⁴ Dan Ariely, *Predictably Irrational: The Hidden Forces That Shape Our Decisions* (New York: HarperCollins, 2008).

Individual rituals depend on the social instance and tool. The most common rituals focus on returning to or reconnecting with the social instance to see what is new or to check on relationship interactions. When a user sets up a regular time to perform this task—whether the same time every week, after lunch, or in the evening—that user creates a personal ritual. Responding to comments is just as important as posting one's own thoughts. Such rituals are some of the most basic, but they're important ones to encourage among users because they can increase a user's commitment level beyond the cursory and can help build closer relationships.

Group rituals might require some degree of planning and preparation by a leader. Members might spend just as much time planning and preparing for a group activity—a ritual of its own—because this takes a group to conduct it. In essence, these rituals are best practices on how to conduct a task. The leader needs to know when to apply these practices, what the resource and people requirements are, and how to act on them.

Imagery

Imagery is a summary of the visual and aural concepts associated with a group, such as logos, badges, icons, signals, lingo or jargon, a sound bite or ringtone, or even custom clothing or fashion. Other elements of imagery can be more action oriented, either physically or virtually (such as gestures, handshakes, dances, and so on).

Imagery helps build a social group's story or cultural background. It acts as a clue for other members or nonmembers of the shared persona and ideology of the group. Imagery also serves as an opening for others to inquire about the group—a potential recruiting angle.

Humans tend to be visually oriented, and frequent encounters with the same imagery enable people to recognize them quickly, even in partial form. Marketing groups have exploited this as an element of branding products and ideas. Similarly, social sites and groups can use imagery as a tool to help members identify with the group or with each other:

- **Logos**—Shared visual images are directly associated with the social group.

- **Wearable or expressive virtual goods**—Virtual goods dress a user's profile or space. They can range from virtual analogs to real-world items (such as clothes, furniture, cars, art, posters, and so on), to information mashups and interactive page elements.
- **Social gestures**—Virtual gifts between members associated with emotional value or sympathies can range from common to rare items. Many parallel those in the physical world (such as cards, flowers, or decorations), but others are possible only in the virtual world (such as gravity-defying boots in an online basketball game).
- **Merit badges**—Awards of distinction can be bestowed upon members of the social group when they have achieved or completed some task or test.

Another cultural artifact that builds the imagery and symbolism of a social system is the language and expressions members use. New words can arise when members try to describe their environment, situation, feelings, topic, or activities, as relevant to that social group. As with other cultural elements, leaders and influencers might import words and expressions from other cultures and social groups. Language and expressions unique and original to a particular social environment are better indicators of the growth of the local culture.

On the surface, a group's special lingo helps members communicate with each other faster. Words in this lingo could be verbs, nouns, or adjectives that concisely describe a more complex concept relevant to the group—for example, *poking* or getting poked in Facebook is a quick indication from another member that he or she is noticing you, although the varieties of poking itself have grown into a full range of emotions. Some lingo or imagery has expanded so widely from the original social group that it has become common jargon elsewhere; consider the example of *emoticons*, or smiley faces, which started as a quick communication of feelings via e-mail when the world was all text. Today people can almost universally recognize such emoticons, an outcome of the rise of e-mail.

Below the surface, language helps define bounding relationships: If you don't understand what it means, you aren't really in the group. It's a demarcation point and a reinforcing factor of being in tune with the group. This kind of verbal imagery becomes more

important in online groups because direct visual cues or expression through body language doesn't occur. Even though photos and videos have become common in social systems, members who meet in real life still feel apprehension; however, this can dissipate faster when they speak the same language. Imagery can itself be the basis for stories of their origin and value. Knowing the story behind the imagery describes a deeper initiation into the culture.

Storytelling

Stories offer a way to bring together all the other cultural elements and artifacts—converting mundane ideas into memorable experiences for readers and listeners, embedding common vision and social knowledge, teaching skills, or describing strategy.⁵ A well-crafted story embeds particular cultural artifacts, such as acceptable behaviors, defined values, or imagery, into the overall narrative. While listeners are building emotional attachments to the characters, artifacts, and ideas in the story, they're learning these cultural elements placed in context.

Stories also represent an alternative means of describing the value of social experiences to others. A social environment might be too complex to understand easily, but sharing a story about how it helps people conveys the value of having such an experience to business managers, sponsors, and prospective members. They can help members with different origins, objectives, and societal cultures come together to normalize themselves to a common social experience. Thus, the greater the diversity of members in a social experience is, the more storytelling is needed as a relationship-binding factor.

Stephen Denning suggests in *The Leader's Guide to Storytelling* that we should use storytelling to create narratives around business objectives, such as sparking action, transmitting values, fostering collaboration, taming rumors, and creating and reinforcing brands.⁶

⁵ Walter Swap, Dorothy Leonard, Mimi Shields, and Lisa C. Abrams, "Using Mentoring and Storytelling to Transfer Knowledge in the Workplace," *Journal of Management Information Systems* 18, no. 1 (Summer 2001): 95–114.

⁶ Stephen Denning, *The Leader's Guide to Storytelling* (San Francisco: Jossey-Bass/John Wiley & Sons, 2005). This is an excellent resource to help business leaders convey ideas, values, and imperatives to their organization in effective ways through creating stories.

Stories help listeners develop an attachment to the more colorful world described in the story compared to the black-and-white volumes of data- and process-oriented business details. In *Personality Not Included*,⁷ Rohit Bhargava highlights the significance of making sure that a story shares the following properties:

- **Is it unique?**—Does the story have some aspect that people might not have encountered or thought of before?
- **Is it talkable?**—Does it provide some basis for people to discuss the story?

Both *Personality Not Included* and *Buzzmarketing*⁸ suggest story narratives that have worked well in social media.

Culture and Maturity of Social Environments

Cultural artifacts and overt and unspoken values become pervasive across a group over time and with maturity. A social group that develops a complex cultural identity indicates a more mature group in which members have had greater interaction in different situations to create a shared identity and purpose. Conversely, the lack of cultural elements can point to a lack of appreciation or involvement in the social group. This is a significant factor of commitment to a social group—accepting the vision and aligning with the values of the group. Therefore, culture becomes a key part of evaluating the health and progression of a social group through identifying members' commitment. (See Chapter 8, “Engaging and Encouraging Members.”)

The social architecture elements of social experience model, leadership model, social task, and domain can shape culture directly or implicitly. By choosing these elements, you might be choosing or encouraging a particular set of values or behavior.

⁷ Rohit Bhargava, *Personality Not Included* (New York: McGraw-Hill, 2008).

⁸ Mark Hughes, *Buzzmarketing: Getting People to Talk About Your Stuff* (New York: Portfolio Trade Books, 2008).

The Cultural Impact of Social Architecture

As indicated at the beginning of this chapter, the culture of a social environment doesn't need to be the same as that of the sponsoring organizations; good reasons often exist to set them apart to fit different strategic directions. However, social architecture elements can predispose a social environment to a particular set of cultural elements, or require leaders and sponsors to choose among several default options. Knowing these predispositions enables you to find a better fit between a specific social architectural model and a strategic need. The four key elements to consider are the social experience, the leadership model, the social task, and the domain.

How Social Experience Models Impact Culture

Social experience models require different approaches to creating cultures, depending on the amount of definition needed and the types of cultural artifacts that are relevant. Table 7.1 shows how the different components of the IBIS can impact each social experience model. These are some suggestions of different types of artifacts within each of the components that leaders can look for and collect, potentially serving as reference items for cultural metrics (for example, how many people in the group recognize the official logo or conduct certain types of rituals).

TABLE 7.1 The IBIS Model in Relation to Each Social Experience Model

	Ideology	Behavior and Rituals	Imagery	Storytelling
Individual	Informally describes the values of individuals and their worldview.	How frequently members post and communicate are rituals. The individual has unique or special rituals to stand out. Acceptable behavior is typically ad hoc.	This includes photos of individuals, their topic, and their activities, as well as merit badges, memberships, and awards.	A strong storytelling possibility exists, with the individual as the protagonist.

TABLE 7.1 The IBIS Model in Relation to Each Social Experience Model

	Ideology	Behavior and Rituals	Imagery	Storytelling
Social network	Informally describes interests and identifies values to members of network.	Acceptable behavior is ad hoc and relative to each member in the social network. Members communicate regularly or occasionally.	This includes photos of individuals, their topic, and their activities, as well as merit badges, memberships, and awards.	A storytelling possibility exists, with the individual as the protagonist. Stories of special events and activities are shared with specific members.
Closed group	Focuses on goals and identifies basic values or approaches to goals.	Members agree on a basic communication process or a course of actions. Acceptable behavior can be planned or ad hoc. Regular meetings or interaction times are scheduled, if only for status updates.	Visual imagery is more relevant the larger and more formal the group becomes.	Updates from members are shared, focusing on ideas that might be useful to other members. The origin story and purpose are maintained in short form.
Visible group	Same as above, but some groups might choose or exhibit different ideology inside the group versus what is visible outside the group.	Same as above, but some groups might choose or exhibit different behavior inside versus behavior visible outside the group.	Same as above, but some groups might choose or exhibit different imagery inside the group versus what is visible outside the group.	Same as above, but some groups might choose or exhibit different stories inside the group versus what is visible outside the group.

TABLE 7.1 The IBIS Model in Relation to Each Social Experience Model

	Ideology	Behavior and Rituals	Imagery	Storytelling
Community	Some espoused values can help focus the incoming members.	Guidelines and policies are helpful and necessary in defining acceptable behavior. Regular open meetings might not be possible for everyone to join but are still useful in building commitment. Leaders engage in regular periodic communication on status with members.	Logos, award, or merit badge systems are awarded, and descriptions of their significance exist. Photos and profiles of leaders and exemplary members are shared.	Lots of possibilities for storytelling exist: origins, activities, meetings, events, awards, new members, successes, and exemplary members.
Mass collaboration	Some espoused values can help focus the incoming members.	Guidelines and instructions on how to collaborate and use available tools are necessary. Acceptable behavior can be formalized or structured through the tools.	Logos or icons are identified to share beyond the collaboration.	Success stories or highlights focus on recent shared activities or wins.

Table 7.1 excludes personal experience for the simple reason that very little culture is unique to this perspective other than what the organization provides. The individual experience informally builds the culture around the ideas, habits, and stories of the owner of the experience. In personal social networks, the ideology and stories still center on the owner, but they need to consider what each connection in their network considers appropriate. In closed and visible groups, the core members develop the cultural elements through their actions over time. The core leadership of a community often

originates the culture. However, because these leaders might be any member of the community, the actual individuals, values, behaviors, and stories can change over time. Mass collaborations typically formalize the acceptable behaviors into a fixed set of controls or functions, but other elements can vary quite significantly in theme and content, depending on the sway of the membership.

How Social Leadership Models Impact Culture

The leadership model for a social experience has an impact on how leaders can influence the culture of a group and how cultural artifacts are crafted, disseminated, or reinforced (see Table 7.2). The key role of leaders is to exemplify the values of the group. In centralized and delegated models that lean toward control over the experience, leaders can set the values and ideology from which other cultural elements begin.

Even if leaders and influencers have a strong say in creating cultural values and artifacts, this doesn't necessarily imply that members will accept or adopt them. Members still have a choice to contradict or ignore the culture. Interestingly, the extremes of alignment toward or against the culture attract the most interest. For example, a public discussion forum on gun ownership will draw members who are enthusiastic advocates and those who are severe opponents. This behavior applies across all leadership models; however, who has impact on the direction of the culture varies.

As we move toward the open leadership or market-oriented leadership models in Table 7.2, the capability to create and distribute the culture spreads out to more members; with a wider spread of this control, it becomes increasingly difficult for any one person to direct or change cultural opinion without the cooperation of others. Leaders have a strong impact in reinforcing artifacts of their choosing, which can lead to greater acceptance by the membership. Cultural weakness enters through poorly articulated or defined values and a lack of artifacts—the responsibility of the leaders.

TABLE 7.2 Impact of Leadership Models on Creating Culture

	Defining Culture	Aligning Members to Culture	Spreading Culture
Centralized	Leaders determine direction and thus have the power to express culture. Leaders might take suggestions from members.	Because members have little say in direction, growth depends on their affinity for and acceptance of the leader's culture.	Leaders are primarily responsible for distributing and reinforcing culture.
Delegated	Delegate leaders determine the direction and thus have the power to express culture. Leaders might take suggestions from members.	Because members have little say in direction, growth depends on their affinity for and acceptance of the leader's culture, although they might have more choice in the delegate leaders.	Delegate leaders are primarily responsible for distributing and reinforcing culture in their areas or across the group.
Representative	The leadership identifies or adopts the culture based on input from the members.	Strong cultures depend on agreement with and adherence to the values and cultural identification that the members define and the leaders gather.	Leaders and members equally share in spreading culture, although leaders might need to reinforce and qualify it.
Starfish	Each subgroup of members can build a local culture while keeping to the core principles and shared values across the experience.	Members accept the overall cultural principles but are free to adapt a local culture, balancing autonomy with shared focus.	Members reinforce and qualify culture among each other.
Swarm	Creators of the experience lay the groundwork for culture, often based on the features of the social tool.	Overall culture needs to be simple to address a mass audience because members decide for themselves.	Culture spreads as part of participation in the experience, or from members drawing others in.

How Social Tasks Impact Cultural Values

All jobs characterize a set of values. The more people commit to the activity, the more those values become part of them. Rescue divers and firemen often face different scenarios each time they go out, requiring them to apply different procedures based on their pragmatic analysis of the situation. Other jobs, such as working as an upholsterer for a line of automobiles, require high levels of consistency. Working on industry standards requires some degree of cooperative values, even though competing companies are involved.

Similarly, each task in an online social environment can impart values to the participants and, therefore, frame a set of shared cultural values even before the participants begin to interact. Members might learn these values as they participate more frequently and encounter situations that convey or reinforce such values.

Some tasks enable multiple possibilities, leaving it to the members or leaders to choose their set of values. For example, the sponsors might want the social group to focus on short-term achievable goals as part of a social brainstorming task, but other situations call for long-term objectives.

The choices might also be in the hands of the members themselves. For example, some people participating in social brainstorming might want to reach people based on pure, rational logic, whereas others choose to inspire people to choose their ideas. Users might even contradict the default value in that dimension. For example, social brainstorming generally pits people's ideas against those of others, but that does not exclude the possibility that people might want to collaborate on a particular idea.

Summary

Culture, an integral part of social environments, can exist in obvious or professed levels, or can hide in the unspoken but shared behavior of members. It emerges as a confluence of shared ideology and values, behavior and rituals, imagery, and stories about the social group. As a concept, culture can be developed, but it first requires understanding what actually exists. In particular, identifying some of the attitudes and values of the group can help prospective members

learn about the cultural identity. Understanding the similarities or differences between the culture of a social instance and that of its sponsoring organization also helps prospective members consider whether the culture suits them.

Where members come from, the form of leadership, the social experience model, and the types of social tasks they impact can predispose the membership to particular cultural values or needs. Cultural factors also contribute to both measurement and strategy. Next, we need to look at how culture contributes to engaging members and becomes a way to measure commitment to a social experience.

8

Engaging and Encouraging Members

Accepting and adopting the culture of a social environment depends heavily on a sense of belonging to the environment. This belonging is visible when you see members participate in activities in a social environment by sharing, debating, or rating ideas. However, this type of participation is typically an artifact at the visible surface level of culture. It does not identify the deeper sentiments of belonging to the social group. Understanding the overall sense of belonging requires examining whether members can understand the vision and whether they align themselves with the values of the group.

How members feel and demonstrate belonging gives an indication of their commitment to the social environment. With the software support of online social environments, it is possible to map members' engagement activity. Other tools, such as surveys and polls, can help determine the other senses of belonging. Together this helps identify levels of commitment across different groups of members in an environment. Understanding this distribution can help you see how the population is maturing together as a social group, which is a success factor for getting results from social tasks.

Belonging and Commitment

Social environments depend on the involvement of members in the activities or social tasks set before them. However, the degree of involvement might depend on their sense of belonging and commitment to the purpose of the social group. Some social tasks might require high degrees of commitment before you can reach the right

state of mind across the social group to conduct the tasks (see Figure 8.1). In other situations, understanding the degree of commitment is key to the business purpose of the social group, such as a social environment to draw new customers to a product or recruit customer evangelists. Therefore, we need to find ways of identifying the commitment and the sense of belonging to the purpose of a social group.

Etienne Wenger, a leading researcher on community environments, describes three modes of belonging:¹ *imagination*, *alignment*, and *engagement*. The first mode indicates whether members can see the vision of what is possible or significant (“I see what you see”). The second indicates whether members consider their own values to be in line with the culture and goals of the social environment (“I agree, this is the way to go about it”). The third describes whether members engage in the activities of the social group (“I’m helping to deliver it”). Consider an example from real-world societies: When picking a candidate in an election, voters must consider whether they agree with a candidate’s vision on what issues are important, and then whether they agree that the candidate’s goals and approach fit their view. If they feel strongly enough, they might even engage in activities with or on behalf of that candidate.

You can have different degrees of belonging in each mode. People might be able to imagine a concept or philosophy (for example, the idea of green energy such as solar power), but they might not necessarily agree with it (alignment) or want to participate in it (engagement). They can also align themselves with the idea (for example, become proponents of alternative energy) or engage in it (such as using solar power for their homes) without seeing a complete vision. They can also engage in it without aligning or sharing in its vision (subscribing to an electric company that generates green power).

Supporting imagination involves defining and communicating a vision to a future goal or situation, and creating a strategy that involves the members to reach them. You need to articulate the value to each member and to the group as a whole. One approach is to

¹ Etienne Wenger, *Communities of Practice: Learning, Meaning, and Identity* (Boston: Cambridge University Press, 1998).

outline an example scenario of how members can work or live in the future social environment according to the vision.

A successful vision for a social environment alludes to goals that speak to what the potential members want. Members are stakeholders in the social environment, and the vision needs to meet the needs of these stakeholders, providing value that benefits them directly. Imagination also includes the values that drive the members toward that goal. Chapter 7, “Building a Social Culture,” describes how these values shape the alignment of members to the cause.

Of the three modes of belonging, the most visible is how members engage in activity. In social computing, engagement activity is usually easily visible as content or interpersonal actions that the system can log automatically.

Be careful not to base the measure of belonging to a community on engagement and activity alone. As described earlier in the different modes of belonging, members can participate in activity, but this is not a complete picture of their commitment to the system. The activity (engagement) needs to be balanced with the measures of identification with the vision (imagination) and alignment to the values. You can find data for these other metrics through surveys (see Chapter 10, “Measuring Social Environments”).

Creating a Model for Identifying Commitment

Because of the many possible ways to build a social environment, we use a general framework to describe commitment as distinct levels. You might need to customize this framework to the specific situation of your social system and the types of data that your social software system is able to collect across all members. One approach is to simply enable members to report their own level of commitment. Unfortunately, basing commitment on members’ self-reporting has the inherent bias of primarily identifying only the vocal minority and typically those seeking attention. Self-reporting can be useful but needs to be balanced with other ways of identifying commitment. A second question is whether their espoused commitment can be validated in some manner, perhaps through completing particular types of tasks that can be considered achievements.

If your social environment supports identities and can attribute individual actions to each identity, then you might have an advantage in gathering commitment metrics. However, gathering information that can identify individuals personally is a controversial action that can be unpopular or even considered illegal in some countries.

Looking at aggregate metrics across the entire population requires identifying trends instead of examining each person's history. However, you can still fit this aggregate behavioral information into the context of a given framework by separating commitment into distinct threshold levels and watching for markers of certain types of actions that fit profiles of behavior for each level.

In Figure 8.1, the mountain is a representation of the different levels of commitment across the entire social group. Each layer designates a particular profile of measurable behavior that identifies the level of commitment across the group. This model² is based on Abraham Maslow's theory of humanistic psychology, which has influenced many fields of understanding human behavior. Maslow's Hierarchy of Needs³ describes how humans are willing to behave on different levels when they feel secure enough at a lower level. Maslow's model begins with basic physiological needs such as breathing, food, water, and warmth. Secure in this, people are more willing to concentrate on the next level of needs—physical safety. Then they progressively move up the hierarchy, depending on security and confidence at each level: the need for love, affection, and belongingness; the need for esteem; and the need for self-actualization leading them to issues of morality, spirituality, and ideas of a higher purpose for themselves.

With online social environments, we can probably assume that a person has been fed and is physically safe before that person starts

² This approach is also based on an idea shared by Art Gould, a former community manager at AMD Corp., from his talk at the 2007 Evans Data Developer Relations Conference. The idea of applying Maslow's model is not unique; a number of other social computing thought leaders have expressed this view.

³ Abraham H. Maslow, *Toward a Psychology of Being*, 3rd ed. (New York: John Wiley & Sons, 1999).

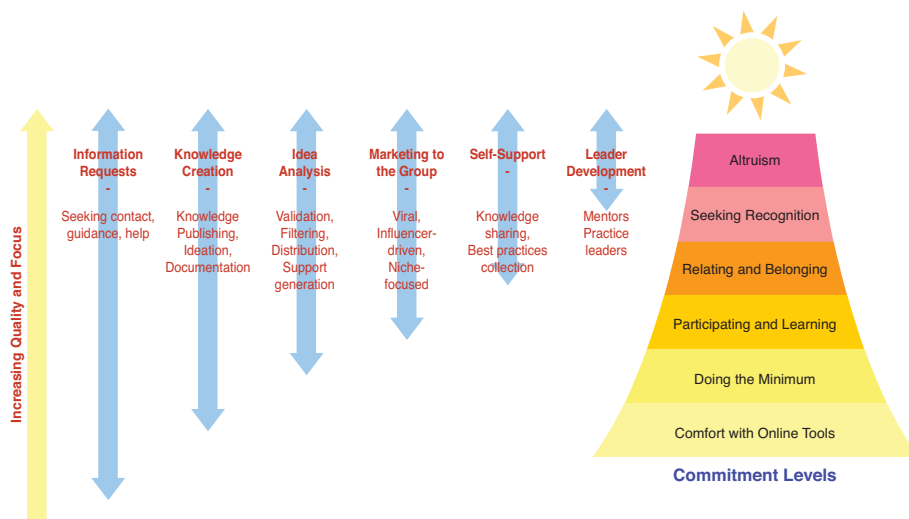


Figure 8.1 A generic framework for identifying commitment

socializing over a network with others. Therefore, the levels in this model focus on different levels of needs for security:

- **Comfort with online tools**—Not everyone is equally comfortable working and interacting with others online. This might sound strange to users who grew up using such tools, but many users still barely interact with others online. This is the bare-minimum level users must overcome to develop commitment to a social environment.
- **Doing the minimum**—These users visit the site to consume information that they might find, but they have not developed any attachment to it as a resource or to any members within.
- **Participating and learning**—These members are familiar with the environment or are comfortable enough to return more often. They start interacting with other members, asking questions, and posting thoughts. Many spend time trying to better understand the culture, learn or identify the leaders, and question the goals.
- **Relating and belonging**—These members have already developed relationships with more than a few members, and they interact on a regular (by their definition) basis with the group. They understand the basics of the culture, know some of the leaders, and might participate in some activities, but are not yet comfortable or well known enough to become leaders.

- **Seeking recognition**—Some members might be interested in becoming more involved in the social experience and seek to receive recognition as a leader in some role. These tend to be some of the most active members, contributing frequently, participating in or leading group activities, and building or strengthening relationships.
- **Altruism**—The final level are members whom the membership already recognizes as leaders, either because of their history of contributions to the social instance or because they are already well known as leaders in the topic elsewhere (beyond the instance or even the domain). They have excellent potential as mentors, but they might not participate with every request they receive because they are in high demand.

The markers of behavior for these commitment levels depend on the design of the social environment, but Table 8.1 illustrates some common examples of how they identify belonging.

TABLE 8.1 Markers of Commitment Levels

Commitment Level	Engagement	Imagination	Alignment
Comfort with online tools	Displays little or no use of social tools (discover through survey)	Doesn't agree with or recognize the vision or purpose of the social tool	Exhibits little or no identification with the values
Doing the minimum	Has basic familiarity with the social environment, but only one-time or initial visits (discover through survey)	Exhibits low identification with the vision	Exhibits little or no identification with the values
Participating and learning	Forms relationships, discovers or rates content	Exhibits medium identification with the vision	Exhibits medium identification with the values; doesn't communicate disagreements on values

TABLE 8.1 Markers of Commitment Levels

Commitment Level	Engagement	Imagination	Alignment
Relating and belonging	Signs up for activities; has some initial forays into commenting on others' content; distributes content	Exhibits high identification with the vision	Exhibits high identification with the values; might seek guidance on values the user does not agree with
Seeking recognition	Is active in many content and interpersonal actions; contributes some highly rated content; initiates or leads activities; actively seeks others in need and responds	Exhibits high identification with the vision; contributes to the evolution of the vision	Exhibits high identification with values or openly shares disagreements on values; communicates values to others; applies or promotes espoused culture and artifacts
Altruism	Leads activities and mentors others; attracts people looking for help; frequently is referenced or cited in conversation; contributes highly rated or accessed content.	Exhibits high identification with the vision; leads or defines the vision, or contributes to its evolution	Exhibits high identification with values or openly shares disagreements on values; communicates values to others; applies or promotes espoused culture and artifacts

Although the “mountain” pictured in Figure 8.1 might allude to a need to progressively climb through the commitment levels, this is not necessary for all members. You should count on a population distribution conceptually similar to the size implied by the layers in the image.

Figure 8.1 also shows different ranges (on the left side of the figure) that describe general levels for commitment that can factor into supporting the types of social tasks. For example, requests for information or help are some of the easiest to obtain in many social environments if members can imagine that they might get some response—often just the proximity of others in the same role or experts who could address the problem is enough to encourage doing the minimum. This does not necessarily mean that their requests will get answered, but the possibility of getting help through this channel still exists.

For a social group such as a community to become self-supporting and answer most of its own questions, relatively higher degrees of commitment among some of its members are needed—in particular, members with a strong sense of belonging and those offering their help to gain recognition in the community. The group needs people who willingly pay attention to requests for help and are self-motivated to spend the time to consider the problem and provide their views.

When members start to appear at these higher levels of commitment, it also indicates the growing maturity of the membership of the social environment.

Maturing over a Lifecycle

Commitment levels provide a way to look at the membership forming and evolving as a social group over a lifecycle, going through a number of stages from conception to dissolution. Taking this strategic view of the growth or maturity makes it easier to plan for operations and identify what members need. In an ecosystem or collection of many similar social environments, understanding maturity can help the leaders develop a way to monitor and compare the health of the different social groups across these collections.

Many community and social strategists have frequently mentioned that any social group takes time to eventually mature to a point at which it becomes self-sustaining and most productive. The goal of the maturity lifecycle is to describe the right conditions, not time, to reach this productivity. Consider the left side of Figure 8.1, which indicates different behaviors from the social group that depend on having members at the designated commitment levels. The maturity lifecycle in Table 8.2 describes the stages in which committed users at these levels begin to appear. The table also aims to assist leaders in determining their course of actions to further the group to maturity.

Although Table 8.1 provides a way to identify the ratios of members at different commitment levels in a social group, maturity describes what these ratios should be by breaking down the lifecycle into observable stages (see Table 8.2). The maturity lifecycle also looks beyond just the commitment levels of members, into their culture, actions, and network structure.

Whether all social instances in an ecosystem evolve according to a common pattern is debatable, but this idea of a lifecycle is not unprecedented. The Institute for Knowledge Management (IKM) identified developmental stages of a community of practice, a particular model of a social environment, as a graph of activity over time, although this is purposely imprecise.⁴

Metrics provide ways to look backward (to results) or forward (to determine strategy). Using a lifecycle helps provide guidance as a prediction tool. Prediction is an active hobby for many people, but, at best, it is still an educated guess. This “education” can come through observing other social instances that follow a similar pattern, looking for similarities to determine the lifecycle stages.

The lifecycle stages can help leaders determine the operational activities they need to focus on for a particular social instance. The early stages might call for a greater need to facilitate relationship building and recruit key individuals, whereas the latter stages might emphasize task completion and members mentoring other members. The dissolution stage from Table 8.2 indicates that members are starting to leave in numbers greater than normal turnover. When this occurs, leaders must investigate the reasons behind the dissolution or dispersal of members to determine whether members are merging with or transitioning to another social instance, or whether an abnormal situation is occurring (such as a loss of key influencers and leaders, instability and dissention among members, and so on).

⁴ Michael A. Fontaine, “Keeping Communities of Practice Afloat: Understanding and Fostering Roles in Communities,” *Knowledge Management Review* 4, no. 4 (September/October 2001): 16–21.

TABLE 8.2 A Framework for Mapping the Maturity of Social Environments

	Conception	Initial	Nascent	Active	Mature	Dissolution
Description	Before launch. Sponsors can plan the design or populate the instance with initial content.	Immediately after launch. The instance is available to the population (even if part of a beta program).	Some members keep returning, and relationships are forming.	Members actively interact with each other and join in task participation.	Members actively participate in tasks; the instance has a stable membership.	The instance is reaching a normal end of life, either intentionally or abnormally.
Imagination	Sponsors can define the vision for members.	Users are trying to understand the vision.	Users are weighing the significance of the vision or the value of membership	Most members understand and accept the vision.	Members are evangelizing the vision to others.	Members disagree with the current vision.
Alignment	Leaders can define the initial set of values.	Members are trying to identify the initial values.	Members accept the initial values.	Most members accept the shared values but might evolve them as well.	Shared values have stabilized and are well accepted.	Members seek new values (or vision).
Engagement	No engagement other than planning activities.	Little or no engagement.	Members join into the simplest or most common activities.	Members frequently participate in regular activities, with emerging recognition and altruism actions.	Members participate in long-term activities, and it's easy to identify highly committed members.	Established members and leaders stop coming or participating in activities.

TABLE 8.2 A Framework for Mapping the Maturity of Social Environments

	Conception	Initial	Nascent	Active	Mature	Dissolution
Cultural elements	Initial cultural elements are created (such as logos) before adoption.	Members experience little or no identification with the culture or its artifacts.	A few new cultural artifacts are emerging and being tested.	Cultural artifacts (such as stories and lingo) spread rapidly; unaccepted artifacts die off.	Stabilization and wide acceptance of cultural artifacts takes place.	The culture might not change, but the climate does.
Traffic metrics	Not valid before launch.	The instance has unique visitors but few return visitors, or low registrations.	Membership is growing and the instance has some return visitors.	The site undergoes a high growth in new or return visitors.	Membership growth rate is slowing, but return visitors are relatively high and steady.	Overall traffic is dropping.
Structural metrics	Not valid before launch.	Few or no connections exist yet.	Some initial connections and networks are forming.	Active connections exist among members, and members are starting to accept roles.	Networks are changing minimally; new connections can still form.	Networks are shrinking.

Programs to Grow or Encourage Your Social Group

Instead of observing the commitment and maturity of members, social environment leaders and community managers (see Chapter 9, “Community and Social Experience Management”) can try to encourage and progress member involvement. Some people would argue that taking a directed approach to growing a social group interferes with the natural development of the group. This is particularly relevant for ecosystems of social environments in which many instances bloom or wither by their own accord, but the ecosystem as a whole continues. However, when the business depends on every social environment to succeed, this activity can accelerate the maturity toward productivity.

Leaders can take a number of approaches by applying programs to encourage positive behaviors that improve their commitment and involvement. In particular, we’re interested in how these programs can leverage the power of working in a social situation: rewarding positive behaviors publicly, encouraging cross-training and mentoring, and involving reputation and roles of the membership.

Membership Reward Programs

Membership reward programs encourage members to maintain their participation in a social instance by rewarding good behavior or their achievements. Although reputation systems in social computing enable members to signify trust and competence of other members, reward programs signify the trust relationship between the member and the leadership of the social environment. They both follow similar structure and processes: Both can have points, weighted points, thresholds, and achievements; and they both require some qualification and awarding processes. However, leaders create reward programs to enable specific behavior for the sponsor’s interest, or to guide the long-term maturity of the environment itself (see Table 8.3). Reward programs are a tool to keep people interested and engaged in the environment, either to contribute to other members or to participate in directed activities from the sponsor.

TABLE 8.3 Rewarding Members

	Rewards for Sponsor Goals	Rewards for Social Group Goals	Reputation System
Purpose	Tasks or goals are specified by sponsors.	Commitment and maturity of the social group is encouraged, as is support for the group's activities.	Relationship building, resource identification, and roles are encouraged.
Interaction	Social interaction with others is not required.	Social interaction might be encouraged.	Social interaction is always encouraged.
Individual versus group action	Members can achieve as individuals or as groups of people.	Members can achieve as individuals or as groups of people.	Reputation is based on each individual's work.
Competition	Members can compete for rewards or achieve them independently.	Members can compete for rewards or achieve them independently.	Members compete for reputation.

A reward program must avoid bias and complaints of unfairness. Programs are often based on identifiable actions that can be verified or measured. You do not need to explain how you weigh or value these actions, but you do need to explain what you are looking for so members can work in the directed intentions of the program. Because of social computing's software-assisted medium, you can integrate the capability to track activity in the social environment with the reward system. Creating a reward system for your social group usually requires the following steps:

1. Identify the goals of the reward program for participants. What is in it for the participant? What benefits do they get?
2. Identify the goals of the program for the sponsors. What sponsor initiatives or programs does rewarding members support?
3. Determine the qualification characteristic and process for each metric. Do you want to measure individual activities, the output or achievement from these activities, or their peers' evaluation of their contributions? Do you need to rank participating members?

4. Choose your metric types and units that meet those goals. Are the steps of the program measurable in terms of points, threshold levels, testimonials, unique achievements, or other metrics?
5. Determine the award process for each metric. Does the system automatically award members, or do you need to manually review and award them?
6. Determine the presentation format. What form of award or reward do members actually receive? Is it a physical award or a virtual one that exists only in the social environment? Can they show this to others, and how do they do so?
7. Document the process, metrics, and values. Have you provided documentation to candidate members so that they understand all aspects of the program?

Some behaviors can fit simultaneously into both a reward program and a reputation program. For example, you might want to reward members based on how frequently they contribute to a site, and you might want to publicize this reward to foster these members' reputation as frequent contributors. The former improves the level of trust the sponsoring organization has in the member; the latter improves the level of trust that the social group has in that member. Therefore, such an action contributes to both programs.

Recruiting Evangelists and Advocates

Instead of providing rewards to encourage activity participation, a second approach involves peer-to-peer advocacy and encouragement. In this situation, leaders identify and elect specific members as advocates or evangelists based on some assessment of high commitment levels. In particular, the members should show a relatively high degree of alignment and imagination toward the goals of the social group and demonstrate capability to convince others of the vision and values.

Member advocates and customer evangelists tend to fit a common profile of people who are motivated more by recognition than by

gifts. Microsoft's MVP and Oracle, Inc.'s ACE⁵ programs focus on recruiting customers as product evangelists in their public-facing communities for developers and product users.⁶ Similarly, IBM's Social Software Enablement team uses a program to recruit employees as volunteer ambassadors to reach out to their peers within the enterprise.⁷

Although such programs can provide gift rewards, evangelists typically indicate that recognition is their primary motivator. This recognition can come in several forms:

- *Public acknowledgment in the social group* in one or more forms: imagery, such as awarding merit badges (for example, the Oracle ACE program has a special graphic for such leaders) for the members' specialty or as a marker of their privileged position, publishing announcements and stories about the leaders, or ranking members on a publicized list as a leader board.
- *Special access either to information or to leaders* in the sponsoring organization in ways that others do not have. This can be a continual element such as a special Web site or channels in your social site that are available only to these members. The program can also be event based, such as offering special meet-ups and conferences for just this audience. Social group leaders should also respond to these members quickly and urgently.
- *Swag or gifts* have less of an impact, except when they describe evangelists' special status to others.

⁵ The Oracle ACE program focuses on candidates nominated by members of the Oracle Technology Network community. Each ACE or ACE Director receives a special badge shown in this online community. See www.oracle.com/technology/community/oracle_ace/index.html.

⁶ The Microsoft Most Valued Professional program focuses on voluntary technical community leaders who have demonstrated high-quality expertise in offline and online communities (see <http://mvp.support.microsoft.com/>).

⁷ Gina Poole, "IBM Web 2.0 Goes to Work," *O'Reilly & Associates Web 2.0 Expo Europe*, Berlin (October 2008). Presentation slides are available online at www.slideshare.net/gpoole/ibm-web-2-0-goes-to-work-presentation-671274.

Although these reward methods are useful, you must make sure the methods don't fall into the following traps:

- **Having an inadequate description of qualifying requirements**—Arguments will arise over who qualifies, which can be disastrous. Focus on creating objective measures.
- **Having too low requirements and too many candidates**—The idea is not to have as many of these members as you want, but to work with the top ones. Choose a cutoff that matches how much overhead you or your own organization can handle. Having more evangelists than leaders can support is worse than not having enough evangelists.
- **Constantly marketing to members**—You want to share ideas and messages with members, but they'll start revolting against you if it becomes oppressive.
- **Creating a one-sided view**—A program in which everyone is super-enthusiastic about your organization can prompt the rest of the community to see these leaders as sycophants to the sponsors. Get dissenting opinions involved. You don't have to convert them; just involve them to share your side of the story.
- **Not changing the evangelists over time**—Evangelists can grow in relevance over time, but it is more important to show that you are growing along with the community by involving new candidates and, therefore, diversity of ideas. Be careful to state that the program has a time limit, such as one year or six months.

Member Training and Mentoring Programs

Training and mentoring programs aim to educate members through a structured and an unstructured approach, respectively. These programs are useful when the social instance focuses on building the skill or knowledge levels of members, and both novices and adept members are available.

Building a training program can sound like a complex process to develop the right criteria for evaluating members. However, if a highly structured certification program is not necessary, social computing methods can do the job. The program can focus on engaging the adept members to capture their knowledge (see Chapter 5, "Social Tasks:

Collecting and Managing Information”) in short bursts, and perhaps create a stream of such activity. Social group leaders can help by giving some structure (with the expertise of others) to the captured knowledge, grouping similar topics, or placing them in sequence. This bottom-up approach of building larger structures of knowledge from smaller tidbits can reduce the time needed in initially planning the training topics, and make it easier to collect the knowledge.

Mentoring is a better choice when the knowledge is less codified and a person needs to learn through experience. A simple approach to enabling members is to develop a program that helps match interested learners with more experienced members, to shadow their activities. Visual, online, multiplayer games can offer a way for a user to shadow a mentor and learn by watching or listening. However, this can also occur by regularly reading the posts or listening to the podcasts of mentors through Web feeds. The goal is to become an active listener, to create a relationship with the mentor, and to ask questions. Social group leaders can help by organizing the matchmaking process, recruiting mentors, and initiating and checking on these relationships.

Summary

Encouraging members to participate toward the purpose or goals of a social environment requires a closer look into the different modes of belonging or commitment to a group: imagination, alignment, and engagement. Social software can make it easy to examine engagement through the activity log of the social group. However, to get a more accurate picture of commitment, you need to consider surveying members to determine their acceptance of the vision and their alignment with the values to achieve that vision.

Understanding commitment in this manner enables you to build a map of the commitment levels of members to study the overall trends and members’ sentiments in a social environment. This framework for understanding commitment also fosters a different view of the social group’s health, by examining the growth of a social group in a maturity lifecycle. This lifecycle can help social group leaders consider the actions they need to take to develop the group.

Social leaders can also take a tactical approach to encouraging and developing a group by enacting specific programs, such as member rewards, training, peer involvement, and advocacy. These programs are well suited to those who engage in particular activity roles. These programs take effort and planning that often requires dedicated leadership to oversee the growth of the social group and environment, which is the subject of the next chapter.

Community and Social Experience Management

Joi Ito, CEO of Creative Commons and a venture capitalist, compared completing quests in massively multiplayer games such as *World of Warcraft* to conducting a symphony.¹ Rituals involve members taking on certain transitory roles during the event; only when they act in harmony and synchrony can they meet the end goals. This level of group harmony relies on all participants knowing the situation they face and the actions they need to perform. The participants might need guidance about when to perform their part, and perhaps some help in performing it. A guild leader, community manager, or similar role can help in these situations. This leader's job is not to order people around, but to elicit their help and participation in the ritual. By Gary Hamel's definition²—management is a way to aggregate the efforts of people—this is the same concept that traditional business management attempts to solve. Leading a social experience might just be a newly evolved form of management.

Whether you call them managers, bureaucrats, politicians, leaders, or heroes, they are all approaches to the job of guiding people to cooperate in a task. Social environments are no different. The job of a *community manager* (CM), the widely used title in social

¹ Joi Ito, from his session on the social aspect of massively multiplayer games, at the O'Reilly Web 2.0 Summit, San Francisco (November 2006).

² Bill Breen and Gary Hamel, *The Future of Management* (Boston: Harvard Business School Press, 2007).

computing,³ is an interdisciplinary role unlike the direct management or leadership in other types of work groups. As indirect influencers, CMs are typically shepherds of social environments, guiding or tending to a disparate flock of active minds and motives toward a common purpose.

A CM's job can involve several different roles: developing relationships among members, promoting the activities and goals of the community, and executing administrative and governance duties. In an organization, they can fit into many functions: marketing, product support, IT, public relations, business development, innovation development, project management, human resources, and even sales. These roles point to a multidisciplinary set of responsibilities and tasks, sometimes too much for just a single person or a single set of skills. The business values they provide are primarily in how they enable other business functions, serving as bidirectional channels between the organization and the customers, employees, or partners involved in a social environment.

The Value and Characteristics of a Community Manager

To understand the value of this job role, we need to distinguish between what the CMs offer and what the social environment as a whole provides. We also need to separate their job tasks from the value outcomes they can achieve. Because they function as an intermediary between the sponsoring organization and the membership, we also need to separate the value they bring to the company from what they offer members (see Table 9.1).

³ I'm not particularly a fan of this job title because this role can apply to more social experiences than just the community model. However, this is an industry-adopted term as suggested by the following survey: Forum One Networks, *Online Community ROI: Models and Reports* (San Francisco/Washington, D.C.: Current Practice Research, March 2008).

TABLE 9.1 The Value of Community Managers

Direction	Value
To members	Improving relationships with members by providing a human face to an organization or a large social group
	Bringing the value of their own relationships and contact networks within the organization
	Arbitrating conflicts between members, or between the member and the sponsoring organization
	Coordinating member projects and activities
	Serving as a repository of situational knowledge about the organization, the members, or the content
To the sponsoring organization	Serving as an organizational spokesperson to the membership
	Providing a view into the climate of the members about the topic or purpose (the business climate within the enterprise, across business partners, or across the industry)
	Housing a repository of situational knowledge about members, the content, or the topic
	Encouraging and monitoring member involvement and participation in the topics that interest the sponsor
	Resolving issues members might have with the organization
	Measuring and describing value or outcomes of the social group
	Identifying talent and potential for hires or rehires

The value CMs bring to an organization also applies in different ways to the different business functions they serve, which can differ depending on the domain of social users they reach⁴ (see Tables 9.2 and 9.3). Although these tables describe how CMs can apply to different social domains, a CM might not be needed for all social experience and government models, especially those that do not rely on leaders directly (see the sidebar “Does Every Social Experience Require a Community Manager?”).

⁴ Connie Benson, “ROI of a Community Manager,” Community Strategist blog (28 July 2008). Accessible at <http://conniebensen.com/blog/2008/07/27/roi-of-a-community-manager/>.

TABLE 9.2 Supporting Customers or Partners

Audience (Domain)	Business Function	Value Added
Customers or business partners (public-facing, cross-boundary, third-party)	Marketing or sales	Increasing the number of touches with customers
		Identifying customer evangelists and activists
		Discovering industry trends and customer interests
		Acting as marketing liaisons to customers
		Guiding marketing on appropriate messaging or tactics
	Product development and delivery	Assisting in gathering product requirements from audience
		Conducting market research with customers
		Identifying competitor activity or offerings
		Conducting design tests and product beta-testing
		Delivering products to customers online
	Customer relations or product support	Providing a human interface to the organization or social group
		Serving as a “finger on the pulse” of audience concerns
		Helping partners locate internal representatives or departments
		Helping customers find appropriate support resources
		Identifying troubled or exiting customers

The multidisciplinary role of CMs involves work in a number of different fields, including marketing and communications, editing and publishing, business process definition, relationship management, training and instructional development, business management and planning, and even a little showmanship. Their wide range of job functions often raise confusion, compared to complementary roles in the areas they serve. The sidebar “What Community Managers Are Not” describes some of these confusing areas.

TABLE 9.3 Supporting Employees and Alumni

Audience (Domain)	Business Function	Value Added
Employees and former employees (enterprise, cross-boundary, third-party)	Resource identification	Facilitating requests to locate specific types of resources
		Helping others create relationships across departments and the organizational structure to identify resources
		Keeping track of innovation projects and employee opportunities
		Identifying best practices and exemplary contributors
		Identifying useful workflows and alternatives to processes
		Managing content and content providers
	Skills and career development	Assisting in finding appropriate mentors and serving as mentors themselves
		Discovering other job or project opportunities internally
		Discovering, promoting, and providing opportunities to top talent
		Evaluating and identifying talent with “soft” people skills
	Organizational changes	Communicating changes to reporting structures and organizational hierarchy
		Maintaining or developing relationships with representatives in a changed environment to continue operations
		Addressing employee issues from changes that occur
	Employee transitions	Attracting, identifying, and recruiting new talent
		Assisting new hires in assimilating to the organizational culture
		Assisting transitional employees who are retiring
		Managing and maintaining relationships with exiting employees
		Identifying potential rehires from a base of former employees

Does Every Social Experience Require a Community Manager?

The many examples and scenarios in this book should illustrate that social experiences come in many shapes and sizes. Do these different experience models obviate the need for a CM?

In some cases, social experiences might not need a full-time person in such a role. However, in many cases, someone might need to take up the mantle of a CM. In the individual experience, owners might take action to market their blog or other social environment instance to others, gather and share the results, and develop relationships with other individuals. A defined group might have no single leader, but the group as a whole still performs the tasks of a CM, especially when undertaking joint projects. A starfish-governed environment simply distributes these responsibilities to volunteers spread across the membership. A mass collaboration might not require as much relationship building among members, but it likely still needs someone to collect results and share them with stakeholders and the members, or prevent abuse of the voting system.

What Community Managers Are Not

Before we can examine what skills, personality traits, and tasks are common to CMs, we need to look at what CMs are not:

- They are usually not people managers assigning and directing tasks to members of the community, even when a team of CMs might exist under a manager.
- They are not an aggregated identity (such as “The Support Team”) under which to hide. This makes it difficult for the members to form relationships with them, and can create confusion or distrust in the CM’s position on issues.
- They are not developers or programmers who create, build, and administrate the platform infrastructure. Developers can get too many demands for fixes or improvements, which can sometimes hurt their relationships with individual members.

- They are not the primary content creators, such as authors, writers, or editors working to maintain fresh content within group social experiences. They initially might need to contribute content, but this eventually evolves to growing content from the community.
- They are not the subject matter experts. Instead, their job is to engage others in the social experience.
- They are not “willows”—their job is not simply to bend at every whim of a member—nor are they whips to make sure members stay in line. Although CMs are advocates for their social group, they are also representatives for their sponsors and need to have a balanced view.

Mistaking these tasks can harm the social group, the CM’s credibility, or the CM’s success in carrying out tasks.

Personality Traits and Habits

A CM’s responsibilities go beyond the typical member actions on content, people, and the environment. CMs instead focus on tasks that enable these actions and encourage members to participate in them. This requires particular personality traits or job skills that support their tasks:

- **Listening**—A large part of a CM’s role is being responsive to the members of the social group, noting their issues and tone, and having the patience and willingness to put things aside to pay careful attention to issues and problems.
- **Talking**—Writing or talking about their experiences, ideas, events, or other insight in a natural or casual tone helps users get to know the CMs better. This is not about marketing or making sales pitches, nor is it an extensive academic or official report.
- **Taking notes**—Good CMs are always taking notes, literally or mentally, and saving or organizing them in a retrievable fashion. In a conversation, they are listening carefully and taking notes on the key points the other person is trying to make. If CMs need to write something down, they can ask users for

permission to take notes. With problem issues, CMs might perform the physical act of note taking, either with pen and paper or through tagging and writing online; mental notes often get lost or forgotten. The notes saved are helpful in other activities.

- **Building relationships**—Listening and talking sets a frame to build relationships with members. This is not just remembering the names of members, but also paying careful attention to their motivations, interests, activities, relationships, and other facets of their lives.
- **Engaging in remote or virtual interactions**—Being comfortable working in an environment in which you might never physically meet the users you work with is important. Online environments frequently do not require a physical office location, giving CMs the freedom to work from home or other venues. This also means having the responsibility to actually perform work in such a remote environment and to avoid distractions. However, this is not exclusive; knowing how to interact with members you have never met in face-to-face situations is also useful.
- **Energizing members**—A good CM's personality engages and energizes the people he or she talks to. These CMs like to shine the light on others' activities and bring awareness to such activities they consider significant.
- **Mediating**—Within any social group, some degree of debate or argument eventually will arise. CMs can play a role in mediating or arbitrating when things get rough. They don't need to be the ones to find every solution—it's better if the parties come up with a proposed solution—but they need to be open and seen as neutral.
- **Voicing for the membership**—CMs might need to negotiate with other parties—whether competing for attention in the same organization or working with other sites, events, or groups—to bring attention to their own community or members. CMs should be able to act as a voice for the overall group to the sponsoring organization or to other groups.
- **Finding a way**—CMs must handle a variety of issues—some I see occurring repeatedly, and others are fairly unique. CMs need to have a drive to find a way to solve problems. This

means persistence, intelligence, creativity, social awareness, and more. No template exists for this role—it requires an instinctual nature of wanting to help people.

Although the people in a social experience are not employees who directly report to CMs in the way people report to managers in an organization, it is not coincidental that some of these skills are useful to both CMs and people managers. CMs might have a harder job because members do not necessarily have the same commitment and duties as the direct-report employees of people managers. In addition, as more organizations bring social computing into their fold, the skill sets of CMs might eventually parallel those of people managers—or even merge with or transform them entirely. Therefore, it is important to understand the differences in responsibilities and to know what it takes to develop benevolent trust and commitment among members in a social group.

Where Do Community Managers Fit in an Organization?

CMs in the industry often argue against part-time involvement because of the time commitment needed to build relationships and work with many people. This could be particularly relevant to those who run a social environment that involves more than a dozen members, particularly instances of the community experience model. For example, a team collaboration social activity might not require a full-time CM, but a community with hundreds of members will likely require one or more CMs.

As the collaborative behavior in social computing becomes more common and pervasive in organizations, these skills might be relevant to most office and knowledge-worker jobs at some level. Forrester Research consultant Josh Bernoff predicts that, in the future, social computing “will become so common a way to do business that we won’t talk about it anymore.”⁵ Not only will the formal role of a dedicated CM become more prevalent, but some of the CM’s skills will

⁵ John Fortt, “Michael Dell ‘Friends’ His Customers,” *Fortune.com* (September 2008). Accessible at http://money.cnn.com/2008/09/03/technology/fortt_dell.fortune/.

eventually become a common part of the jobs of technical, managerial, and business people in all types of organizations.

For full-time CMs, the Online Community Compensation Survey 2008 offers some insight into how these jobs are structured and compensated (see Figure 9.1). Although many organizations have official titles of CM, people who perform this job or lead a team of CMs also carry many titles at other organizations and, commensurate with experience or responsibilities, are paid at different levels.⁶ Most are salaried, although some organizations choose to staff their social environments with part-time entry-level support personnel.

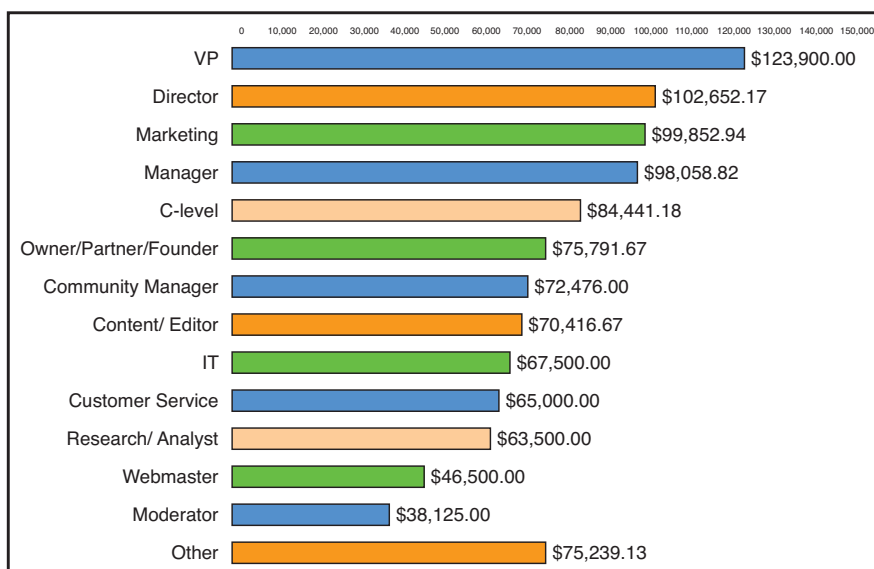


Figure 9.1 Community manager job titles and compensation (Source: Forum One, Online Community Compensation Survey 2008, n=255)

The location of CM positions in different parts of the company not only indicates how social systems are helpful to different groups,

⁶ CMs in a wide variety of industries and organizational types responded to this survey, including online community organizations, media companies, nonprofits, universities, software companies, government agencies, nongovernmental organizations, and manufacturers. Although 75% were from the United States, the rest came from 19 other countries, from Brazil, to Jordan, to China. This partially explains the differences in titles and pay levels.

but also gives an idea of the different skills necessary to create and maintain a social environment.

Community Manager Tasks and Responsibilities

To provide the business value and achieve some of the objectives described earlier, CMs provide a number of common services:

- Guide and grow the membership and member relationships
- Guide and grow the content and member education and awareness
- Communicate the activity and results of the community
- Assist marketing programs and business development
- Manage the software and social system

Figure 9.2 expands the detail on these many responsibilities often tasked to CMs. Not every situation, social experience, or governance model calls for every one of these responsibilities. However, the tasks that CMs face can vary not just in terms of the structure of the social environment, but also in the CMs' individual style of working with their members.

Member and Relationship Development

A CM's people-focused actions fall mostly into the tasks of building relationships with members and among members. CMs help members become more interactive with the social instance and with each other. This kind of assistance can involve several areas: social tools training, member participation, leader development, personal social development, and member issue management.

Becoming active in a social computing environment first requires getting comfortable with using the software tools. Even users who are familiar with other social tools might not yet be familiar with the tool in a particular instance. Getting started might be fairly straightforward to some experienced users, but most others might need the help of a documented guide or tips on using these tools. This CM task involves creating training content about the tools and either providing the training

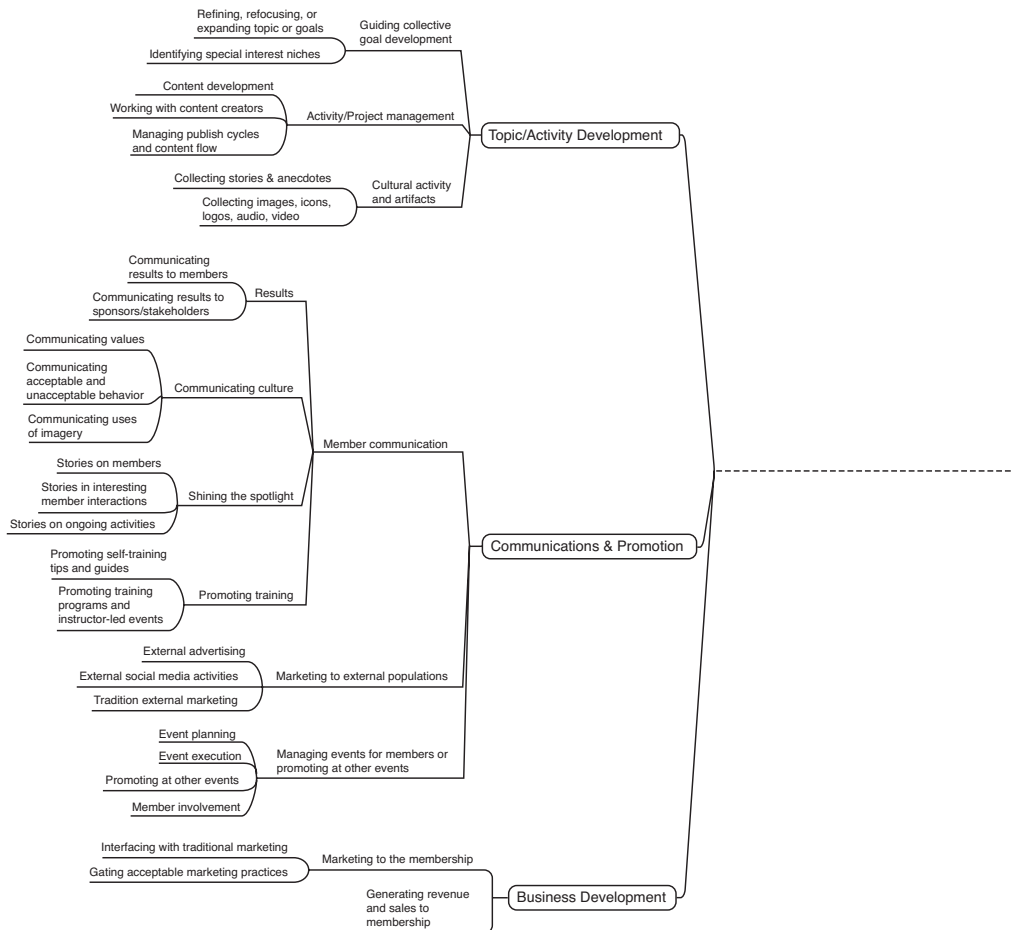
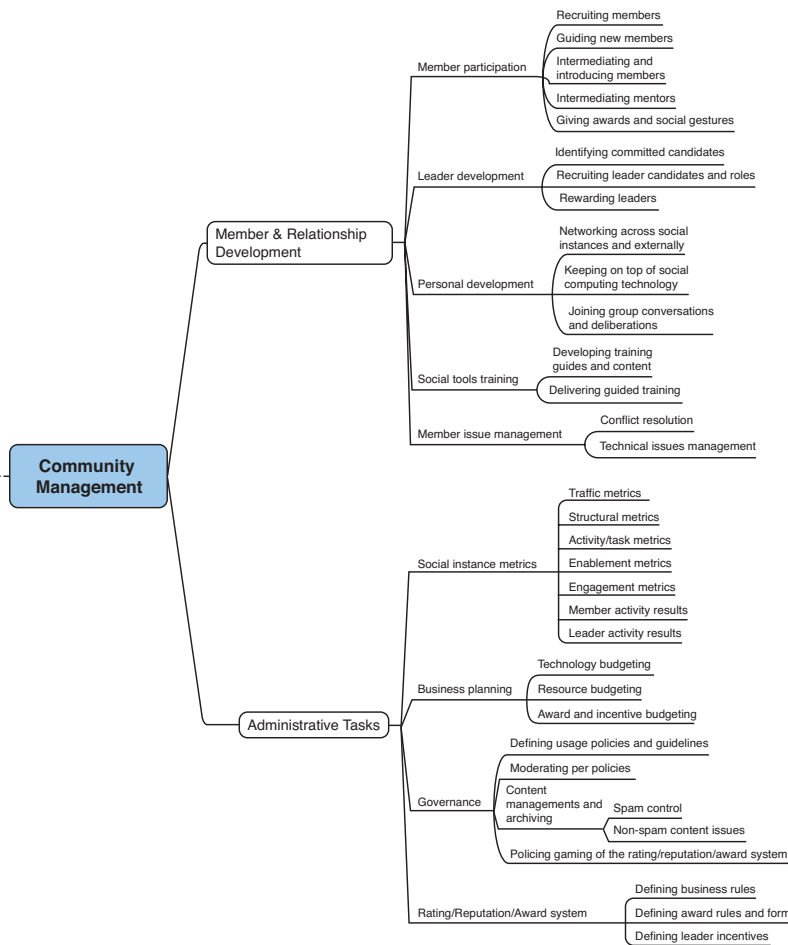


Figure 9.2 Responsibilities of a community manager

in a self-assist manner or, better yet, providing short training sessions on the tools. Using the guided approach tends to work better than assuming that users will read the self-guided information. Another option is to create a simple program for existing members to guide new members.

Chapter 8, “Engaging and Encouraging Members,” described how to develop member participation by recruiting new members directly from other populations. Beyond promoting the social instance to other mass audiences, the goal is to find specific individuals that the CM considers directly significant to the social instance, typically as a subject matter expert or a knowledgeable person in that particular field. This can be a casual or temporary role, but the goal is to draw conversations through experts. This includes introducing members to



other members they might find relevant, often in relation to some topic in discussion or some activity that is underway. New members might also need encouragement from mentors who have gone through similar experiences. Finally, a CM might introduce member participation awards or offer a system for members to exchange social gestures, to entice members to become more involved.

Whoever the members are, a CM should always be prepared to handle issues from members, whether it is a problem they have with some content or tool function of the social instance, or whether the problem is with other members. Even if no immediate solution exists, CMs must acknowledge the problem.

Active members might eventually become leaders in the social system, and these leaders need their own care and feeding. First

comes the task of developing a process and criteria for determining good leadership candidates, together with recruiting people to fill roles that the social instance might need. These are volunteer positions, and although not everyone will be willing to do this officially, it is worth treating them as leaders and possibly rewarding them.

Finally, CMs need to develop their own knowledge and relationships as well, both in the social instance and beyond it. CMs need to join the conversations of their own groups, not necessarily acting as a knowledge expert, but perhaps by putting a familiar face before the members. Interfacing with other social instances with similar focus can help build those weak ties that bring in new blood. With the vibrant technological developments in social computing, CMs might also need to keep up with new tools, ideas, and approaches as they become available. This means learning from people, sites, books, and events focused on social computing. The study of community management is not yet a hard science or a common repeatable process, so the best opportunities for CMs are those in which they can learn from other CMs in online events or live events just for this kind of job.⁷

Topic and Activity Development

In addition to developing the relationships in the group, CMs must develop the topic. Not all social experience models are group oriented, so some degree of negotiation might be needed on the topic or goals for a social instance. Even individual bloggers often ask what their readers think they should focus on, to encourage that involvement. Over time, CMs might need to ask the group or expand the topic as the flow changes, and identify special interests or niches for a subset of membership.

Developing goals can lead to creating and working on activities or projects together, which requires some degree of project-management skills: defining project goals, identifying possible results,

⁷ The number of events focused on social media and community management has experienced some explosive growth since 2005. Many commercial events take place in this sphere: larger ones such as the O'Reilly Web 2.0 Expos (www.web2expo.com) and the Community 2.0 event (community20.com), as well as smaller regional ones such as the Social Media Breakfast (www.socialmedia-breakfast.com/), held in a number of cities across North America and elsewhere.

scheduling people involvement, and setting targets and milestones. This can be fairly casual or can be formalized through a certified project management professional. For example, developing content for the social instance is one of the most common tasks. Members, CMs, or other roles can all provide content. However, to generate a regular flow of content, the CM might need to organize a simple publishing schedule to make sure that the other members have a steady stream of content to consume (see the sidebar “Stoking the Fires of Conversation”).

In addition to content and activities is the culture that emerges out of each instance. Culture takes form through stories, images, lingo, and other cultural artifacts that the members repeatedly bring up or distribute to others. The CM’s task is to capture and collect these, and help redistribute and reinforce the culture (described later in the section “Communications and Promotion”).

Administrative Tasks

As with any project or activity, the CM frequently needs to measure and report on activities that the social group undertakes. This sort of administrative task can fall into different categories: traffic, structural, tasks, enablement, engagement, culture, and business. These and other administrative tasks define the specific governance policies and guidelines (beyond the high-level governance model that the CM might have chosen); the business rules for ratings, reputation, award, or other incentive systems; and the business operations, resource planning, and budgeting for the social instance.

On the surface, it appears that group-oriented social experiences focus more on policies and guidelines than individual ones. However, this is because group-oriented experiences generally also have governance systems that enable more people to contribute directly on an equal basis. This means that governance models, such as the representative, starfish, and swarm models, need to encourage more people to agree on a common cultural context. Therefore, the CM might need to establish guidelines on acceptable behavior in the experience. Most public-facing social experiences also develop acceptable usage guidelines and policies to create defensible criteria for handling issues and problem users.

Stoking the Fires of Conversation

Enticing conversation tends to be one of the CM's top tasks, particularly in social experiences in which members might not know each other directly. Many resources describe tips for better conversations in social media:⁸

- Point out posts from your members that might be conversation starters.
- Find the potential influencers in your system and invite them to engage in particular questions or discussions.
- Emphasize a short list of direct points that users can grasp quickly.
- Bring out debatable points, perhaps showing both sides of the debate.
- Look for compelling examples outside your own social environment and bring them to the attention of your social group. If you think a discussion, a blog, or content elsewhere on the Web is relevant to your own group, you should point it out, add a trackback or a link, contact the author, analyze the content, or add questions for your own group.
- Go off topic or offer a secondary place for off-topic conversations. Other conversations often pick up, adding dimension to your social group.

⁸ Chris Brogan, *50 Ways to Take Your Blog to the Next Level*, ChrisBrogan.com (14 September 2008). This site has a useful list that is aimed at bloggers but applies to other social experiences as well. The Word of Mouth Marketing Association has a section called WOM 101 that also relates to this subject (see <http://womma.org/wom101>).

Similarly, points-based ratings or reputation systems might need situational business rules for how to distribute these points in a balanced manner, and to prevent users from unfairly creating advantageous situations for them—this is the act of *gaming* or cheating the system.

Finally, CMs might be responsible for budget and operations planning. These are the classic business issues of balancing costs for people resources, software applications, incentive programs, or

marketing programs, and other factors of running a system for which someone eventually has to foot the bill.

Communications and Promotion

Communication is another large part of a CM's job. It starts with the basics of communicating content available in the social instance, either with other members or externally to draw them to the instance. When members visit the instance, the CM needs to show them where to find tips, guides, and training for using the social tool itself, to make it easier for users to accept and get involved in the instance.

If the social instance has evolved its own particular culture, part of the job is communicating and reinforcing these cultural values as acceptable and unacceptable behavior. Sharing stories, logos, phrases, terminology, and other cultural artifacts helps CMs shine the spotlight on other members, ongoing activities, and interesting recent interactions. The goal is to introduce these members and reinforce their actions or identity with others, as examples of good results or behavior. This provides opportunities to build relationships and essentially develop a path to a leadership role.

Content and culture provide the CM with ideas to talk about and share with external groups. Whether casually posting these ideas to other social environments or formally creating marketing tactics and programs, the goal is the same: to draw members from other social instances and ecosystems to your own. Formal methods include advertising or partnering with other social sites, or advertising on relevant non-social content sites. CMs also sometimes participate in shared results and anecdotes in external events to promote their social instance.

A CM might also consider having an event just for members. Social instance members might organize meetups and *birds-of-a-feather* sessions in conjunction with or separately from major conferences for their interest area, to increase the likelihood of meeting fellow members. Live events might seem contrary to the purpose of an online social group, but they work to support relationships on a different level—through direct personal and real-time interactions. The physical proximity can introduce new levels

of understanding from actually hearing each other's voices, watching body language, and observing mannerisms. These physical aspects are often stripped from a social environment because of the limitations of the online medium. When people return from such live experiences, the bonds of benevolence usually hold even stronger.

Beyond shining the spotlight on activities, CMs might need to share success stories and anecdotes about productive member behavior and communicate the results of the activity in the social instance either to other members themselves or to the sponsors and stakeholders who support the social instance. The metrics collected as part of the administrative tasks express different sides to a social group. The industry view on measuring social computing and social media is not standardized. Depending on the social task, purpose, and organization, the important metrics can vary.

Business Development

Social environments in the public, cross-boundary, or third-party domains (see Chapter 6, "Social Ecosystems and Domains") are sometimes a way for companies to find new customers, develop new business opportunities, make money, or cover costs. Whatever the need, some common approaches arise for generating revenue:

- Charging a fee to members
- Selling items to members
- Brokering transactions between members
- Selling advertising space on an instance
- Scanning the membership for potential customers or business opportunities
- Selling products of member interactions (gathered knowledge, relationship structures, created artifacts, survey results, and so on) to others

Members' reactions to any of these processes can vary, depending on members' views of the terms under which they joined. Changing some aspect to generate revenue after the social environment has matured can be quite disastrous. For example, Facebook created the Beacon advertising system that tracked certain activities of its

members in 40 participating Web sites and reported those activities to each member's set of friends. Civic groups such as MoveOn.org⁹ petitioned Facebook to change the system to require that members be allowed to opt out of the system. However, Stefan Berteau of the Threat Research Group at Computer Associates discovered that even after the opt-out mechanism was instituted, the Beacon system continued to broadcast to the member's network of friends. Facebook's pursuit of business development essentially broke some of the trust that members had in the company.

In addition to finding ways to generate revenue, CMs might need to work with the sponsoring organization's marketing team, especially when the social instance involves customers. This means balancing the needs of the business against the welfare of the members, and advising the marketing team on what tactics might work for the membership. The task can include performing market analysis, collecting opinion or information from the social group, and devising marketing tactical actions that involve the members.

Summary

As described in the previous chapter, social leaders need to understand what encourages members to build their commitment and loyalty to a social experience. These activities typically fall on a job role that works across all the activity roles—the CM.

Whether they have full-time roles or do this part time, CMs face a variety of responsibilities and require numerous “soft” skills, traits, and behaviors. As more teams begin to work through online collaborative environments, these skills become a necessary element of employees and managers. Many organizations might not have official CMs; instead, they essentially spread these tasks among the leaders who participate in such environments. These skills and responsibilities can vary with the social experience and the involvement that

⁹ In August 2008, a lawsuit was filed in California against Facebook and some of its business partners who participated in the Beacon system, such as Blockbuster, Zappos.com, Overstock.com, and others (<http://blog.wired.com/27bstroke6/2008/08/facebook-beacon.html>). At the time of writing, this had not yet been resolved in the courts.

sponsors expect. The next chapter looks at how CMs can measure the involvement and activity occurring in their social environments through different approaches.

Measuring Social Environments

Do consultants who are well connected to others online perform better than those who are not? Do projects involving people from different teams or departments of consultants really work better? How much increased business or revenue does that actually translate into?

These questions directly involve the relationships of people in business networks with the equation for success. The questions seek to discover new ways of improving productivity without changing the nature or products of the business.

Researchers from MIT Sloan School of Management and IBM¹ recently attempted to find these answers in a study of the online network relationships and communications of more than 2,600 consultants with any of the 400,000 employees in the same large company. By comparing the revenues that consultants generated by their billable hours against how they worked with others across their social network, the researchers were able to demonstrate that the topology of the network has a strong relationship to their work performance. For example, they found that just the size of a consultant's network did not translate to increased performance. However, those people who were well connected to managers did well: Knowing one additional manager increased their monthly revenue by \$588. The explanation indicated that the managers were more likely to call in the consultant on higher-value projects. And having a weak connection to

¹ Lynn Wu, Ching-Yung Lin, Sinan Aral, and Erik Brynjolfsson, "Value of Social Network—A Large-Scale Analysis on Network Structure Impact to Financial Revenues of Information Technology Consultants," Winter Information Systems Conference, Salt Lake City, UT (February 2009). This paper is available at <http://smallblue.research.ibm.com/publications/Utah-ValueOfSocialNetworks>.

managers—by not knowing them well enough—led to a *decrease* of \$98 a month.

This study points to wins for a particular group and the dollar value of building relationships through their online networks, but it is not a universal statement for all social systems. Still, it points out an important factor: Measuring social environments can lead to a better understanding of its contribution to a business.

What Can You Measure?

Unfortunately, although it might be possible to measure the visible or directly identifiable elements of social environments, such as how people are connected in business relationships, it is not as simple to measure other aspects of the system. To understand the significance, consider that the value of social systems—the *social capital*—takes three forms: *structural*, *relational*, and *cognitive*.² Structural social capital focuses on roles, networks, connections, and other subjects. Relational social capital focuses on the elements of trust, social norms (accepted behavior), reputation, and identification (social imagination). Cognitive social capital focuses on shared context and purpose, such as common language (imagery), values, shared environment, social experience, shared tasks, shared history (storytelling), and leadership.

A standardized universal approach still eludes us. Researchers at the World Bank concluded that one could measure the different aspects of social capital, but as *proxies* instead of actual valuations of social capital itself.³ In other words, direct metrics in each of the types of social capital is not a direct conversion into dollars in every situation. Businesses also want to measure social environments for different reasons: They might have different types of measurement data

² Janine Nahapiet and Sumantra Ghoshal, "Social Capital, Intellectual Capital, and the Organizational Advantage," *Academy of Management Review* 23, no. 2 (1998): 243.

³ Christian Grootaert and Thierry van Bastelaer, "Understanding and Measuring Social Capital: A Synthesis of Findings and Recommendations from the Social Capital Initiative" Social Capital Initiative working paper 24 (April 2001). Accessible at <http://siteresources.worldbank.org/INTSOCIALCAPITAL/Resources/Social-Capital-Initiative-Working-Paper-Series/SCI-WPS-24.pdf>.

available or are looking for different results, as you will see in the following examples.

Wikipedia and Google Knol enable a worldwide audience to gather knowledge socially. Some of their key metrics include the number of articles published on their sites, the number of contributors to these articles, and how actively they contribute. Large consulting organizations also keep track of knowledge. They can have intricate formal processes for collecting and packaging the knowledge they produce as assets, which they then measure in terms of how often their consultants reuse such knowledge assets and how much revenue or how many consulting deals are related to the asset. In both scenarios, a social group is involved in collecting and analyzing this information, and packaging it as accepted knowledge.

When projects appear on the research project crowdsourcing site InnoCentive, different members propose their competitive solutions to the project sponsors. InnoCentive can measure the average number of times users view a project, the number of project proposals fulfilled, the average bid per project, or even how long on average it takes for a solution to appear.⁴

On the social lending site Prosper.com, any member can lend money to others at specified interest rates.⁵ Borrowers compete to find the lowest interest rate that they would like to pay, and lenders look to find the best return from their customers. The amounts could vary from less than \$100 to tens of thousands of dollars. This process also reshapes money lending by enabling groups of members to pool their financial resources to lend to or borrow from others. This group orientation not only distributes the risk, but also creates a reinforcing network of peers to keep to the agreement. Both borrowers and lenders rate each other's transactions throughout the process. These metrics focus not only on the credit ratings of both parties, but also on how different categories of lending (such as home mortgage, auto, business, or personal loans) fare.

⁴ Henry Chesborough, *Open Business Models: How to Thrive in the New Innovation Landscape* (Boston: Harvard Business School Press, December 2006).

⁵ Prosper.com provides a detailed guide on how its social lending system works at www.prosper.com/welcome/how_it_works.aspx.

BzzAgent⁶ and other social marketing sites offer programs to enlist enthusiasts and evangelists and to track how marketing messages offered by sponsors can spread through their network. The metrics include the key promoters per offering, the response to an offering, and the pattern of the spread.

Product support online communities from Apple to Ziff-Davis Media often combine the goals of developing further awareness of the company's offerings with developing a loyal base of customers. A host of metrics are possible: the number of responses each support request gets from the community, the average amount of time it takes to get a response, the number of new members to the community, the number of returning members, and the engagement of members in different marketing and loyalty offerings.

These examples are only a handful of social environments that are implementing different social tasks, but they already point out the bountiful variety of metrics involved. Some of these metrics rely on other metrics on different levels. They might also provide different information about the social environment, such as the count of knowledge or content within, the structure of relationships, the activity and health of the social group as a whole, or business value results.

It is easy to consider metrics and results when you have a lot of data, but how does one get this data? What are the processes or mechanisms for gathering this data? There's often more than one type of metric or a combination of metrics to examine. How do they relate to each other and what combinations really work?

And if social interactions and relationships produce the value of social environments, how do you know if a social group is really at a good point to produce results? This is a different dynamic than just collecting the data; it requires recognizing the right time to collect data.

The first step is recognizing the different types of metrics.

⁶ BzzAgent supports online word-of-mouth marketing campaigns. See www.bzzagent.com/pages/Page.do?page=Why-Join-BzzAgent.

Dimensions of Measurement

Social-software metrics mean different things at different levels. For example, as an individual in an enterprise social community, I'd be interested in the network and type of relationships that I have with others, I'd want to track the items that I've contributed, and I'd want to know who finds my contributions useful. The community manager would be interested in looking at the aggregate results of all the members of the community. The ecosystem team that runs all these communities would be interested in the overall performance of the communities, and ways to compare how one is doing relative to another.

This introduces three common scopes for metrics: individual members and content items that I will metaphorically refer to as *leaves*; all the members or participants of a particular social instance, the entire *tree*; and all the members and participants in all social instances, in the same ecosystem or *forest*.

Individuals will be most interested in the metrics about themselves—the leaf metrics. Other users might be interested in a person's leaf metrics, but this triggers the question of which information should be private. Many social software users are getting comfortable with the idea of sharing some of their leaf metrics: the size of their social network, how frequently people read their posted content, or how others have rated their content. They see this as a way to encourage more people to interact with them, or to demonstrate their expertise or influence.

A community manager might also be interested in the leaves, especially when trying to identify influencers and their degree or form of influence. However, they are also subject to the rules of member privacy, depending on the agreed-upon terms and conditions of participating in the social environment.

The tree and forest levels describe aggregated behavior, although these are not necessarily just aggregations of people. You can have many levels of aggregations on top of each other, but I'll keep it simple here. Aggregating information often removes the personally identifying information about individual members, which makes it easier to access or share these metrics.

Types of Metrics

Each of these three views of a social environment’s content also includes several different categories of metrics in which people might be interested. With so many metrics to choose from (see Table 10.1), it is easy to confuse which one is being discussed in ordinary conversation. Table 10.1 can act as a tool to declare the scope and type of metric, even if it is not an exhaustive list of possible choices in each of these categories.

TABLE 10.1 Metrics Categories Per Social Environment Scope

	Leaf Level (Each Person or Content Item)	Tree Level (Each Social Instance)	Forest Level (Each Ecosystem of Instances)
Traffic (behavioral)	Monthly Web page views, incoming Internet domains, incoming geolocation, monthly unique visitors, monthly repeat visitors, trackbacks, and average time spent on site	Monthly Web page views, incoming Internet domains, incoming geolocation, monthly unique visitors, monthly repeat visitors, and average time spent on site	Monthly Web page views, incoming Internet domains, incoming geolocation, monthly unique visitors, monthly repeat visitors, and average time spent on site
Structural (behavioral)	Connections (unidirectional or bidirectional), network size, social instances to which someone belongs, number of entries in the tag, and term frequency	Number of members, percentage of active and inactive members, and leadership roles created and filled	Number of social instances, and social instances per context model

TABLE 10.1 Metrics Categories Per Social Environment Scope

	Leaf Level (Each Person or Content Item)	Tree Level (Each Social Instance)	Forest Level (Each Ecosystem of Instances)
Tasks (behavioral and attitudinal)	Social tasks in which someone has participated, or content that he or she has created	Percentage of member task participation, percentage of task completion, success stories and outcomes from completed tasks, abandonment, content submissions, and postings	Social instances with a high degree of completions, and success stories about social instances
Commitment (behavioral and attitudinal)	Content-quality rating, content, content ranking on search engines, benevolence or competence reputation, number of recommendations or testimonials, and virtual currency	Rewards and awards given, number of members who acknowledge being enabled by the instance, and virtual currency transaction activity	Frequently reused context models, active social instances, virtual currency supply, and economy
Programs (behavioral and attitudinal)	Member programs or activities in which someone participates	Percentage of participation in engagement programs or activities, top active participants, and conversion per program	Percentage of participation in ecosystem-level engagement programs or activities, and conversion per program
Culture (attitudinal)	Cultural artifacts that a person has created or in which he or she is involved	Percentage of members who identify with the social instance's cultural artifacts, stories, storytellers, or age of artifacts	Percentage of members who identify with the ecosystem's artifacts, stories, age of artifacts, or number of instances with strong cultures

TABLE 10.1 Metrics Categories Per Social Environment Scope

	Leaf Level (Each Person or Content Item)	Tree Level (Each Social Instance)	Forest Level (Each Ecosystem of Instances)
Business (behavioral)	Purchase history, productivity in time saved, and face time with customers	Sales leads, revenue generated, top customers, sales trends, customer satisfaction, repeat-customer rate, support-cost savings, employee productivity in time saved, percent highly engaged employees, and improvement in employee time to productivity	Sales leads, revenue generated, top-selling instances, sales trends, customer satisfaction, repeat-customer rate, top customers, support-cost savings, employee productivity in time saved, percent highly engaged employees, and improvement in employee time to productivity

Traffic metrics are the most common type based on concepts that originate from measuring Web sites. These metrics tend to be the same in all three scopes, differing only by how many sources are aggregated in each scope.

Structural metrics describe the shape of networks and connections across them. This category is particularly interesting to the science of social-network analysis. By analyzing the structure of social networks, you can determine different information about relationships: the path or distance to a contact, the key liaison points or bottlenecks, or who in one’s network is highly connected.

Task metrics are associated with the social tasks described in Chapter 4, “Social Tasks: Collaborating on Ideas,” and Chapter 5, “Social Tasks: Creating and Managing Information.” These metrics typically depend on the type of tasks, although generic tree- and forest-level metrics exist, such as the degree of participation and successful completion rate of tasks. In addition to these analytic measures, successful tasks and failures contribute to the social system’s cultural history in the form of stories and heroes.

Engagement metrics relate to the reputation of individuals at the leaf level, or how influencers and leaders are rewarded for their activity at the tree and ecosystem levels. The analytic data of social gestures and exchanges, as described in Chapter 8, “Engaging and Encouraging Members,” also falls into this category. The data can also be qualitative information, such as how aware members are of the culture and values of the social group.

Social environments that invite members to participate in particular programs or offerings introduce engagement metrics. These metrics are somewhat similar to task metrics but do not necessarily ask members to engage in a collaborative task. Instead, they tend to target members to participate individually. The similar metrics focus on how many members enroll in the offering, the degree of participation, and ways to successfully reach anticipated target numbers for each program or offering.

Cultural metrics describe the social group’s cultural awareness, the variety of cultural artifacts they create and identify with, and the penetration of this culture across the group. Inevitably, other elements, such as tasks, programs, and structural relationships, also contribute to these metrics. For example, stories can surround any of these other metrics. As we will see later in this chapter, cultural metrics are also useful in describing a lifecycle to the growth and development of a social instance.

Metrics and Social Experiences

The metric categories in Table 10.1 describe what type of units to look for, but these units tend to differ across the different social experience models. For example, you could be looking for the same type of task or commitment metrics, but they could mean different things in different social experiences. Table 10.2 examines the differences between metrics in the various social-experience models.

These social-environment scopes also relate to how you define what constitutes an instance of a social environment or a collection of multiple instances. They distinguish the content items from the containers—and multiple levels of containers. From a metrics perspective, social-environment scopes identify different levels of

TABLE 10.2 Metrics per Social Experience at Different Scopes

	Leaf Level (Each Person or Content Item)	Tree Level (Each Social Instance)	Forest Level (Each Ecosystem of Instances)
Personal	Each individual's personalized view	Optional—different templates of personalized views can be different trees	Optional—if there are different templates, the forest of all these templates
Individual	Content within the individual's space	An individual space per person (such as one person's blog)	The collection of all individual spaces—for example, the collection of all blogs inside an enterprise
Social network	One person's network of members and interactions with them	Optional—the combined set of several people's social networks can be a tree	The combined set of all the individual social networks
Closed or visible groups	The individual members or content contributions of the group	Each group	The collection of all groups
Community	The individual members or content contributions of the community	Each community	The collection of all communities
Mass collaboration	Each content item a user contributes is a leaf—for example, one individual URL associated with a tag	A set of related content items—for example, the set of URL resources by the same tag	The collection of all sets of content items—for example, all the tags in a folksonomy

roughly comparable items. For example, you could roughly compare a member's published articles against others' articles at the leaf level in a group or other experience model, but you would not compare a single article (leaf) to an entire community (tree), or a single community (tree) to an entire ecosystem of communities (forest).

This is a common problem when, for example, someone sees a healthy community and asks why his or her entire ecosystem can't

be exactly the same. It's a matter of scale and situation: Not all the communities in an ecosystem might have the same level of involvement, resource commitment, or support. It is also the same reason why you should not point to one or two successful communities in an ecosystem of many and judge the entire ecosystem to be healthy and successful. As the saying goes, this is comparing apples to oranges.

Measurement Mechanisms and Methods

Measuring aspects of social systems involves measuring both behavior and attitudes or opinions. These can be either quantitative or qualitative measurements, objective or subjective. Online environments can make this measurement both easier and complicated. Some social software builds in mechanisms to track structural behavioral data as part of each member or social instance; for example, LinkedIn keeps track of each member's number of connections and the size of the network. You can apply other tools, such as Google Analytics, to a Web site to gather site-traffic behavioral data.

Similarly, online tools for polling and surveys are particularly useful in measuring qualitative information of attitudes, awareness, and opinions. Let's take a closer look at these two methods for quantitative and qualitative measurement to understand how they apply to the different types of metrics identified earlier.

Quantitative Analytic Measurement Mechanisms

Quantitative tools for Web site measurement have existed for years and have easily transferred to social sites. As mentioned before, Google Analytics is available to anyone on the public-facing Internet domain for free. Other tools, from companies such as Omniture and WebTrends, can work in several different domains, from public-facing domains to the enterprise domain. These quantitative tools can track a wide range of metrics in Table 10.1, except for cultural and commitment metrics, which are primarily qualitative measures.

Traffic metrics, such as Web page views and site-unique visitors, are the most common example of analytic metrics. Many sites report the size of their community in terms of the average number of unique visitors they receive each month, regardless of how many times each visitor might actually come to that site that month.

Structural metrics describe the connections or associations between entities, such as the number of members who belong to an instance, the connections a member has to others, or the size of the network that a member can reach. The leaf-level interpretation of connections can be either the number of relationships that a member has formed with others or the number of links to a document. The latter is famously involved in Google's Pagerank algorithm but can also be the number of entries mapped to a social tag (how often that tag is connected to a resource). Relationships to a person can be bidirectional (both parties agree to form the bond) or unidirectional (many people follow an individual's activity).

Tasks that can be broken down into steps or measured in terms of successful completions can be analytic even if the output itself is qualitative. The quantitative measure is in terms of member participation in these tasks. Similarly, member participation in any kind of program aimed at a social instance or ecosystem (such as promotion, content submission, member-to-member engagement, rewards, and enablement programs) can be set up in terms of quantitative measures. Reputation or quality metrics can be either objective measures, such as a numeric scoring system, or subjective measures, such as recommendations, testimonials, and reviews.

Qualitative Measurement through Surveys and Interviews

Trying to learn qualitative information about a social instance is less of a science and more of an art in identifying attitudes and opinions. Certain tools can be helpful, especially when formalized through surveys, but it is also beneficial to gather this information through direct dialogue, interviews, and focus groups. These skills are specific to user-experience design and user testing, and are often used in product testing. Online survey tools from SurveyMonkey and

Vovici⁷ make the process of creating and conducting these surveys simple and often affordable. However, knowing how to use these tools is one thing—knowing what to ask people in a survey is a whole different consideration.

Qualitative questions are often a step of discovery, asking for opinions on current items or unforeseen alternative options. Users consider opinion gathering useful if the community managers (CMs) or sponsors can show some action or outcome from these opinions. They want to know that their opinion will matter; therefore, a survey must offer information on what actions will follow if users take the time to complete it.

Users might receive a constant barrage of surveys and polls just because they use the Internet, and this barrage of demands doesn't help when trying to study one's own social instance. Katrina Lerman and Manila Austin of Communispace suggest⁸ balancing the mechanisms for studying a community almost equally among surveys, dialogues, and focus groups.

Focus groups, dialogues, and interviews provide a different approach to collecting qualitative information. The difficult part is finding appropriate representatives for these groups. Reaching out to leaders in a social experience can give a wide and deep view, but this also collects the opinion of the more active members of an instance, which the newer and less active members might not share. The purpose of interviews is to go beyond preset questions (as in a survey); follow trains of thought, arguments, and highlights; and then investigate these issues more deeply with the interviewees.

The final approach is to gather data from the flow of information in the social group: scan the contributions from members over time, collect opinions and issues, and analyze them. This task is less labor-intensive if it is part of the CM's monthly or regular operations and analysis.

⁷ SurveyMonkey is a low-cost Web tool for creating, delivering, and managing online surveys at www.surveymonkey.com/. Vovici provides a similar commercial service for surveys on the Internet or within a company at www.vovici.com/index.aspx.

⁸ Katrina Lerman and Manila Austin, *Creating a Culture of Participation*, Brief Report, Communispace (2007). Accessible at www.communispace.com/research/abstract/?Type=All%20About%20Communities&Id=33.

Analyzing qualitative answers means finding commonalities across interviewees, categorizing or tagging these commonalities, and marking frequency. This helps identify hot spots and alludes to priorities for which topic to address first. You might also consider the reputation of the interviewees as a form of ranking, if this is an important consideration.

Summary

Metrics in social systems involve a number of dimensions: individuals versus social instances and ecosystems, quantitative versus qualitative measures, behavior versus attitudes, and metrics collected for different reasons. The best guide is to choose metrics based on what matters for the social instance and the context model. Focus on task achievement, member engagement and alignment to the sponsor, or stronger social ties and culture.

Metrics serve to support the organization's strategy and goals. Therefore, social computing systems exist not simply as another communication channel, but as specific pieces that are necessary to execute business strategy. This requires the right application of social systems to serve the overall strategy.

Social Computing Value

Social computing is a general methodology that applies human interests, ingenuity, and analysis to a range of business problems that are not practical or possible to solve with raw machine computational power. The element of “computation” here is the process of how people discover, consider, interpret, and communicate ideas through various means. These are not formulaic processes; each person brings his or her own unique history, expertise, and personality when working on the problem. This element of creativity separates social computing from mathematical and analytical models possible through software code and algorithms. Yet social computing still requires a software-assisted medium that works through online environments to allow people to interact across distances. It is particularly helpful when working across multiple organizational departments, companies, or job roles. It can apply to different scenarios within a single enterprise, between a business and its customers, between shareholders and the public directly, or even when engaging customers at other popular online venues.

It is considered *social* because the information can be segmented, shared, distributed, or recombined across the efforts of many individuals. For social computing to work, most often the people involved need to see each other’s contributions. In other cases, this information is aggregated from many individual sources into larger or more complex packages to deliver to others. This is also social because of the relationships and trust bonds that form between people while working on such problems.

Successful social computing environments can even help users transcend the immediate task and develop long-lasting working relationships. It opens participants’ minds to new ideas, new possibilities,

and sometimes even new opportunities through their interactions. CEOs point to this deeper and wider level of collaboration as a key to business innovation. Social computing can also counteract the sense of isolation among an increasingly distributed or telecommuting workforce.

The 50-plus examples in this book highlight different aspects of how organizations have implemented social computing to solve particular business needs. These aspects describe how people gather together, lead others, work on tasks, develop a shared purpose and culture, and commit to participate. They also describe what it takes to guide this participation, develop the focus, and measure activity.

As with any method, specific repeatable techniques can be applied to different scenarios. People participate within defined structures and steps. However, social environments are also fluid entities that often depend on the attitudes, preferences, and personalities of the participants. Much depends upon the maturation of the social group as a whole.

Applying social computing techniques involves its own particular style of leadership, enablement, and guidance. Unlike traditional teams in hierarchical organizations that come under the direction of people managers, social computing takes a new brand of social *community* managers and uses different methods to engage participation in work tasks.

Defining the Structure of a Social Environment

Implementing social computing methods requires a number of initial steps to plan or create the structure of the social environment. This involves refining the choices for the social experience, the leadership model, the social tasks, the grouping, and the domain desired for the social environment.

Choosing a Social Experience

Working in any online social computing environment places a person into one of several models of *social experiences*. These

experiences describe how people are grouped together in a collaborative setting. This differs from a personal experience, such as shopping at fashion retailer Coach's online store, where each customer's purchase is entirely isolated from others', without any feedback between customers about products.

Each experience identifies whether the environment revolves around the interests of a person, a particular group, or a shared topic. Although every environment is social—some level of interaction occurs between people—each experience model defines an approach to the directness of interaction: who can provide input, where the output goes and what form it takes, and who generally has control of the experience. Each social experience model can simultaneously provide benefits to owners, members, and sponsors in different ways.

For example, last.fm implements the mass collaboration experience that allows each user to see what others recommend for similar music. At the same time, it engages its fans to continue listening as return customers for the business. Slideshare allows an individual experience in which users can share their presentations online with others. LinkedIn engages users to invite their business contacts into a social network experience, which adds more people into the overall system to help others to discover new contacts, increasing the overall value of this social Web site.

Immediate and virtual teams can use IBM Lotus Quickr to interact with each other across an organization in a single online environment reserved for this closed workgroup experience. The Music Genome Project, on the other hand, enlists experts into a visible workgroup experience to share their results with customers on Pandora Internet radio. SAP Developer Network engages a wide range of customers across many industries and locations into an online community experience to discuss and share their expertise to solve complex problems, while at the same time encouraging greater use of SAP products.

Setting a Social Leadership Model

The owners of these social environments can choose particular approaches for how they create and guide the direction of content in various forms of social leadership models. Each model describes the approach of assigning leaders the rights of other users to participate and contribute to the shared experience (or allowing leaders to emerge from the membership of the social environment), and determining who is involved in the decisions for the direction of the social environment.

The most basic is the centralized model of leadership, in which a single person, team, or organizational representative has ownership of the social environment. For example, sites such as Businessweek.com and CNN.com might allow members to submit comments and feedback for others to see, but the articles and direction of the content fall within the control of editorial teams of each organization. Most individual blogs on the Web are a similarly centralized model: Only the blog owner decides the content, participation, and direction for the blog. In contrast, some blogs, such as BoingBoing.net, are shared across a group of people, with each individual focusing on his or her interests and topics under the common banner. This delegated model spreads the leadership across several individuals or groups to manage the direction. *Scientific American* magazine uses a similar technique to delegate questions to experts with different areas of scientific expertise.

Larger groups of people, such as the IEEE Computer Society, might choose a representative model, in which each local chapter and special interest group can elect or decide upon its own leaders. This contrasts with the entirely volunteer or temporary leadership in starfish leadership models evident in software development projects from the Apache Foundation or in Alcoholics Anonymous, for example. At the other extreme is the swarm leadership model, in which everyone plays a part in the purely democratic decision-making process; true leadership depends on indirect influence or on the commonality of interests.

The social experience model can limit the available choices of leadership models. Social networks and individual experiences typically use centralized or delegated models in which ownership and leadership remains within a small group of individuals. Closed and

visible groups can use centralized, delegated, representative, or starfish leadership models to decide their direction and participation. Community experiences might have delegated leadership but more typically involve representative or starfish models. A mass collaboration relies on the temporary, volunteer leadership of a starfish or the distributed democratic process of a swarm.

Defining a Social Task

Both social experience and leadership models apply to different types of tasks designed for social groups. A social task directs members to collectively engage and interact in steps of a collaborative process to produce some end result. Each task can benefit some subset of the membership, the entire membership, the sponsors, or even other groups and causes. In addition, the aggregation of the work across the group can occur in several different approaches: independent outcomes aggregated into a single collective value, autonomous work attributable to each member working separately from others, consensus gathering across the group, deliberation and debate of multiple possible ideas, and combative approaches to get to the best choice of all the ideas.

The two dozen examples of organizations in Chapters 4, “Social Tasks: Collaborating on Ideas,” and 5, “Social Tasks: Creating and Managing Information,” describe a number of distinctly separate social tasks. For example, IBM’s InnovationJam and Dell’s Ideastorm are social brainstorming projects to engage many individuals to submit, deliberate on, and choose good ideas for implementation into these companies’ research or product-development efforts. Prediction markets, such as electronics retailer BestBuy’s TagTrade system, enable members to price their ideas of value for a given item, collectively resulting in a final market price.

BurdaStyle’s approach of allowing its members to create new sewing pattern designs after choosing and applying templates (crowdsourcing by template) encourages customers to promote their own designs and consider new choices, while helping the company sell more products. The Amazon Web Services Mechanical Turk project enables sponsors to divide analysis work across a crowd to find a collective answer to problems through a process of distributed

human computation. InnoCentive's approach, on the other hand, enables different individuals or teams to bid on research projects in exchange for a financial bounty. Open source software development focuses on drawing potential workers from anywhere who share an interest in the vision of the project, and then coordinating their work as a social group.

BranchIt Software and IBM Lotus Atlas for Connections enable members of a social group to map their network of relationships across a larger group and find connection paths to others. Social tools such as Dopplr and Brightkite can also enable people either to find other members from their group who are physically nearby or to discover others with similar interest in their geographical area.

Vendors such as PowerReviews, BazaarVoice, and Amazon.com enable users to collect and share reviews about products or items, an excellent way to gather social wisdom and views that help encourage or focus further product purchases. In contrast to sharing "to all customers," other social tasks focus on directly recommending content or products to people in your social group, such as when using the Flock browser to share pictures and Web links with peers. Some systems, such as Netflix and last.fm, apply software processes to derive automated recommendations to share with others.

Aside from recommendations, users can share and collaborate on a number of social tasks, in content and collections. Retailer Amazon.com's online store enables users to create wish lists or collections of products to share with their peers and friends. Sites such as Wikipedia and Google Knol task groups of people to directly create or edit knowledge on a wide range of subjects, while Mahalo applies this group knowledge to provide answers from its search engine. Zoominfo, on the other hand, derives content from many sources to provide information about people and connect them in social networks.

Social bookmarking and tagging on sites such as del.icio.us, Reddit, Stumbleupon, or Dogear enable users to categorize and identify information as a collective view to understand how ideas relate to one another. Many Web sites, such as MarketWatch.com, also guide users toward new information based on such social activities as the most-read or most-commented articles in their daily news that bring out what interests people the most. Yahoo! Answers, on the other hand,

helps users ask, filter, and navigate to direct questions and answers among the social population.

Grouping Experiences and Identifying the Audience Domain

Organizations also find value in grouping together different social environments, each pursuing its own agenda. Wordpress, for example, provides an entire ecosystem of blogs to many individuals and groups, each working for its own goals and direction while still using essentially the same software system. GoingOn, on the other hand, combines multiple social software tools into packaged solutions for schools and other educational institutions, as well as tools for supporting live conference events as online social environments. These combinations either help bring together many people toward a general higher purpose (such as blogging) or allow a single membership of users to interact in different social tasks for the same overall goal.

Defining where an audience comes from—the social domain—can help unify the membership or introduce radically different cultures into one environment. Intel, GE, and the U.S. Air Force all provide online social environments to enable their employees to interact in a private manner within the context of their company. Verizon Wireless and SAP Developer Network public communities encourage customers to raise and address technical problems they might have in common, essentially providing another product support channel for the parent organizations. General Motors and Ernst & Young both take part in well-known third-party public social sites where their customers and interested parties already are participating, to draw them into their marketing or recruiting efforts. IBM's LotusLive social computing service allows organizations to conduct private sessions and events directly between employees and customers, such as during sales calls, executive presentations, and complex support sessions.

Social domains introduce differential concerns for governance policies. Working in an employee-only environment requires different governing principles than when involving a mixed audience of customers and employees. Similarly, people from these different

audiences bring their own work cultures, and working in a mixed environment requires some normalization and agreement on social behaviors and norms.

Cultural Forces Shaping Social Environments

The cultural differences in how people work are major factors when working with or leading people in social environments that typically come from different teams, organization units, companies, or roles. Therefore, understanding cultural differences among social groups can be significant when seeking productivity.

Culture, in this context, exists within the social environment itself instead of in the geopolitical origins of members. Although these national cultures certainly have an effect on how a person works, each social group can develop its own private culture. This exists outside online environments, too: You can be a citizen of the United States while still having distinct preferences for or against the chrome-and-leather motorcycle culture of Harley-Davidson fans.

Distinctive artifacts of culture can become apparent through the interactions of members. Shared visual and aural imagery—such as the artwork, the clothing style, and even the very sound associated with the Harley-Davidson motorcycle culture—helps members identify each other, in addition to stating their tastes and product preferences. The use of all caps in text messages is another such cultural element, one fairly universally abhorred in e-mail and online interactions. Storytelling creates a shared cultural history in a social group, identifying values or describing good or unacceptable behaviors.

For any artifact to become part of the culture, the leaders and members must retransmit and validate the ideas. The development of cultural artifacts and the level of acceptance of these artifacts indicate how close alignment is among the members.

Commitment to a social environment is a combination of each member's alignment with the culture, acceptance of the vision or goals imagined for the group, and engagement with the activities of

the social group. It is possible to view commitment in social environments in terms of distinct levels. These range from members who are trying to get accustomed to working with others in an online environment, to the top members who selflessly work for the social group in mentoring and leading (see Figure 8.1 from Chapter 8, “Engaging and Encouraging Members”).

Realizing value in social computing activities hinges on getting members to participate. Members do not participate simply because they are told to do so; they need encouragement and social development, from other members and often from a central leadership role of a community manager.

Community managers focus on guiding members to increase their participation in the goals of the social environment. This can apply to any type of social experience. Even without a formal title, these tasks typically fall upon the leaders of the environment. Community managers can introduce programs such as membership rewards, evangelist recognition, and mentoring to newer members, to encourage commitment at different levels.

The key value of community managers lies in being an advocate and intermediary between the members and the sponsors. They help move the work toward increased productivity by guiding individuals, focusing activities, and generally trying to herd cats—trying to get many people with individual motivations to move in a common direction. Community managers also help relate the activity in the social environment directly to the business activities and strategy of the sponsoring organization.

Social Computing and Business Strategy

Social computing methods that apply in business situations require ideation, review, and decision making by a group of people. Social tasks can produce results when given the right context and level of support, but they need to work within the larger context of the processes and structure of the sponsoring organization.

These methods are becoming common in marketing or social media activities: communicating ideas to people, helping spread the

word, and collecting and sharing views. Such efforts are evident in a number of the examples from Slideshare, blogging, and BoingBoing.net, to the public interactions of Ernst & Young and General Motors. Sales processes frequently benefit from other social tasks for companies, such as Amazon.com, BurdaStyle, Netflix, last.fm, and Pandora. These organizations provide recommendations and guide customers to other products and options that might interest them, thereby increasing the possibilities of return or additional sales. Verizon Wireless and SAP Developer Network introduces new methods to support customers through the combined collective wisdom of employees and other customers. IBM's InnovationJam, InnoCentive's crowdsourcing methods, and the Apache Foundation's open source software-development efforts show social computing methods that support research and development activities through brainstorming and shaping ideas and goals, or by outsourcing entire projects.

Social computing facilitates new strategies that change how businesses can apply the collective efforts of many individuals to solve problems and contribute to the success of the organization. Understanding the dynamics of how these methods work is both a science and an art. This is not spurred solely by the use of software technology; it is the change in how businesses see themselves partnering with those all around them, to develop strategic gains in an increasing globally interdependent business climate. This interdependency will likely continue as emerging markets introduce new opportunities and competition, and as new generations of employees who have grown up in a world full of people and computer networks bring their skills in social computing to the workplace.

In the future, the skills of working in online social environments might become an increasingly common part of every job. A number of organizations today are already moving ahead by incorporating social computing into their strategies, giving them an extra edge by driving collaboration and productivity across employees, partners, customers, the public, and the entire sphere of people around them.

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“I am of the belief that *everything* is shifting. That the paradigm within which we’ve been operating, in business specifically, has gone bankrupt. That the way we’ve done things up until now—the way we’ve created, marketed, and distributed content; the way we’ve communicated with our partners, vendors, and customers; the mindset behind delivering our bottom line; and every other component in how we do business—has actually expired and a new model is emerging.

“As a huge believer that this twenty-first century shift in business is grounded and founded in collaboration and contribution, I was thrilled beyond measure to see that these are two concepts Tasner points to in *Marketing in the Moment*.

“I know that where we’re going to start seeing this shift evidenced loudly is in the world of marketing. Tasner may be talking about Web 3.0, but what he’s actually doing is *exemplifying* this twenty-first century shift in business.

“The content he provides is rich and exceedingly helpful in taking readers by the hand and crossing them over the bridge as we make this transition into the new paradigm for doing business. The most powerful piece for me, however, is in witnessing Tasner as an actual demonstration of what twenty-first century business is all about.

“I know *Marketing in the Moment* will prove to be a manual for those of us seeking support as we forge forward even further into this digital age.”

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“Michael Tasner has unlocked the vault to his multimillion dollar mind and given you *everything* you need to be successful on the Web today! Rarely does someone of Michael’s stature reveal such profound secrets (the secrets he uses to run his own business!), and if that weren’t enough, he also makes it so simple to follow his lead and execute his strategies. He’s really taken the complexity out of it. If you want to succeed on the Web today, whether you want to do it yourself or you just want to disqualify 90% of the ‘Web designers’ out there who want to ‘help’ you, this is the book for you. This book is an absolute *must-read*.”

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www.DicksNanton.com

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Michael Tasner

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*To my beautiful wife, Anna, and my handsome twin boys,
Connor and Logan.*

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Foreword

If you're a guerrilla marketer, online and mobile marketing were invented for you. Why? Guerrilla marketers recognize the power of custom-tailored marketing. They know how important is to be fast on their feet, changing quickly to reflect everything they learn about their customers. Above all, they know how important it is to squeeze maximum bang out of every buck. Today's online and mobile channels are perfect for all that. They can help you transform marketing squirt guns into cannons—if you know what you're doing.

That's where this book comes in.

Forget the hype and hand-waving that won't earn you a single customer or sale. Michael Tasner gets down to brass tacks: proven tactics and ground-level execution techniques. He shows you *what* you need to do. *How* and *when* to do it. What *works*. And what *doesn't* work—no matter how much money you throw at it or how many breathless, bill-by-the-hour experts tell you otherwise.

What gives Tasner the right to write this book? Only this: He's been doing it for a decade. *Really* doing it. Through booms and busts alike, he's built one of the nation's leading online marketing firms. He's guided companies of all kinds, from Internet startups to *nine* Fortune® 1000 companies. And, as a certified Guerrilla Marketing Master Trainer, he knows how to assess the terrain, recognize and act on new opportunities fast, and defeat even the most well-armed competitors.

You've got limited resources—maybe more limited than usual these days. Tasner walks you through prioritizing those resources for maximum impact. He helps you craft focused action plans for the next three, six, and twelve

months—and offers specific guidance for meeting most any goal you have, including entering new markets.

Once your plan's in place, you must get your whole team on the same page fast so you can execute quickly, without bureaucracy or overhead. New online collaboration tools can help you do that. Tasner shows you how to use them *at practically no cost*.

Maybe you're looking around at all those smartphone and iPad users, and you're salivating. If you're not, you should be. Practically overnight, mobile's become as endemic as phones and computers. You're thinking: There's *got* to be a marketing opportunity here—but *where*? For most entrepreneurs and marketers, mobile is a mystery. It needn't be. Tasner shows you how to pick your spots and get started, with surprisingly little risk or investment.

Which brings me to another great thing about *Marketing in the Moment*. Unlike entrepreneurs and businesspeople who fail, savvy guerrilla marketers *know* they don't know everything. Guerrilla marketers ask questions: plenty of them. This book answers those questions: about everything from Twitter to iPhones. Guerrilla marketers want to learn from other people's costly mistakes, instead of reproducing them. This book draws giant fluorescent glow-in-the-dark circles around the money pits and sinkholes you *don't* want to fall into.

As I've long stressed, technology helps with the job—but it doesn't *do* the job. That was true of email and the Web: It's equally true with Facebook and Twitter. The job is still yours. *You* need to comprehend what the technology can and can't do for you—and then *you* need to execute. *You* need to measure what you're doing, learn from your customers, fix problems, do better.

Above all, *you* need to make the decision to get started, and grab these new online and mobile marketing opportunities before your competitors do. When you make that decision,

you'll need resources to help you follow up with smarter choices, more effective execution, and fewer missteps. Fortunately, there's now a book you can rely on for all of that: Michael Tasner's *Marketing in the Moment*.

—Jay Conrad Levinson

Author and creator of *Guerrilla Marketing*, the world's most powerful approach to marketing, with 21,000,000 books sold in 62 languages

Acknowledgments

This was such a fun journey! I didn't realize all the hard work that actually went into making a book of this caliber.

First off, I want to thank my family: all of my parents, my brothers and sisters, my grandparents, and my aunts and uncles. All of you have provided so much support and encouragement over the years. You let me know that anything is possible when you put your mind to it. I hope that I, too, have been an inspiration back to you.

Thanks also to everyone at my company, Taz Solutions, who had a hand in the editing process. You all rock! In addition, I want to thank my clients; it's been an honor to serve you and help with your online marketing. Many times, you have let me make you my "guinea pigs," and I'm grateful you trusted me to lead the way. I was able to use many of you as case studies in the book, so thank you for allowing me to do that.

I want to give a special thanks to Martha Finney. You were an amazing editor and the reason I went with FT Press. I owe quite a bit to you.

Lastly, this book would not have been possible without the amazing support from FT Press. It was been a pleasure and an honor to get to work with such a talented team of people!

I am ever grateful for this book; it's truly a dream come true.

About the Author

Michael Tasner has been called by many as one of the top online marketing experts in the world. He runs a large online marketing and design firm that works with the most high-profile speakers, authors, consultants, and entrepreneurs in the world. These businesses hire and trust him to run their entire online marketing campaigns from A to Z. He has also consulted with numerous Fortune 1000 companies, teaching them how to implement the latest and greatest Web efforts in their marketing.

The best part: He plays both sides of the fence. Not only does he run Taz Solutions, Inc., but he trains others how to market on their own. His experience is backed by more than ten years of in-the-trenches work. During those ten years, he has started and sold four successful Web firms based on the traffic they were generating.

Michael lives in Niagara Falls, NY with his wife, Anna, and twin boys, Connor and Logan.

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Introduction

There has never been a better time in history than now to be marketing on the Internet. Look around at some of the retail giants that have gone out of business or filed for bankruptcy recently: Circuit City, Steve & Barry's, Linens 'n Things, Shoe Pavilion, and Whitehall Jewelry. Now compare them to similar online businesses: www.Amazon.com, www.Zappos.com, www.MyWeddingFavors.com, and www.BlueNile.com.

Both consumers and businesses have shifted the way they purchase products and services, but more important, they have shifted the way they research and find these products and services. This is where we as marketers need to focus our attention. We need to be certain that we are marketing in the right places, or we can start saying goodbye to business. What did the online companies do differently than the retail ones? They understood and embraced a move that was taking place in the marketing world.

How would you like to be ahead of 98% of other marketers, gain an unfair advantage over your competitors, and start grabbing market share before anyone realizes they should have been doing the same for the past year?

Hopefully, you answered yes. I mean, who wouldn't want to be on the leading edge and grabbing market share before all the rest do? Before we tell how this is going to happen, let's take a step back and put some things into perspective.

Recognize Any of These?

Sit back for a second and think about this first set of terms:

collaboration, blogging, content sharing, online video, social networks

Now think about this second set of terms:

mobile browsing, live streaming video, microblogging, personalization, semantic

Let's try one more exercise: Take a look at these two groups of companies. How many are you familiar with in each group?

Group 1: Facebook, Wikipedia, Blogger, YouTube, PRWeb, Squidoo, TypePad, MySpace, Scribd

Group 2: Twitter, Plurk, Ustream, Joost, Tumblr, iGoogle, OpenID, Salesforce, Funsites

Chances are you recognize many more in the first group than in the second. The good news: You're in the majority. The bad news: Time is of the essence.

The purpose of these two exercises was to show you the different trends that are already taking place and the new companies that are shaping the future of the Web. In the first exercise, *collaboration, blogging, content sharing, online video*, and *social networks* all are Web 2.0 terms. The second group was composed of Web 3.0 terms. In the second exercise, group 1 is composed of Web 2.0 companies, and group 2 is composed of Web 3.0 companies. Rather than clouding your judgment with preconceived notions, we wanted you to see the shift for yourself.

Many people have said we are still years away from Web 3.0. We reply, we are already living it. The drastic shift is

already taking place with changes happening all around us. We have been so encapsulated with Web 2.0 that we have put blinders on to the shift to Web 3.0.

What Does This Mean to You?

In uncertain economic times, we cannot ignore trends. We need to learn about and start capitalizing on them. You must be certain that you are bringing in customers from various sources—sources from which your target audience is based. The old days of consumers and businesses simply going to Google, typing in a search phrase, locating a company, and purchasing are over with. They are watching live presentations on Ustream, getting 140-character posts on Twitter with special offers, and even browsing Second Life to learn more. They also have most likely browsed your Web site from a device other than a computer, whether it was a BlackBerry, an iPhone, or another mobile device. Are you prepared to embrace and leverage these changes?

Move Out of the Way, or Jump on the Bullet Train

Marketing in the Moment is meant to serve as your step-by-step guidebook to allowing you to make the shift from a Web 2.0 marketing world to a Web 3.0 marketing universe. If you're not ready to be on the forefront of the marketing world, this book is not for you. However, if you are ready to establish your "Blue Ocean Strategy" (book by W. Chan Kim and Renee Mauborgne), then let's dive in and start breaking you away from the pack. Trust me, Web 3.0 is where you want to be!

Why Should You Listen to Me?

I run a large online marketing and design firm that works with the most high-profile speakers, authors, consultants, and entrepreneurs in the world. These businesses hire us and trust us to run their entire online marketing campaigns from A to Z. I've also consulted with numerous Fortune 1000 companies, teaching them how to implement the latest and greatest Web efforts in their marketing.

The best part: I play both sides of the fence. Not only do I run Taz Solutions, Inc., where we do the marketing for you, but I train others (like you) how to do this on your own. My experience is backed by over ten years of in-the-trenches work. During those ten years, I've started and sold four successful Web firms based on the traffic they were generating.

At 25, I've been called one of the top marketing experts in the world. This is a very interesting title to have at such a young age. I've been called this for one simple reason: I produce results that others have only dreamed of.

How to Use This Book

I want this to be your desk reference to Web 3.0 marketing. Read the book from cover to cover at least twice. This was written as a tactical book for a reason. One of the biggest complaints I get from people is that they don't know how to implement. They read plenty of "feel good" and strategy stuff, but most of those books are light on implementation. Take the famous movie *The Secret*. The movie was life-changing, but nowhere did it tell you how to actually start seeing some of the changes come into your day-to-day life. What I'm getting at here is this: There are no excuses as to why you can't implement this stuff. It's not too hard, and it's been boiled down for you.

Throughout the book, you will see some different symbols. Here are their meanings:



Checklist

You will find a variety of checklists and lists in general. These are there for your reference.



To Do

This book is light on fluff and heavy on tactics that will get you results. We will be talking about how to leverage certain marketing tactics. Under the To Do icon, you will see a boiled-down list of action items for you to start implementing in ten steps or fewer.



Case Study

For each of the major marketing tactics we are teaching you about, a case study of how that tactic has been used in real life is included. Also included with the case study is the key result achieved from the tactic and the takeaway I want you to get.



Tas Tip

Tas Tips are the “ah-ha” points throughout the book.

FAQs

Before we get started, let’s tackle some of the most frequently asked questions.

Do All the Tactics Apply to My Business?

The simple answer: no. Keep in mind that most tactics will apply, even if you don't see it at first. Take, for example, the chapter on virtual reality worlds. It may sound far-fetched for you to use a virtual reality world to drive business or leads, but when you actually take a step back, it may not seem so ridiculous. Read over the case studies. Some of the more unique case studies were added to allow you to see the wide range of uses.

Is Web 3.0 Marketing Expensive to Do?

Most of the Web 3.0 tactics we will be discussing are very low-cost but high-impact. Effective marketing does not necessarily mean that it needs to be costly. It does, however, need to produce results and have the ability to be tracked and then tweaked.

Who Does This Book Apply To?

Entrepreneurs, speakers, authors, consultants, home-based businesses, corporations looking to gain an edge, infopreneurs, and intrapreneurs can all benefit from this book.

Are There Other Tools in This Book Besides Online Marketing?

There are a ton of resources in this book for both offline and online use. Throughout the book, there is also a variety of practical, no-BS, business advice on general marketing. Plain and simple, I want your business to succeed. Leveraging innovative marketing tactics to increase your traffic and leads is simply one route to get you there quickly.

1

The Mindset Shift: From Web 2.0 to Web 3.0

What Is Web 2.0?

Web 2.0 began when Web users started to drastically change the way they were using the Web on a day-to-day basis. The main trends that shaped Web 2.0 include content sharing, creativity, segmentation, social components, and added functionality. Some of the added functionality is peer-to-peer sharing of files, easier communication and networking on various social marketing sites, video sharing, and blogging. Web directories evolved to social tagging, personal Web sites shifted to blogs, and online versions of encyclopedias morphed into Wikipedia. In the Web 2.0 world, collaborating on social networks and sharing information helped shape the trend relatively quickly.

As a marketing advantage, there are four key components to Web 2.0:

- **Social networks** are the sites where people come together and share ideas, thoughts, and comments. Examples: Facebook, LinkedIn, and MySpace.

- **Social media** are the places where you can share content with the world in hopes of spreading awareness. Examples: YouTube, Scribd, and Flickr.
- **User-generated content** was what sparked much of the discussion on Web 2.0. This is where users create, manage, and update information. Examples: Squidoo, blogs, and Wikipedia.
- **Social news and bookmarking** have allowed users to organize their Web experience. Examples: Digg, Delicious, and StumbleUpon.

The Limitations of Web 2.0

For many people, Web 2.0 is the king of the mountain. On the contrary, I want to rip it apart, tear it to shreds, and show you all the loopholes, which, in turn, become fresh opportunities.

There are five essential limiting factors of Web 2.0:

- Oversaturation
- Misconceptions
- Time
- Modes of Interaction
- Openness

Oversaturation

Let's start with the limiting factor that should command the most attention: oversaturation. The problem is that everyone and their third cousin are on the Web 2.0 bandwagon.

As a society, we have become so obsessed with Web 2.0 that it has become *oversaturated*! All of this saturation causes an exorbitant amount of unnecessary noise.

Key Concept:

The key limitation to Web 2.0 is that it has become oversaturated.

Here are some examples:

- Your grandma calls you and says she's been told she needs a blog so that her friends can stay updated on her travels.
- Eight-year-olds are posting videos on YouTube.
- Photos of your kid's birthday are shared with the world on Flickr.

You might argue that, as a result, these sites are receiving a lot of good traffic because everyone is logging on. You are correct. However, how *targeted* is the traffic going to be? This is a key concept you will hear throughout the book. Targeted traffic is the advantage that strategic marketers are seeking.

When it comes down to it, the key is drilling down to find the best interaction. Facebook is an excellent place to network, meet new people, and do business. But Facebook is a powerful marketing tool only when you know how to use it to reach out to specific people or groups of people.

Misconceptions

Common misconceptions about Web 2.0 have also caused difficulties. How many times have you heard that MySpace is just for teens and porn? The statement is nowhere near correct; however, there are millions of people who firmly hold that statement to be true. Those are the people who are very tough to reach using Web 2.0 marketing methods.

The media portray Web 2.0 in one way. The fact of the matter is that some people can ruin it for all of us. You get some crazy 14-year-old from China creating a virus, and suddenly everyone thinks that their computers are infected and that they can't open any attachments or even browse the Web.

Time

Time is also a limiting factor. As we become more and more connected, we get more and more distracted by all the noise, like comments being made on our blogs, questions about our photos on Flickr, or updates on Wikipedia. One trend that never seems to change is that people continue to get busier and have less time for interaction.

Both consumers and businesses continue to demand more information, and they want it faster, making it very challenging to keep up. Once they think they have found their preferred method of communication (e-mail), an even better method comes out that is even faster (to be talked about shortly).

Modes of Interaction

I understand that this way of thinking may be contradictory to what you might be thinking: Isn't the goal of Web 2.0 to create new modes of interaction? I define modes of interaction as the different places and devices that people use to gather, search, network, and exchange information. People are gathering in different places around the Web and interacting in different ways with each other. But these modes of interaction have decreased the human touch. Do you even pick up a phone on a daily basis? If you need something, you pop off an e-mail. If you have a question, you search Wikipedia.

Once you start getting bogged down with e-mails, Facebook messages, and instant messages, you start to look for a solution to simplify things, and a bad taste forms in your mouth. Then you reach the tipping point, making you jump ship and focus on something else. In other words, there is just too much out there, thus causing confusion and a lack of adoption.

Openness

Lastly, the openness of Web 2.0 has become a striking limitation. Most humans are naturally private. When you have a Facebook account, a MySpace account, and a Flickr page, your privacy drops quickly. If you are an avid user of Facebook or read the news, you will remember when Facebook changed their policy to state that they own your content even after you've canceled your account. They did change that policy back, but it's still quite vague in their favor. We enjoy sharing details about ourselves, but there comes a point where it just gets weird or creepy. Take, for example, Google Ads on Gmail. You actually will see ads based on the text phrases you're typing in your e-mail. So if you happen to write "personal development," you will see targeted ads with that phrase!

What Is Web 3.0 Marketing?

Web 3.0 marketing describes the next wave that is already taking place and is the shift from Web 2.0. The key driving factors to Web 3.0 marketing include browsing habits, browsing methods, more intelligent information, the experience we're looking for, and the openness of the Web. BlackBerrys and iPhones, portals into Web 3.0, are ruling the day. **Simplified:** Web 3.0 marketing is the convergence of new technologies and rapidly changing consumer buying trends.

Live, streaming video is outpacing static video, and companies like Twitter, Plurk, and Jaiku are growing much more rapidly than Blogger, WordPress, or TypePad. The Web 3.0 marketing world is where customized, intelligent information is available at our fingertips, on any device, from anywhere in the world!

The Five Key Components of Web 3.0 Marketing

- **Microblogging** is the ability to share your thoughts with a set number of characters. People are busy with limited time, so why not get right to the point of the story in 140 characters or fewer? Examples include Twitter, Plurk, and Jaiku.
- **Virtual reality worlds** are places users visit to interact with others from around the world in a 3-D setting. Meetings are being conducted in these spaces, and trade shows are being replaced with virtual reality shows. Examples include Second Life and Funsites.
- **Customization/personalization** allows visitors to create a more personalized experience. They are starting to expect their name to appear at the top of Web sites, personal e-mails, and even advanced checkout options that suit their buying habits. As the Web becomes more and more intelligent, personalization will be the norm. Examples include SendOutCards, Google, and Amazon.
- **Mobile** plays on the fact that there are billions of cell-phone users throughout the world. This number is much larger than those that use PCs. Consumers are surfing the Web and purchasing products right from their mobile phones. They are also using their phones and becoming instant journalists by shooting raw footage of random acts. Examples include iPhones and BlackBerrys.
- **On-demand collaboration** allows users to interact in real time by looking over documents, collaborating, and making changes in real time. Software as a service also fits into on-demand collaboration as it allows users to leverage only Web-based solutions. Examples include Google Docs, www.Salesforce.com, www.Slideshare.net, and www.Box.net.

Let's review the limitations of Web 2.0 so you can see how these start fitting nicely into Web 3.0 marketing:

Web 2.0 Limitation	Web 3.0 Marketing Solution	Web 3.0 Marketing Tool
Oversaturation	It's just getting started.	All the Web 3.0 marketing tactics.
Misconceptions	People don't know enough about Web 3.0 to judge it yet.	All the Web 3.0 marketing tactics.
Time	Quicker and shorter.	Twitter, text messages.
Modes of Interaction	Live, cellphones.	Ustream, BlackBerry, iPhone.
Openness	Specialized, closed communities, less invasive.	InterNations, Pingsta, ASMALLWORLD.

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2

Are You Ready for Web 3.0 Marketing?

How Web 3.0 Marketing Will Affect Your Business, Your Company, and Your Life

There are four key areas in which you're going to notice changes, as described next.

Increasing Mobility and Reliance on Mobile Devices

Mobile is the largest and fastest-growing Web 3.0 trend in online marketing!

BlackBerrys and iPhones are becoming the norm. Text messaging used to be the gold standard. Now, if you don't have e-mail and Web access, your phone is considered ancient.

This trend will affect your personal life as well as your business life.

Resistance to Sharing Information with Everyone

The openness of the Web is causing some major issues with personal security. Identity theft is massively on the rise. In 2008, there were almost ten million victims, a 22% rise from 2007, along with incidences of viruses and spyware.

Consumers and businesses are starting to get more skeptical about putting information on the Web as they become more aware of the *possible* repercussions.

Whatever you put out on the Web can be found, digested, and used by anyone. In fact, there have been recent cases of hackers using the Web to rummage around in your hard drive and even to turn your own monitor against you, remotely activating your webcam and watching what's going on in your office.

In addition to the technical protections people are installing—not to mention the strict rules of online conduct they're imposing on their workplaces and families—there is a trend of microcommunity sites and tribes, as Seth Godin calls them in *Tribes: We Need You to Lead Us*. Facebook will not become a thing of the past, but smaller, more centralized, and specialized groups and social sites will become more prevalent. As a marketer, you will need to establish a presence on these sites so that people can get to know, like, and trust you.

A Reduction in the Need to Be “Belly-to-Belly”

There are many reasons people are continuing to flock to the Web for virtual communication instead of jumping on a plane for a face-to-face meeting, with the largest reason being cost. It is very expensive to fly across the country, stay in a hotel, dine out, take taxis, and on top of it all miss both work and, more important, family time. Virtual trade shows are gaining in popularity. www.SecondLife.com continues to

get larger, and services like www.GoToMeeting.com and www.WebEx.com are attracting new customers like crazy. Citrix (which owns GoToMeeting) continues to attract more than 15,000 new users each month. WebEx touts more than 7 million worldwide users leveraging its tool each month. Once you go virtual, you may never want to fly again, at least for a business meeting. Once you go cam-to-cam, face-to-face will never be the same!

Everything Is Continuing to Go to the Web

Anything and everything continues to go to the Web. Twelve-year-olds are running million-dollar social networks, pizza companies are taking orders through the Web, your family diner accepts reservations on the Net, your grandma is tweeting, your long-lost cousin runs a popular tribe on Second Life. And the list goes on, and on, and on. This trend will not change.

Conducting a 360-Degree Review of Your Web Platform and Marketing Efforts

I'm a huge fan of 360-degree reviews. You may have heard of these. They are typically used in the Human Resource department of a company for employee reviews. The objective of the review is to get a view from all different angles (thus the name 360 degrees) of the particular employee.

Here's how it works: You're an employee working at one of the large automakers (who will remain nameless). Assuming you still have a job, you work daily with other employees just like you, for a direct supervisor. And you have people reporting directly to you. In the process of conducting your review to decide whether you will get a two-cent-per-hour

raise (I know, don't get too excited), your performance will be reviewed by your boss, your peers, and your own direct reports. This ensures that you're getting the most accurate representation of the quality of your work. It also serves as a great checks-and-balances system. If your boss didn't like you, that is only one leg of the review. And one of these days, you will be part of your boss's 360-degree review.

Let's take similar methodology and apply it to your current marketing tactics. This will allow us to see your greatest opportunities for expansion.



To Do

How to Conduct a 360-Degree Review of Your Web Efforts:

Step 1: *Make a list of all the people who have a hand in or are touched by your marketing efforts.*

For example: The CEO, your marketing director, marketing executives, salespeople, engineers, research and development folks, vendors, partners, and your customers. The key here is to make sure you are not leaving anyone out. If you miss one person, you are not fully getting a 360-degree review. You might get only 300 degrees.

Step 2: *Construct two to three surveys for those people to complete.*

The first survey will go to all internal employees, the second to your vendors/partners, if applicable, and the last to your customers. It's up to you if you want to send this to all your customers. It depends highly on how many customers you have. If you're a smaller company, I recommend sending it to all your customers. If you're a larger company with thousands of customers, send it to enough clients to get a good response back. Typical response rates range from 3% to 10%. I've seen lower,

but I've also seen response rates as high as 90%. But those are just the averages.

A few important notes on these surveys:

- I encourage you to send these 100% electronically. When sending surveys electronically, you have a much higher chance of getting a response. There are various survey tools out there, such as www.SurveyMonkey.com, www.Zoomerang.com, and www.keysurvey.com.
- Keep them short to increase your response rate.
- Give some type of incentive for your outside vendors, partners, or customers to fill these out, and watch your response rates skyrocket. (For example, give them 10% off their next order.)
- Modify anything to fit your business.

I like allowing for comments after each question to solicit additional feedback. The reason I ask and solicit more open-ended feedback is to ensure that we don't miss any of the trends. If your customers are finding you in the underwater basket-weaving forum, and we don't leave open space for them to fill in that info, we will never discover that valuable information.

To get these forms in an editable format, visit www.marketinginthemomentbook.com/360.

Step 3: *Compile the data.*

This is going to take you quite a bit of time. Here are some tips for compiling the data:

- Many of the survey software tools will do this for you.
- Develop three different Microsoft Excel files and label them appropriately (internal, vendors/partners, customers).

- Start with the quantifiable data and get that into Excel. Most likely this will be a simple export.
- Move on to the open-ended questions. Take all the responses for each question and place them into Excel so you can see all the data in front of you.
- Scroll down the column of open-ended questions and look for trends. I like to use the find feature in Excel to see whether similar words are being found. For example, you could search for craigslist to see all the places it was mentioned.
- When you find similar answers in the open-ended questions, group those together.
- When you have this task done, you should be able to easily see the results for the quantifiable section, and all the answers to the open-ended sections grouped together with similar thoughts.
- Lastly, do the same thing with the comments as you did with the open-ended questions: Group similar comments together, using the find feature to aid in this task.

Step 4: *Interpret the data.*

You now have your data organized in a much more logical format so that you can start figuring out what it all means. Print out all the sheets and spread them out across a long desk so you can see everything. What you're looking for here are trends across the various groups, as well as weaknesses in your marketing strategy. Keep in mind that in this exercise, bad news is actually good—it's what you're looking for. It's great to see the good stuff, but we're more concerned with the areas in which you need to improve because these are your greatest opportunities for growth. What you are most likely going to find is two-fold:

First, 20% of your marketing is producing the most results. The other 80% is a waste of time, money, and energy.

Second, there are many new trends and places you can start leveraging in your online marketing strategy.



Case Study

When my team at Taz Solutions, Inc., was looking for ways to generate some new business, we turned to a 360-degree survey format. We interviewed our employees, contractors, vendors, and 650 of our customers to solicit targeted feedback. Because we were offering a \$10,000 Web site makeover to one lucky winner, the customer response rate on the survey was upwards of 80%. Plain and simple, we got some solid feedback that allowed us to make the most informed and strategic decisions.

Google AdWords was proving to be a waste of money, whereas specialized Web forums were producing more qualified leads. But we were spending 70% of our own marketing budget on Google and less than 2% on marketing in forums. Obviously, something needed to change.

We also found that our prospects needed to be much more educated before being able to make the right decision.

The Result: We shifted our online marketing to make sure we were reaching entrepreneurs and business owners where they were searching and wanted to be reached. We also shifted from being overtly sales oriented to educating and serving our prospects first!

Our business continues to grow at a pace of over 100% a year, while most of our competitors are losing business or scaling back.

You can visit www.marketinginthemomentbook.com/360 for the full 360-degree review we looked at.

Step 5: *Compile your action plan, and continue reading this book!*

When you were going through all the data, I guarantee that your results came back pretty positive, but there were also several places you can start capitalizing on your added insights. You are going to hear about Twitter, mobile marketing, Second Life, new communities/forums, webinars, live videos, and so on. The whole point of doing the 360-degree review is to give you the starting point that applies to your business. Every business is different. Not every marketing method is going to be right for your business, but some of them will. Armed with internal and external data, you can make the best decisions about how to move forward in your Web 3.0 marketing plans.

Investing in New and Additional Technology

The good thing about Web 3.0 marketing is that there really are not a lot of expensive devices or systems I'd recommend you purchase. The key in Web 3.0 marketing technology is that you always want to steer yourself to Web-based solutions. Even the software itself is available as Web-based applications. Don't go purchasing any chunky devices that seem to be the new best thing, because chances are the same system is available 100% Web-based at one-tenth of the cost.

To get Web 3.0 marketing ready, you'll need a basic tool kit of some technology and talent. Here are the fundamentals that we recommend you start adopting and implementing in your organization:

- A system to send voice broadcasts to mobile phones, and one that will also send SMS (text messages). I recommend Trumpia (www.trumpia.com).
- A Web-based customer relationship management system. My favorite is Salesforce.com.
- An all-in-one solution for capturing leads, managing sales, and garnering affiliates. www.amazingshoppingcart.com is a great place to start.
- A solid team (or individual, to start), whether in-house or outsourced, that knows programming. This person should be able to develop applications, be able to work with open-source code, and ideally know how to program in Second Life. Check out www.RentACoder.com for ideas.
- A platform to virtually communicate and collaborate across a company. My all-time favorite company is Google. For instance, Taz Solutions, Inc., is a 100% virtual company. We have people working for the company across the globe, all from the comfort of their own homes. The biggest thing I realized from day one was that people love working from home, but if we didn't have solid systems in place to ensure their success, the company would be doomed before its first birthday.

Check out these Google apps:

- Gmail
- Google Docs
- Google Forms
- Google Chat (including video)
- Google Calendars

We'll get back to discussing collaboration in Chapter 9, "Collaboration: Connecting and Sharing Data at Lightning-Speed Paces."

The Top Five Things You Need to Do to Master and Prepare for the Web 3.0 Wave

To recap, here's what you need to do:

- Recognize that times are changing and trends are shifting.
- Conduct a 360-degree online-marketing review to solicit feedback.
- Take the feedback to heart, and start implementing the changes.
- Invest in some new technology.
- Capitalize on and grab market share while everyone else is still in denial.

3

Content Marketing: Understanding and Capitalizing on the Drastic Shift Taking Place

The Content-Delivery Change Taking Place

Have you ever heard the marketers' mantra that content is king? Here's an updated version of that idea: "Content is king on the Internet when delivered through the proper channels."

Over the past 12 months, there has been an enormous shift in the way content is being delivered and absorbed. To fully grasp the shift, take a look at what all the experts claim as one of the top ways to market your business: article submission. Submit a 500-plus-word article to Web sites like www.EzineArticles.com and to the various social-bookmarking sites, and expect to get amazing results very quickly.

www.EzineArticles.com is one of the largest online submission sites in the world. www.GoArticles.com is another.

The point of submitting content through these channels is twofold:

1. You get to include a signature file at the end of the article. These signature files are typically very keyword rich and aid in helping your search-engine ranking for that keyword over time.
2. You get some quality, organic traffic from people who read the article and want to learn more about you or your company.

These sites work only when what you have to say is directly interesting to the people you are targeting. Unless you're a celebrity, people aren't interested in what you have to say. They want to know how what you have to say benefits them. *Then* they'll be interested in what you have to say. And when they find something that pertains to them, they skim the information looking for the meat and the major facts to pull from.

As a society, we have less time to read long articles, even if they contain substantial information. *Time*—or rather the lack of it—is the driving factor in the content-delivery change. This lack of time is causing us as a society to turn to places and devices that give us what we're looking for quickly.

This lack of time has made way for two of the greatest Web 3.0 marketing methods, both of which have limited competition: sending information to mobile devices and microblogging, especially on Twitter.

From Blogging to Microblogging

Since this is a book about Web 3.0 marketing, I take blogging to another dimension and teach you about the trend that is already here; so if you don't have a blog, you have double

the work to catch up on. Get a blog rocking, and then jump on the wave with the latest and greatest trend of microblogging. Keep reading. This is going to rock your world.

Blogging: What Is a Blog?

A blog is simply a Web site that is a compilation of ideas, thoughts, events, photos, or other content-based information that the author is interested in sharing. People started blogging in 1999 and, due to the ease of deployment and use, the relatively low cost, and the ability to reach a wide audience, they have been increasing in popularity ever since. Blogs are typically composed mainly of text content, but can and do include such elements as photos, videos, audio, and flash. Over 60% of the Web sites on the Internet today *still* do not have any type of blog. If you don't have a blog, you are missing out on traffic. Blogs are a great way of developing a following, starting a cultural trend or a political movement, establishing yourself as an expert, landing a book deal, and paying yourself through ad sales to indulge in your favorite expensive hobby. You can make a lot of money via blogs, either directly as companies recognize your site as a great place to advertise their own products and services, or indirectly as you become increasingly recognized as an expert and are paid for your advice or insights.

The top three blog systems are WordPress, Blogger, and TypePad. WordPress has the majority of the market share due to the vast amount of add-ons available. But Blogger and TypePad have been noted as easier to use and still maintain quite a few blogs on their servers.

The Two Key Types of Blogs

The two primary types of blogs are personal blogs and corporate/business blogs. There are other variations, but these are the main two that you see the most often:

- **Personal:** These blogs are the most popular in nature because they can be on any topic, including family, hobbies, sports, school, other interests, or even just emphatic opinions. It seems that people who post blogs on the Web ranting and raving about a product, a service, the latest movie, or someone in their social circle gain the most attention. Don't be afraid of offending readers—assuming, of course, that you believe in the opinion you're promoting. Let's face it: Controversy sells.
- **Corporate/Business:** Interested in promoting your products or services while building a relationship with your customers and prospects? Corporate blogs are a great tool for this task. Almost all the Fortune 1,000 companies maintain at least one public blog. The content typically is a mix between promotion of their offerings and some public relations content that is offered as a way to further build loyalty. This may range from photos of the executives having fun in the office, to customer testimonials, or even photos of employees' pets.

Other types of blogs include political, charity, media, and social blogs. One of my favorite other blog platforms is www.Squidoo.com. Squidoo is the brainchild of legendary marketer Seth Godin. On www.Squidoo.com, authors create what they refer to as “lens.” These lens can be anything from how to cook great food to information about marketing on eBay. They currently have over 1,400,000 hand-built lenses!

Why Should You Be Blogging?

Blogs grow your visibility—and therefore enhance your marketing efforts. Search engines *LOVE* blogs because of their content-based nature.

Blogs are also one of the best places to start building (or expanding on) relationships. This should be considered an extension to your sales process. Most companies don't have enough resources to call on customers or prospects every day, but can easily "touch them" through this medium. Give them good content, and they will keep coming back for more. The notion that content is king on the Web stands and will continue to stand. The more original content you provide, the better. Good content provides readers with useful information.

How to Fully Utilize the Power of Your Blog

Many companies or individuals start blogs and update those only two or three times a month, if that. Your blog should be updated once *each and every single day*. The updates can be long articles with great information, a short sales pitch, a video, an audio, or even a photo.

I recommend that everyone utilize a blog as a marketing tool. The simple rationale: Google and the various search engines love blog content. Because of this, your blog will start ranking in the top of the search engines for different keywords and tags that you select for your content.

When most business leaders hear they should be updating their blog several times a day, they panic. This doesn't mean you need to log in and post every day. Get into the habit of batching your posts a few times each week and schedule them out to post in advance—a wonderful feature of blogging. Again, keep in mind that these posts do not always need to be long articles. It's best to provide useful content or tools to your blog readers, but random thoughts have also been well received. Frequency of posting is much more critical than the length of the content.

Get people excited about coming to your blog daily. You do that by blowing them away with amazing content and

special offers just for them. Pepsi does a wonderful job at this by posting blog-only coupons for discounts on their products. www.Zappos.com offers blog readers access to a VIP area that provides guaranteed overnight shipping.

Since consumers have less and less time, keep your posts short and to the point. Your prospects are not going to read a 3,000-word blog post on your everyday thoughts. They will, however, read a post on the five things you need to know about creating a greener home, the three keys to a successful marriage, or the best five stocks to buy now and why. Keep your information tight, and you will maintain loyal readers.

Plug-ins/add-ons allow you to customize your blog. Some of the add-ons aid in providing technical help or details to remove spam and provide stats. Others help your readers stay in touch with you or follow you more easily. No blog can go without any plug-ins being used—they are just too powerful.

The current top plug-ins/add-ons include these:

- **SEO:** An amazing plug-in that makes your blog posts much more search-engine friendly.
- **Spam blocking:** A tool to help eliminate all the spam posts.
- **RSS feeds/feed burner:** A live RSS feed for anyone who prefers to use feeds to get their updates.
- **Twitter follower:** A direct link to Twitter.
- **Social tagging:** The ability for readers to tag the different blog posts.
- **Video customizer:** A tool that lets you customize your videos with ease.
- **Google sitemaps:** A tool to help Google index the blog more easily.
- **Flickr:** A direct link to Flickr for easy photo viewing.

- **Podcasting:** A tool that allows people to listen to audios as podcasts.
- **Related posts:** This shows posts that are related to the one you are reading.



Tas Tip

Visit www.marketinginthemomentbook.com to find more of the top plug-ins.



Checklist

Blogging:

Check off the steps as you go, so you make sure you've covered everything!

- ☐ Decide which type of blog platform you want to use: www.WordPress.com, www.Blogger.com, or www.TypePad.com.
- ☐ Hire a designer to make your blog match your brand.
- ☐ Trick out your blog with all the latest and greatest plug-ins.
- ☐ Add an RSS feed and a place for people to opt-in to your Web site.
- ☐ Start adding quality content to the blog in written, audio, and video form.
- ☐ Make sure your content is tagged with proper keywords (using the SEO plug-in).
- ☐ Submit each post to various social-bookmarking sites. www.SocialMarker.com is a great free tool to accomplish this task quickly.

- ☐ Monitor your analytics to see which posts are getting the most visits and comments, and put out more content around that topic. Give the people what they are looking for!
 - ☐ E-mail your mailing list asking people to leave comments on your blog. This gets the community interaction flowing.
 - ☐ Keep your blog updated often. Our recommendation is five to ten blog posts every week (including holidays).
-



Case Study

Randy wanted to become the top real-estate agent in Tampa, Florida. He set up a Web site and started doing some social marketing, SEO, and link building, but he was not getting much traction. His Web site was averaging only about 10 visits per day, or about 300 each month. We (Taz Solutions, Inc.) set him up a rocking WordPress blog with the focus of educating the marketplace rather than being in their face 24/7 and constantly selling. His Web site was focused on promoting his current listings and generating his new listings. But the blog also shared useful information, including the best places to eat in Tampa, the ratings of the various school districts, and the advantages of living in Tampa versus other places in the United States.

The Result: In three weeks, Randy's blog was averaging 175 unique visits per day. His listings increased by 25%, and his properties started selling faster than those of any other agents in his office.

The Takeaway: A blog combined with some great content can produce results very quickly. In many instances, traffic to your blog site will actually be greater than to your main Web site.

The Shift from Blogging to Microblogging

Although blogging continues to be one of the most effective marketing strategies that can be employed, it is critical to note that a shift is taking place. Instead of content writers focusing most of their time on formatting and crafting traditional, lengthy blog posts, they are supplementing that content with microblog posts. These posts can be made from anywhere in the world and are much shorter in length, typically under 200 characters.

Continue to use your blog as a marketing tactic, but offer up these condensed snippets in microblog format and you'll be capturing market share from your competition, because most are still not using microblogging.

Some of your target readers would prefer to read a 1,000-word article. Others just want the one or two key points in that article. With microblogging, you're capturing both kinds of audiences—and potential customers.

The great thing about microblogging is that it can be done from anywhere in the world. Simply send in a text message and your post is instantly live. This beats spending three hours trying to format the post in WordPress or Blogger on your tiny BlackBerry screen! Yes, you can blog from your phone as well, but it's much easier to send in a 200-character message versus a 500-word post. This allows you to capture your thoughts *in the moment* wherever you are!

Mass syndication has also greatly contributed to the rise of microblogging. Mass syndication means having your content go to multiple places with the push of one button.

Many of the top social-networking Web sites allow you to update your status or input some key information that alerts your network of the update. These updates are always limited in character length. A blog article would be too lengthy. A 200-character post fits just perfectly. Essentially, what this allows is making one microblog post to then update 20 social-networking applications instantly!

Twitter and How It's Changing the World

There is a pretty good chance you have heard of Twitter, because it has been mentioned on *Good Morning America*, CNBC, and CNN, to name a few. It was talked about all through the most recent election, has been quoted in movies, and even has been referenced on a variety of the current hit TV shows. Terms such as *tweet* and *status update* are now common language. There is even a conference devoted 100% to Twitter called the 140 conference (www.140conf.com). According to their Web site, the original scope of #140conf was to explore “the effects of Twitter on: Celebrity, “The Media,” Advertising, and (maybe) Politics.” Over time, the scope expanded to look at the effects of Twitter on topics ranging from public safety to public diplomacy. What has really given Twitter the steam it needs to survive as a long-standing successful Web 3.0 company is the fact that it's totally different from everything we're used to. The norm has been search-engine-friendly articles, long blog content, and even longer press releases. The founders of Twitter (Evan Williams and Biz Stone) knew that people were lacking time and getting frustrated with the status quo, so they decided to shake things up a bit. The shake up: No more long content allowed. Anything you want to say must be 140 characters or fewer. The result: People have been flocking to Twitter like there's no tomorrow!

What Is Twitter?

“Twitter is a service for friends, family, and coworkers to communicate and stay connected through the exchange of quick, frequent answers to one simple question: What are you doing?”

That is the definition provided by www.Twitter.com, but it doesn't do it justice. Twitter has outgrown the vision of the

people who originated it, and it has become a place to find long-lost friends, connect with your favorite authors, build raving fans, get instant feedback, launch new products, and build long-lasting relationships. You have both ends of the spectrum: social networking and microblogging. In other words, you can have the social connection with people, but you're able to do it with much smaller amounts of text. Obviously, the use of Twitter easily scales past the idea of updating people on "what you are doing."

On Twitter, there are three key terms you need to know: *followers*, *following*, and *tweets*. *Following* refers to the people you personally are tracking and want to be kept up-to-date on. *Followers* are those people who want to be kept in the know about what you're doing. Lastly, *tweets* are the updates broadcasted to your followers. These updates are strictly limited to 140 total characters. This makes it a microblog post.

Other Twitter lingo you need to be aware of:

- **Status:** Your update to "what are you currently doing?."
- **Direct Message:** Conversations that are private between you and another user.
- **@Tweets:** Public responses to others' tweets.
- **Retweets:** What you have when you take someone else's messages and broadcast them to your followers.
- **TinyURL:** A tool that shortens your long links automatically.
- **Tweeps** (for good measure): Your Twitter peeps.

Who Should Be Using Twitter?

Anyone who is looking to generate more sales or leads for their business should be using Twitter. Twitter has exploded to millions of users across the globe. Many of these users are your perfect target market! You do not need to own a

company or be a businessperson to be on Twitter. In fact, Twitter was started for people to use it more on the social scene. They envisioned friends and family following one another to be able to easily see what the other is doing and to share thoughts. Entrepreneurs saw beyond this and started using it for marketing purposes. After entrepreneurs started making traction and spreading the word about Twitter's ease of use, others started flocking to the Web site. You will find speakers, authors, consultants, CEOs, companies, brands, students, teachers, professors, scientists, skydivers, and philanthropists on the site. The bottom line is that Twitter can be used by anyone and everyone.

How to Get a Massive Number of Twitter Followers

When you log in to Twitter, you are prompted to update your status by answering the question "What are you doing?."

I want you think of this totally differently. Instead of taking such a generalized approach, update your status with responses to the following:

- What are you currently interested in?
- What are you currently reading?
- What project(s) are you currently working on?
- In what contest are you participating?
- What new products are you releasing?
- What's new in your life?
- What's new with your family?
- Pose questions.

Update your status to position yourself as an engaging thought leader who wants to stimulate conversation and activity; for example:

Currently reading *Think and Grow Rich*. A very insightful book, don't you think?

Working on my new book on Web 3.0 marketing. I hope you'll purchase it when it's in stores.

The key concept in growing your Twitter followers is to give your followers tweets of value. This may sound basic, but if you don't grab this concept, all the other Twitter tactics I'm going to give you will be useless. Give your followers reasons to read your tweets and the rest will fall into place.



To Do

How to Get Started with Twitter:

Step 1: Go to <https://Twitter.com/> and sign up.

Step 2: Choose a username.

We recommend using your first and last name—for example, *michaeltasner*. If this is an account for a business, use the business name—for example, *tazsolutions*.

Step 3: Create your profile.

This should be consistent across your various social-marketing sites for branding purposes. Because Twitter asks you to keep things short, make sure every word you use has been crafted perfectly. Tell people what you do and how you can support them or solve their problems. The most critical part of your profile is your Web site link. You get one link—make sure it's your main Web site or where you want to send the bulk of your traffic.



Tas Tip

When you come from a place of “How can I support you?” as opposed to “This is what I do,” your prospects will be much more attracted to you, and your sales will go up.

Step 4: *Make your profile visually appealing.*

Have a design firm create a custom Twitter background using your photo, product, or logo. Include links under those photos. Twitter does not allow any type of hard links in your background image, so list your Web site address, Facebook profile, blog, and even LinkedIn or any of the other sites you use frequently. You can also take advantage of www.TwitterPatterns.com if you are looking for a free solution for the short term.

For some examples of great uses of the Twitter background opportunity, check out the following:

- www.twitter.com/michaeltasner
- www.twitter.com/matthew_ferry
- www.twitter.com/suzeormanshow

Step 5: *Sync your e-mail with Twitter to gain instant Twitter followers.*

This will alert people on your e-mail list that you have Twitter so that they can start following you.

Step 6: *Link your cellphone with Twitter.*

Simply click on Add a Device from the Twitter Web site when you’re logged in, and follow the instructions from there. This will allow you to text message tweets from wherever you are, assuming you have an international cell phone.

Step 7: *Start tweeting.*

Once a day is the minimum. I encourage you to tweet six to eight times each day. Keep in mind that these are 140-character tweets. How long could it take to pop those out? Frequency is important because it allows you to build a following of loyal readers who get to view different types of material. It also gives you more potential viral material for others to talk about and spread for you.

Step 8: *Increase the number of people you are following.*

It is common Twitter practice for many of the people you are following to follow you in return. The quickest way to find some fun people to follow is to do a search on Twitter.

For example: Say you sell pet products. Do a quick search for PETCO to see who is following them. Begin following some of those people. Yes, this is very much like friend trolling, but it's a great way to start building your account quickly.

Step 9: *Integrate your blog with Twitter.*

This will allow your blog to update Twitter each time you post. This is a great way to send traffic back to your blog.

Step 10: *Step it up a notch.*

Leverage some (or all) of the advanced Twitter tactics shown next to continue rocking Twitter.

Advanced Twitter-Building Tactics and Other Twitter Tools

Here are some different advanced tactics and tools to help build out your Twitter presence.

@Tweets

@Tweets are messages that show up in a fellow Twitter user's account, but are public and not direct messages. These typically are simple replies to something someone else has said. Sending these shows that you want to be a part of the Twitter tribe, and you are taking time to read people's tweets.

Direct Messages

Direct Messages are the equivalent of e-mail, but they must maintain the same character restriction. We like to send out 50 direct messages a day to our random Twitter followers with something of value. These direct messages are very similar to our tweets. The only difference is that they are customized slightly to the person to whom we are sending them.

Retweeting

Retweeting is simply taking someone else's tweet and rebroadcasting it to your followers. I use retweeting in two ways. The first way is by giving credit or props to others who are supplying good information. An example of what this would look like is as follows:

Retweet: @tonyrobbins The way to success <http://www.linktohisposthere.com>—great advice

The second way I use retweets is to ask people to retweet a link for me. It may be a blog post I recently published or a new product or service. This tactic not only helps increase my Twitter following, but also helps me get hundreds of links pointing to my material.

Tweet Deck

Tweet Deck is your personal browser for staying in touch with what's happening now. It connects you and your contacts on Twitter, as well as on Facebook, allowing you to see everything in one place. I like to use this to scan for topics of interest, a process similar to using search.twitter.com (explained shortly). The key difference is that I'm seeing only people with whom I'm connected. Rather, with search.twitter.com, you are seeing the entire Twitter universe. It's a very handy tool, but I warn you, it can be addicting. When you start getting thousands of followers, Tweet Deck will be constantly getting updated; it becomes very challenging to stay on top of all your followers' tweets.

I recommend using Tweet Deck once or twice each day. Scan some of the most recent posts and send some direct messages and @Tweets, and pop out a few tweets of your own.

Social Oomph

Social Oomph (formerly Tweet Later) allows you to automatically send a welcome or thank-you message to people who follow you and automatically follows them as opposed to your having to do it manually.

Here are the instructions boiled down for you:

1. Go to www.socialloomph.com.
2. Sign up for an account.
3. After signing up, log in to your Social Oomph account.
4. Click on Manage My Scheduled Tweets and Twitter Account Automation.
5. Click on Add Account.
6. Select/type Twitter and click Next.
7. Enter your Twitter username and password.

8. Click on Auto Welcome and enter a welcome message in the box.
9. Check the option for auto-follow and auto-unfollow.
10. Click on Save and you have successfully set up Social Oomph.

Search.twitter.com

Search.twitter.com is one of my favorite tools out there to build highly targeted followers. It allows you to type in various words and phrases and see all the people who are tweeting about that word/phrase or topic. Why is this capability valuable? It lets you find out what's currently hot!

Here are some examples of phrases:

Search Phrase	Who Might Be Interested
Looking for a home	Real-estate agent
Life insurance	Insurance agent
New shoes	www.Zappos.com
The election	President Barack Obama
Child safety	Fisher-Price

Think about the different phrases your prospects or customers would be searching for and take action:

- **Action #1:** Start following others. Hopefully they will follow you in return.
- **Action #2:** Send an @Tweet showing them you also want to join in on the conversation.

Here is a recent example of how we landed a new marketing client:

Search Phrase: *Work from home.*

Ten minutes later, we had a direct message, and two hours later we were on the phone with Steve, coaching him about

his new business from home selling high-end stuffed animals.

Twitturly

Twitturly tracks the top URLs that are being talked about on Twitter. This has come in handy to find out what is being said about our company and our competitors, and even to find some of the latest trends on the Web.

Multiple Twitter Accounts

Having multiple Twitter accounts is highly recommended, especially if you have different client bases and play in multiple markets. I personally have six Twitter accounts: a personal account for close friends/family, two for Taz Solutions, Inc., one for this book, one for corporate clients, and one where I simply follow other Internet-marketing experts. With multiple accounts comes more work, but between these accounts I have more than 100,000 followers! I can go even deeper to say that these are 100,000 targeted Twitter followers, because I was very selective as to whom I would follow and allow to follow me for each of the accounts.

Twitter Maintenance

As with every social network, there is some daily maintenance involved. With Twitter, because the tweets are so short, the maintenance is relatively minimal. Here are the daily tasks you want to make sure you are on top of:

Check and respond to all direct messages. These messages will be in a section called Direct Messages (go figure). Simply click on the link and you will see all of your direct messages. Keep in mind that many of these will be cookie-cutter replies from people you started following. As mentioned, we recommend you do the same thing using Social Oomph, but the

difference is that your direct messages will be much more impactful than most of the ones you will receive. Be careful when checking over your messages. In other words, don't get "delete happy."

After your Twitter following starts to evolve rapidly, you will receive direct messages asking sales-related questions and very likely will close some business solely from Twitter. Treat these direct messages as if they were e-mail. Because the 140-character limit can get annoying, we like to ask for an e-mail address so that we can provide a more lengthy reply. This also further qualifies the lead/prospect.

Delete direct messages after you have read them.

Check and respond to any @Tweets. The worst thing you can do is not respond to a direct message or a direct tweet. Keep the conversations going and let others know you care and enjoyed their message.

Keep your followers and following clean. When you start using advanced tools like Social Oomph, you are going to have some weird, spam-related, and somewhat questionable people following you. To remove people you don't want following you, simply click on Followers when logged in to your account, locate the user, and then click Block. To stop following people, click on Following and Remove next to the user you no longer want to follow.

Remove people who are not following you. It's good Twitter practice for someone you are following to follow you, too. If after 48 business hours they have decided to not follow you back, simply remove them. This is done to ensure you do not exceed the maximum number of people you can have following you in proportion to the people you are following.

Tweet often. No lecture needed here. If you tweet and provide tweets of value, this tactic will become like second nature.

Here are seven other simple ways to build your Twitter presence:

- Add your Twitter address to your e-mail signature file.
- Promote your address across your other social-marketing sites.
- Send an e-mail blast to your mailing list asking them to follow you and to tell their friends about the great content that's available on your Twitter site.
- Organize a contest through your Twitter account. If followers refer others to follow you, they get a contest entry.
- Send a press release through www.PRWeb.com announcing your Twitter presence.
- Pitch people with very large Twitter followings, asking them to send a short tweet about you and offering to do the same in return.
- Get on the news and mention your Twitter address.

The content shift is here. Don't stop blogging or releasing articles. But add microblogging to your many avenues for getting your message out. Twitter is quickly becoming one of the top social networks in the world.



Case Study

Dwan Bent-Twyford is a real-estate-education teacher, author, and mentor. She and her husband, Bill, are among the top trainers in the world on short sales, foreclosures, and real estate investing. Dwan and Bill's second book, *How to Sell a House When It's Worth Less Than the Mortgage*, was recently released. Typically with the release of a book, it's a great idea to do a major book-launch campaign. They had a nice size e-mail list, and also had some people onboard to help, but their secret weapon was Twitter. Between their two Twitter

accounts, they reached more than 15,000 people. Because this was a time-sensitive deal, we hammered out more than 50 updates on Twitter promoting the launch in just a few days.

The Result: Hundreds of sales came from their loyal Twitter following. The best part: Their book occupied the top three spots in the investments category on www.Amazon.com!

The Takeaway: Twitter can be leveraged in various ways, especially if you have a loyal following and give your Tweeps a reason to watch you.

4

Mobile Marketing: Tapping into Billions of Cellphone Users

Mobile marketing is among my favorite Web 3.0 marketing tactics, because it is expanding at the fastest rate and also has the most upside potential. The icing on the cake: Fewer than 6% of businesses are doing any type of mobile marketing. If you look at companies doing less than \$10 million per year, that percentage drops even more drastically to nearly .05%. What does this mean to you? Now is the best time to start leveraging mobile marketing, because it's still relatively new in the eyes of both marketers and consumers.

What Is Mobile Marketing?

When I refer to mobile marketing in this book, I'm referring to marketing on a mobile device, such as receiving a text message from a vendor with a promotional code, buying products right from your BlackBerry, or viewing picture messages that depict a product you may be interested in. There is also a second, more traditional definition of mobile marketing that describes marketing in a moving fashion. An example of this would be moving billboards. Travel to any

major city and you will see many examples of both types of mobile marketing. Just note that, in going forward, we're solely talking about mobile devices. Okay, good. We have that cleared up.

There are various marketing methods with mobile phones, the most popular being SMS, or short messaging service (text messages). Other forms of mobile marketing include MMS (multimedia messaging service), in-game marketing, and mobile Web marketing.

Mobile Marketing with SMS

Let's start with the most popular method: SMS.

Marketing on a mobile phone has become much more popular since the rise of SMS, or short message service. This rise began in the early 2000s in Europe and parts of Asia when businesses started to gather mobile phone numbers of consumers. With these mobile numbers in hand, they started blasting out content (whether people requested the content or not). What they found was that this really was a channel with some major legs to grow and expand. Surprisingly, consumers were actually happy to receive text messages from businesses they had visited. This eliminated the whole permission marketing constraint because very few people objected. In fact, many who didn't receive the text messages felt left out and wanted to join the list!

In the past few years, SMS marketing has become a much more accepted advertising channel, but one that few businesses use. One of the many reasons SMS, or mobile marketing in general, has started to become accepted into society is that it's policed much more than e-mail. The carriers (Verizon, AT&T, Sprint, and so on), who watch over their networks, have set guidelines and precedents for the mobile-marketing industry. Open your e-mail inbox and look at how many spam messages you have. In the past 24 hours,

I have received 552 spam e-mails. Take a look at your mobile device; how many spam messages do you have in your text messaging inbox? I have zero.

As SMS marketing continued to grow, the mobile community wanted to come up with another way to simplify the communication. Over the past few years, mobile short codes have been increasingly popular as a new channel to communicate with the mobile consumer. Businesses have started to treat the mobile short code as a type of mobile domain name allowing consumers to text a message at an event, in the store, or right off their packaging. For example, Verizon Wireless tends to run different promotions allowing customers to send a text message to receive a percentage off their next purchase. They have various signs in their stores, so while you're waiting, why not grab a mobile coupon code?

SMS services normally run off a short code, but sending text messages to an e-mail address is another tactic. These codes are five- or six-digit numbers that have been assigned by all the mobile operators in a given country for the use of brand campaigns and other consumer services.

So the gist of mobile marketing through SMS is two-fold:

1. When given permission, you can capture mobile numbers and send SMS advertisements, special offers, and information to consumers.
2. Short codes can be used for various types of promotions.

Mobile Marketing with MMS

MMS stands for multimedia messaging service, a telecommunications standard for sending messages that include multimedia objects such as images, audio, video, and rich text. When I think of MMS, I think of picture messaging.

When it comes down to it, MMS is simply an extension of SMS. All phones that have a color screen have the capability to send and receive MMS messages.

There are various cool marketing uses for MMS. One example is at the House of Blues. The brand allows visitors to send their mobile photos to the LED board, located live, and then House of Blues staffers blog about the various images online.

MMS marketing can help in all areas, from increasing brand recognition to more sales, deeper interactivity, and increasing event attendance.

I recently sent out a short 20-second MMS to my list of 24,000 mobile numbers asking them to comment on my tweet. The result: 4,252 responses and more than 25,000 retweets! Another example was The Investors Edge University sending an MMS message to remind people to attend their webinar. The result: 60% more people attended live than ever before!

In-Game Mobile Marketing

Mobile users are starting to play video games across their phones in real time with other users. This is similar to people being able to play games against each other using a video game system like PlayStation or Xbox. Gamers are finding an increasing number of sponsored ads across some of these games produced for mobile devices. If your target audience might be playing games, find the various games they frequent and contact the advertising department to see what the different rates are. In a perfect world, you will pay only for clicks on your ad rather than a flat rate.

Mobile Web Marketing

The standard term *mobile Web marketing*, in this instance, refers to placing ads on the mobile Web, very similar to the

ads you see when browsing Google or Yahoo!. The Mobile Marketing Association does provide a set of guidelines and standards giving the recommended format of ads, presentation, and metrics used in reporting. Google, Yahoo!, and other content providers that have been selling advertising placement for years are now shifting to mobile-ad placement, and it's really starting to catch on.

Mobile Marketing Guidelines

One of the biggest advantages to mobile marketing is not only that the carriers are keeping an eye on the whole industry, but that the Mobile Marketing Association is quite active as well. The association is committed to helping advertisers make more money using mobile marketing while helping protect consumers from being spammed.

These are the key guidelines of mobile marketing (according to the MMA):

- Consumers need to be a double opt-in and have the ability to opt out at any time (similar to e-mail). Only they can decide whether they want to receive your information.
- Respecting consumer privacy should be your number-one concern. If this gets out of hand, mobile marketing will go right out the window.
- The information collected needs to be handled with the utmost concern to security and privacy and must be up to par with the laws of that location on handling customer data.
- If there is a contest or something of that nature, it should be explained so that consumers know if there are fees or other commitments on their part (certain language must be used).
- Marketing to anyone under the age of 13 brings up many ethical questions and is a major issue.

Marketers, who like to dance on the wild side, prefer limited regulation. In fact, the can-spam laws put tens of thousands of marketers out of business overnight and many in jail. With stricter regulation, consumers can get information they actually want or request, thus helping open rates, adoption rates, and sales. The few legitimate marketers in the industry who take the regulations and guidelines to heart are the ones here to stay. The fly-by-night companies will continue to bite the dust.

A World Run on BlackBerrys, iPhones, and Mobile Devices

Take a look around when you're on the subway, at a conference, at a party, or even at a concert. Chances are, without trying, you'll spot various mobile devices.

There are more than four billion, yes that's *billion*, cellphone users in the world, as reported by the United Nations International Telecommunications Union. There are roughly six billion people on the planet. So doing the math, over 60% of people in the world have some type of mobile device. Mobile is huge.

Just think of the possibilities. Consumers are relying more and more on their mobile devices as their devices continue to get smarter and smarter. The other thing you should keep in mind is that that number is factoring in all the impoverished places in the world. When you look at countries like the United States, Spain, the United Kingdom, and so on, the percentage of users in ratio to the population in those locations is upwards of 90% and, in many countries, at or above 100%. This means there are more cellphones in use than people using them!

There are two devices that have received the most media attention, and they deserve the attention for a reason. They

have changed the way we do business and have opened many doors of new possibilities. The first device is the BlackBerry, produced by a company called Research in Motion (RIM), and the second is the iPhone, by Apple.

BlackBerrys

Specifically, BlackBerry is a collection of wireless, hand-held devices that was brought to market in 1999. It was first introduced solely as a two-way pager. Just three years later, BlackBerry released its first smartphone with the ability to get e-mail, surf the Web, send faxes, and send and receive text (SMS) and picture messages (MMS). The original intention was to target executives and focus on one of its core functionalities: the capability to have e-mail anywhere you want on the go, assuming that a wireless network is in the vicinity. In reality, it was for the corporate market because the prices were so high that individuals were not really purchasing the devices.

Currently, there are 32 million BlackBerry users. This is up from 12 million in 2007. There are various reasons for the upward shift, with the most prevalent being the ability to take life with you (one of BlackBerry's tag lines). The price point of BlackBerrys has also come down considerably, making them more widely accepted by consumers as opposed to strictly businesspeople. This device can do it all.

When I travel, I do take a laptop with me. But more often than not, I rely on my BlackBerry to get me through the day. I can receive urgent e-mails, browse the Web, grab my faxes, check Facebook, and even get instant messages right from a phone that fits neatly in my pocket. Need to verify meetings? No problem! My Google calendar pushes right to my BlackBerry and updates in real time, in case my assistant makes some changes.

How much more powerful of a device can you get? The device is so powerful; users typically get “addicted” to using their BlackBerrys too often and have coined the term “CrackBerry.” This is the notion that you are now connected 100% of the time, 24/7. Some of you think this is a good thing, and others will disagree. I’ll let you be the judge of that!

BlackBerry Apps

You will continue to learn about apps (short for applications) throughout this book, but I want to briefly touch on BlackBerry apps. In trying to keep up with the iPhone, BlackBerry has been rocking out Blackberry apps. Developers and companies can design apps for the BlackBerry, allowing its users to have the software at their fingertips. The intention with using apps is to continue to make your BlackBerry a more and more powerful device and truly an all-in-one solution.

Some of my favorite applications for the BlackBerry include these:

- **Facebook:** I can update my status, upload photos, and post on my friends’ walls from wherever I am.
- **Salesforce.com:** It’s great to see critical customer information without my laptop.
- **Hotel organizer:** This enables me to search through thousands of hotels, checking availability and rates. I’ve been stranded a few times, and this has saved me.

The number of applications is going to continue to rise as time goes on. Before you know it, there will be applications that allow you to check your dry cleaning status, turn on your hot tub with the push of a button, get an updated financial report, trade stocks without having to be logged in

to your broker account, host meetings where others can see your BlackBerry screen, and so on. The possibilities are endless!



Case Study

Tim runs an online magazine that focuses on teaching people how to live and invest overseas. As you might assume, he travels all the time. He will recommend only places he or someone on his staff has personally visited and learned about in great detail. The problem is that many of these places are highly remote. His magazine claims to have information on some of the most secluded places in the world. Rather than missing a week or two of critical e-mails and updates on the happenings around the office while on the road, he runs his company with his BlackBerry! The Internet connection is not nearly as quick as it is at home, but heck, what's the rush? He also has various apps installed on his BlackBerry that allow him to communicate with his clients and prospects. Whether he's tweeting about his journey or using the camera to stream a video via Ustream.TV, he doesn't miss any potential marketing opportunities while abroad.

Key Points:

- You can take your life with you, anywhere you go in the world, without missing a beat.
- A smartphone, like the BlackBerry, provides wireless access to pretty much anything you need.
- A pocket-size phone is much easier to carry than a bulky laptop.
- There are various applications that can be utilized for marketing purposes.

iPhones

I started off talking about BlackBerrys for two reasons:

(1) I own one, and (2) I saved the best for last.

Yes, I'll admit it openly right now: I bow down to the iPhone.

I do love my BlackBerry, but I'm counting down the days until I will be able to purchase an iPhone without having to switch from the superior service provider (in my opinion), Verizon.

The iPhone is manufactured and sold by Apple. What has really driven demand for the iPhone is the fact that the device is essentially a smartphone and iPod in one.

Before I get into too many more details about the iPhone, here are the key differences in comparing this device to the BlackBerry:

- No keypad. Instead, it has a touchscreen.
- iPod technology with built-in 8GB, 16GB, or 32GB of storage.
- 75,000-plus applications available.

In comparing the two devices, both have their advantages and disadvantages. And it's really a choice based on user preference. Because the BlackBerry has been around for a while, it does have the technology down pretty cold. It has also mastered e-mail. Apple, on the other hand, really wanted to involve developers to make the iPhone more of an open-source platform and play out the iPod's "sex appeal" and popularity factor. The choice is yours. If I had my way, I'd own both, with one on each hip!

The iPhone is picking up speed in terms of sales and applications that have been built on its platform. To date, more than 32 million units have been sold. Compare that to the number of BlackBerry users, and, to me, it looks like we've got a pretty even race on our hands as to which device will become the smartphone of choice.

The limiting factor of iPhone sales has been the fact that they can be used only on a certain network, AT&T (Cingular at its introduction). It is possible to unlock the iPhone to make it available for use with other carriers. It's been noted that 25% of iPhones sold have not been registered with AT&T. I don't recommend doing this (you void your warranty), but if you really want to use an iPhone with a different carrier, it can be done.

What's shocking is the number of sales compared to the amount of time the iPhone has actually been available. The iPhone has been on the market only since January 2007, when Steve Jobs first released the device. Since then, the device has gone through a few revisions to its current 3GS model, which is available with 8GB, 16GB, and 32GB of storage. And the iPod Touch has joined the product line as basically an iPhone without the phone or camera—but with access to the apps.

iPhone Apps

Besides being a multimedia device, phone, and iPod all in one, the biggest selling point of the iPhone is the huge number of applications available for your iPhone (or iPod Touch). Some of the applications are free and others are one-time or low-cost monthly fees.

Apple says, "You will love your iPhone because it's a phone, an iPod, and an Internet device in one. It gives you access to thousands of applications. And it's built on technology that's years ahead of its time." That claim is 100% accurate and has been the driving force of the company. They have applications that will help in all facets of your life:

- Around your house:
 - **Home Sizer:** Calculates the area of your room to aid in decorating before you go to the store.
 - **eBay:** Stay up to speed on all your eBay auctions.

- **Cooking:** Find all the recipes you need at your fingertips.
- For working out:
 - **iMapMyRide:** Records every mile you ride on your bike.
 - **Yoga Stretch:** A yoga instructor who travels with you.
 - **iPump Pilates:** Strengthen and tone your abs with a Pilates instructor.
- For managing money:
 - **Bloomberg:** Need to check your stocks? Now you can.
 - **www.Mint.com app:** One of the best free places to manage money.
 - **Bank Locator:** Need to know where the nearest bank is? Now you can in seconds!
- For going out:
 - **GPark:** Ever forget where you parked? Never again, if you have this app!
 - **YP Mobile:** This allows you to find concerts, events, and other happenings.
 - **Shazam:** Trying to think of the name of a song? Hold your iPhone up to the radio (or even at a concert), and it will tell you what song is playing!
- For traveling:
 - **TravelTracker:** Put your entire trip itinerary in so you can relax, knowing that the details are covered.
 - **Currency:** Convert any currency instantly.
 - **SodaSnap:** Turn your photos into digital post-cards.

- For getting things done:
 - **OmniFocus (this is my favorite):** This power application will detect where you are currently located, and compile lists related to your tasks based on your location. Say, for example, on your task list is *visit the bank and the grocery store*. This app will create the lists in order based on your current location!
 - **Air Sharing:** Share any documents and drag and drop to a computer instantly.
 - **1Password:** Store all your passwords in one place.
- For fun and games:
 - **Texas Hold 'Em:** Win some money playing poker!
 - **YouTube:** Check out some crazy videos.
 - **Scrabble:** Play one of America's favorite games.

One key point to keep in mind is that many applications are developed by companies solely for capturing the prospect information. They then leverage this information to try to sell you some of their other products and services.

The reason I went through these different applications was to show you some of the thousands available. The iPhone is one of the most powerful devices ever created. Reread those applications to see what you can do with it. If you look a few years into the future (which is my specialty), the iPhone is positioning itself to be the one device you need to carry—nothing more, nothing less. It is the one device that will store your entire life and have applications to accomplish the job. It is everything you need to do. I love my BlackBerry, but they have a lot of catching up to do!

Five years ago, it wasn't a big deal if your Web site was not mobile compliant. Today, it's a necessity. As more and more people continue to purchase smartphones, you need to

make sure your Web site is ready for their visits. If you have browsed a Web site from a mobile device, you will understand that it is a completely different ballgame. Images often don't show up, Flash can be disastrous, and text becomes hard to read. You need to keep in mind that you're browsing the Web on a four-inch screen rather than a computer monitor—even the smallest monitors display Web sites more clearly than smartphones.

Because you are going to be on the leading edge in marketing, this is an essential step in Web 3.0 marketing. Since this is a marketing and strategy book, rather than a programming book, I will not provide all the crazy codes to install on your Web site. Instead, I'll give you the steps that need to be accomplished and then ask you to hire a designer and programmer to make them happen. The good thing is that this is not overly expensive by any means!

The first thing you need to decide is whether you want to modify the code on your existing Web site, or use a totally new Web site, designed specifically for mobile devices. Since we are going to make your competition nonexistent (and quite frankly irrelevant), you are going to go with option two. The reasoning behind this is that modifying your existing code is fine, but having a separate site devoted solely to mobile will give you a better edge against the competition and show the marketplace you're serious about mobile marketing.

Designing a Web site specifically for mobile devices—this is the route to take to ensure optimum success.



To Do

Establishing a Mobile-Only Site:

Step 1: *Establish a domain name.*

Go to www.GoDaddy.com (or any other domain-name registration service) and grab `yourdomainname.mobi`. Mobile is signified by the `.mobi`.

Step 2: *Plan your content.*

Make a mind map showing the content you want on this new Web site. There are various things to keep in mind when doing so:

- Decide what information is essential to convey (location, contact information, product information).
- This site should be a much more boiled-down version of your current Web site. The areas that typically get omitted are presentations heavy in Flash, video intros or walk-ons, unique or funky Web coding that is not the norm, and pages that are not critical. For example, having photos and bios of the executive staff might not be a critical page to be added to your mobile page.
- You still want people to be able to purchase your products right from their device.
- Know which of your target markets will be using this mobile site and cater it a bit more to them.
- In terms of the design elements, when deciding on content and information, you also need to keep these factors in mind:
 - Keep videos and flash off this site.
 - Get rid of any type of animations.
 - Keep images to a minimum.
 - Make sure that the site is heavy on the text and you pay particular attention to formatting and sizing.

You want to make sure that the content is enough to convey your message, gives visitors the critical information they need, and allows customers to purchase your products. Don't make your mobile site too minimal! Keep up your branding and your image, but keep it simple.

Step 3: *Ask a professional.*

Take your finalized mind map and hand it off to a qualified design and programming firm that also fully understands marketing. They will most likely be coding the site using a language called XML/XHTML and CSS. There are different ways to code a mobile site, but simplicity is the most important thing to keep in mind. The designers should also understand that this should open well in all the different browsers that smartphones sport. Your Web site should look perfect across a wireless PDA, a BlackBerry, an iPhone, or any other device that offers access to the Internet.

Step 4: *Let your visitors know you've gone mobile.*

Put a link on your existing Web site that says, "Browsing from a mobile device? Click here." That link will then take them to your new mobile site.

Step 5: *Advertise!*

Advertise your .mobi link in your branding messages as well. Not only do you have a .com, but you also sport a fancy .mobi!

How to Implement Mobile Marketing

Unlike many of the other tactics discussed in this book, mobile marketing has quite a few different angles. Some will apply to your business, others will not. But with mobile, pick a few, follow the how-to instructions, and implement.

SMS

SMS, or a text message, is one of the easiest ways to start gaining traction in the mobile marketing world. Text messages have a 95% to 100% open rate! In contrast, with

e-mail marketing, the highest open rate I have ever seen is 74%. But, sadly, the average open rate of an e-mail is around 10%.

The other great thing about SMS marketing is that the messages are short, so they are typically read in full. You'd be smart to have a very specific, focused message in your text.

Keeping People Up-to-Date

Most businesses have some type of e-newsletter. But they may not be using their newsletter to its fullest advantage. My guess is that only 1 out of 10,000-plus businesses collect mobile numbers on their Web site opt in, product/service literature, or in their stores. Start collecting mobile numbers so you can send a short, every-now-and-then message about the happenings of your business and upcoming events.

Here's an example of a good message: Taz Solutions, Inc., is now offering 10% off Web site packages. Visit www.tazsol.com to find out more or call 1-800-659-3020.

Special Offers

Need to announce a special product offering, a short promotion, or a discount code? With a very high open rate (and a short delay in opening), popping out specials to your mobile list through a text message will stir up some action!

Hold a Contest

"Submit your mobile number and be entered into a contest to win (*fill in a fantastic prize here*)."

It's a great way to capture numbers in a nonthreatening way. (Just make sure you have all your legal ducks in a row. Hosting a contest can get legally complicated, but it can bring in some great results.)



Case Study

Instead of plugging in a case study here of how other companies have used text-messaging contests in their businesses, I want to include you in a contest we're having! When you bought this book, you automatically (with or without your knowing) got in line, if you will, for a free giveaway.

Go to www.marketinginthemomentbook.com to register. On this page, enter your mobile number, name, and e-mail. A text will be sent to your phone that tells you if you're the winner. Winner of what, you may be asking? We are giving away three high-end coaching/consulting packages absolutely free as a way of saying thank you for buying this book and participating in our contest!

Reminders

Text a short reminder for an upcoming event, promotion, or special you're offering—really anything for which you want to give your clients a friendly nudge/reminder.

Customer Service/Client Care

Wouldn't you love to get a text message from a recent appointment or sale saying, "Thank you so much for your business. We can't wait to be able to serve you again soon!"? I know I sure would. And to date, I have yet to receive a message like this.

Interaction

The key to social marketing is the interaction and making people feel welcome and part of something. As opposed to always being one-way with your SMS marketing, try out some interaction. Allow people to send text messages with

various requests, ideas, thoughts, questions, and comments. Take it a step further and allow people to vote on particular topics! I saved this one for last, because I feel it has the biggest impact. When you involve your prospects and customers, they grow to further know, like, and trust you and your business. Visit marketinginthemomentbook.mobi to give me feedback on the book and to join the Web 3.0 Marketing community!



Case Study

txtCode Feedback is a product of SMS Feedback, an Australian company. Currently available only in the land down under, this is truly a revolutionary customer-feedback service that enables companies to collect feedback from consumers via text messaging. Consumers' text messages are converted into e-mail and sent to the desired e-mail recipient.

These are some of the benefits txtCode has generated for users:

- Capturing more customer feedback compared to traditional methods.
- Being able to easily categorize and review customer feedback as it's submitted.
- Being able to effectively identify the positive and negative outcomes of marketing campaigns.
- Creating improved customer satisfaction by exposing and eliminating negative aspects of the company.
- Empowering customers, thereby making them loyal.
- Increasing consumer and market perception by responding to customer feedback immediately.



To Do

How to Get Started with Mobile Marketing:

Step 1: *Find a text-messaging company.*

Sign up for a service that will allow you to capture and send and receive text messages in large quantities. Here are a few companies you can check out:

www.trumpia.com

www.mobilestorm.com

www.boomtext.com

www.mozeo.com

Some of these companies have one-time setup fees; for others, you can buy the license or even pay monthly fees based on your usage. Each of the companies has different product offerings. www.Trumpia.com, for example, has numerous additional offerings other than just mobile marketing. Check them out and search Google for other companies that offer similar services.

Step 2: *Get mobile numbers!*

Remember the statistics on how many people are carrying mobile phones? Chances are, 85% of people in your country will be carrying a mobile phone.

Start capturing mobile numbers instead of (or in addition to) land-line phone numbers. Here are eight ways to capture mobile numbers:

1. Ask for mobile numbers *everywhere*.
2. Let your customers and prospects know that they are part of an elite group who will be updated before anyone else (as long as this is true).
3. Offer a free gift in exchange for their number.
4. Ask people to refer a friend, providing their information as well, in exchange for a bonus or two.

5. Host a contest; to enter, contestants simply submit their name and mobile number.
6. Get them involved, allowing them to interact with you via text.
7. Pay them cash.
8. Reassure them that you won't be spamming them and that their information is kept secure, and watch your capture rates climb drastically.

Step 3: *Decide which marketing tactics you are going to employ.*

We use a combination of them all. Please keep in mind that we are always staying mobile compliant.

Step 4: *Keep your lists segmented if possible.*

Maintaining several different mobile phone lists allows you to further craft your messages to the exact target audience. Knowing who is using a smartphone versus who is not is also very powerful information. This allows you to craft messages with links for smartphone users and solely text messages for those who won't be able to view the link from their device.

Step 5: *Construct your message carefully and effectively.*

Because you're limited on the numbers of characters you can use, you need to make certain that your language is effective, direct, and to the point, causing users to take your desired action.

For example: *1-Day-Only Sale on All Jeans. 25% off when you mention the phrase "Blue Jeans." Expires at 10 PM.*

- Play with your verbiage several times. Before I send any message via text, I do at least 7 rewrites. When doing a massive promotion, I've done as many as 40. Every word needs to be crafted for maximum impact.

- Use Web site links selectively in case your prospects cannot view them on their particular phone. Use a service like www.TinyURL.com to make your links shorter, if they are long, to save on characters.
- Make sure you are providing information that is requested or that is of value, keeping in mind that many people still pay per text message.

Step 6: *Send the message.*

Step 7: *Repeat.*

Be careful with how many messages you send each month. We have tried as many as two messages a week and have had issues with negative response to the frequency. We now send two to four messages each month.

MMS

SMS messages are great, but MMS takes things up another notch with color, sound, and all sorts of interesting action.

Sending media-rich content is still a bit ahead of its time.

But I still want to make sure you're on top of this. The reason it is just slightly futuristic is that many of the mobile phones are not set up to receive MMS messages and, in a way, that makes sense. The size of the files becomes an issue along with load time. Smartphones and newer cellphones have no issues loading most of the MMS content with ease. The most common types of MMS are images. Videos, rich text, and animation are also increasing in popularity.

There are six ways to integrate MMS marketing into your current tactics, which I'll cover next.

Special Offers/Discounts/Promotions

Special offers and discounts always seem to fare well in the mobile-marketing arena. Send a photo of an image that gives a special offer. To receive the offer, the recipient must either.

- Take action on the photo (visit a Web site, call a number)
- or
- Bring their phone to the store and show the actual coupon to receive the discount or special offer.



Case Study

BMW has always prided itself on staying on the leading edge of innovation. They also pride themselves on being masters at marketing. So much so, in fact, that they have vowed to test and use all the different mobile-marketing tactics. In 2008, they wanted to push their newly released snow tires. To test the waters, they sent an MMS message to different lists showing what the car they owned (down to the specific model) would look like with the new snow tires. Customers could also download an application to see how the tires would look on various other cars.

The Result: They achieved a 30% conversion rate and rated this campaign as one of their most successful ever!

Video Clips/Animated Clips

I'm sure you have seen video clips floating around. Typically they are funny jokes or risqué clips. There are so many things you can do with video. Check these out:

- A thank-you-for-your-business video
- New-product announcement

- New-store opening
- Limited-time special
- Birthday video
- Super-client testimonial

The sky is the limit when it comes to video. Keep the videos short, inoffensive, amusing, content-rich, and worthwhile. Don't simply send videos for the sake of sending videos.

Interaction

As with SMS, you can get some fun interaction going with MMS. Allow people to send in videos they took with their phones. Turn a simple campaign into a contest and give away some cool prizes. Invite customers to give video testimonials about what it's like working with you or using your products. Have people send in video questions to be posted on your site, and answer them live. Keeping the interaction flowing will keep the dollars coming in!

Audio Clips

We love video, but we also really love audio, because we're able to multitask while listening. It's much more challenging to multitask while watching a video. The audio clips can be informational, talking about specials, saying thank you, sending a birthday or holiday greeting, telling people where you are (a cool trip or great conference), and so on. It can be pretty much about anything you want.

How-To Information

Wouldn't it be great to get a short video or audio on how to use what you just purchased? This goes across all the different markets, from consumer goods to electronics to consumables and so much more. You walk into the store and pick up four high-end steaks, and two minutes later, you get an

MMS message with instructions on the best way to prepare your dinner, and even suggested sides or wine. How-to information is very well received in the marketplace. It makes for better customer relations as well as a solid opportunity for potential additional purchases.

Freebies

Who doesn't love a good freebie? You can send free applications, pictures, videos, audios—anything of value.



To Do

How to Get Started Sending MMS Messages:

Step 1: Leverage MMS.

The solution you are leveraging for SMS marketing should also have the capability to send MMS messages. If not, here are a few companies that specialize in sending MMS messages:

- www.trumpia.com
- www.InteractMobile.com
- www.Velti.com
- www.BluefishMobile.com

Step 2: Tailor your content and approach.

Look at your objective to decide which type of content to send and which approach to take. Whether the objective is branding, selling something, reminding consumers of an event or a promotion, or just providing information, the medium needs to be tailored.

Step 3: Send the multimedia content.

We have had the best success with the following:

- **Videos:** Under 30 seconds; keep them fun and engaging.

- **Audios:** Under 60 seconds; fun, engaging, informational.
- **Images:** For special offers that are time sensitive.

Step 4: *Repeat.*

I recommend you send one SMS or MMS message weekly to stay in touch.

Mobile Ads

The last area of mobile marketing is mobile ads. These ads are the same thing as the traditional ads you see on Google, Facebook, YouTube, and other sites. According to *eMarketer*, there are currently 405 million mobile-Internet users, and that number is expected to double within the next four years. So you have a ready, willing, and able audience—you just need to reach them. As more businesspeople and everyday consumers start to get the Internet on their phones, mobile ads (similar to traditional ads) will continue to grow.

As a business, you pay for certain keyword phrases when people click on your ad (called pay-per-click). Right now the ad spending across mobile devices is low. It's stated that in the next five years, mobile ads will account for about 5% to 10% of the global ad spending. This is a ripe opportunity for you. Because fewer people are advertising on mobile devices, you can get some really great keyword phrases for a fraction of the traditional cost.



To Do

How to Start Generating Revenue with Mobile Ads:

Step 1: *If you do not already have an account on Google AdWords, go to www.adwords.google.com and set one up.*

Google still maintains the vast majority of the market share. But here are four other popular places that accept mobile ads:

- Yahoo!
- Facebook
- YouTube
- MySpace

Step 2: *When creating the campaign on the particular advertiser, make sure you select Create a Mobile Ad.*

There is a different set of options on the advertiser sites that are strictly devoted to mobile.

Step 3: *Select the keywords you are going to target.*

In this case, less is more, but you need enough to test. Here are some free keyword-selector tools:

- www.GoodKeywords.com
- www.Wordtracker.com
- www.adwords.google.com/select/KeywordToolExternal

Step 4: *Craft the ad, keeping in mind several guidelines:*

- Mobile text ads contain two lines of text with a limit of 12 or 18 characters per line, depending on the language in which you write your ad.
- With this limitation on space, every word needs to be carefully chosen.
- Remember to include the keywords you have purchased in your ad.
- Include a clear call to action.
- The Web site you are sending the traffic to shows up on the third line, if you want to enter one.

Step 5: *If applicable (100% recommended), select the option that allows customers to connect directly to your business phone.*

This will put a call link next to the Web site.

Step 6: *Drive traffic to a mobile-friendly page.*

Step 7: *Split test with different pages and ads; generate various statistics and analytics.*

Step 8: *Monitor your traffic and your conversions daily, if not two to three times a day.*

Google has a great ad-performance report system, allowing you to track everything you could possibly need. In fact, Google information is so powerful and all-inclusive, you could spend your entire day just looking at the reports (not recommended). You can track things like visitor sources, visitor locations, time on your site, and what pages they viewed. You can even do a site overlay that allows you to see exactly the places your visitors are clicking. In terms of reporting, you can run reports to see whether you are meeting your goals and conversions, as well as general reports to give you a macro-level view of your traffic.

Step 9: *Test, optimize, and repeat.*

As with traditional pay-per-click, you are going to find that there are certain phrases that pull and provide a much better ROI than others. Integrate the words and ads that perform the best and dump those that do not.

Step 10: *Move on to another advertising site.*

You should master one ad site before jumping to Facebook, YouTube, and the others. There are hundreds of places where you can place mobile ads. You will, however, find that steps 2 and 3 will produce the bulk of your ROI (the old 80/20 rule).

Step 11: *You can also sponsor ads on various free games and applications available on smartphones.*

So far, this hasn't been shown to be overly effective. When people are playing free games, they may click on the ad quickly, but immediately exit and go back into

what they were doing. When you're in a playing mood, typically you are not in a buying mood! It also can get annoying to see ads when you're just not in the mood to see ads.

Voice Broadcasts

A voice broadcast is simply that: a short recorded message that gets blasted out to hundreds or thousands of people. Typical uses for voice broadcasts are promoting major events or campaigning. Ever get those recorded campaign calls? That's a voice broadcast. Voice broadcasts apply to regular phones as well as mobile phones. Your objective is to use voice broadcasts only when you have good information to convey. Do not use the broadcast just for the sake of using it. Make sure that people are not on the do-not-call lists as well.

Here are some fun uses for voice broadcasts:

- Final reminders, such as attending an event or coming on a webinar
- Special offers
- Product promotions
- Just to say hi



To Do

How to Get Started with Voice Broadcasts:

Step 1: *Sign up for a phone-dialer solution.*

Here are our recommendations:

- www.ringcentral.com
- www.VoiceShot.com
- www.VoiceBroadcasting.com
- www.CampaignCaller.com

Step 2: *Load your phone numbers into the system.*

Make sure that you are adhering to state laws because there are various do-not-call rules and regulations.

Step 3: *Create the audio message adhering to these guidelines:*

- Make sure you sound upbeat and relaxed.
- Clear and concise information will outperform the rest.
- Keep the length to less than 30 seconds.

Step 4: *Let the dialer run its course.*

Most of these systems can dial 1,000 phone calls simultaneously or up to 1,000,000 per day. Yeah, it's pretty crazy.

Voice broadcasts are just that simple. We have used this for our events and have seen the attendance rate climb as much as 20%. We also have associates who have used voice broadcasts as an eleventh-hour effort for an event that was about to flop, and their attendance rate literally tripled! It is simply another means of getting your message across. Because most people have their mobile phones attached to their hips, we prefer to send voice broadcasts only to mobile phones rather than typical house lines. Our listening rate is much higher, and there are fewer people on do-not-call lists for mobile phones.

Mobile is growing faster than any other online-marketing method, tactic, or technique. I've given you the tools to implement; it's now your turn to pick and choose which ones will make the most sense for your business and get them into action. Start by collecting mobile numbers. Then test the waters with a basic SMS campaign. Get a bit more

daring with MMS messaging, and then move over to some mobile ads. You could put yourself years ahead of your competition and get the lion's share of the revenue from this great marketing source.

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Virtual Reality Worlds: The Hows and Whys of This Unique Marketing Universe

Marketing using virtual reality worlds is one of the more advanced Web 3.0 marketing tactics that you can use to generate leads, close business, or even communicate with your team. It also takes the biggest time commitment, requiring the most work and the largest initial expense to get the platform designed. The upside: When put into place, these 3-D worlds can prove to be your most effective lead generator, sale closer, and cost saver.

Let me take a step back now that I have your eyes curious and your full attention. Virtual reality worlds are just that. They are 3-D, Web-based communities that allow interaction among users and devices by way of the Internet.

In general, virtual reality has a variety of uses. The whole intent of virtual reality is to convince you and your mind that you're actually there, alive in this make-believe world. It brings the experience and interaction to life, even though you are behind a computer or another device and not there in person.

Picture this:

- Three-dimensional people walking around, interacting and talking. They don't really exist, but they represent people who do in some way.
- Communication using webcams, headsets, microphones, and text chat.
- People from all walks of life and from around the world who might never have met otherwise.
- Houses "decked out" with all the latest electronics.
- The ability to walk around, drive cars, purchase goods and services, and do pretty much *anything* you would do in your actual life.
- A world that seems so real, you start thinking it *is* real.

Sometimes your mind continues to believe that this can't be real, it isn't real, and it's fake. It will take some conditioning of your mind (after you start engaging in these virtual worlds) to understand the concept.

Here are some of the common myths about virtual reality worlds:

- **Everyone is fake or acts fake.** Eighty-four percent of people reported that when they join the various virtual worlds, they create people—avatars—that represent themselves. Yes, that does leave 16% of avatars who are not entirely representative of their true selves. Typically these people make minor adjustments, rather than entire modifications of their real personas.
- **It's nowhere near real life.** Many times this is more like real life than your own real life. People host parties and business events. Attend training. Interview for jobs. Shop. Practice foreign languages. Work in global teams. All virtually.

- **It's only for kids.** The average age across most virtual reality worlds is just over 30.
- **The only thing to do in these communities is play games.** Yes, you can play games, but this is only a small fraction of what's done in these worlds.

Here are the key driving factors to the rise in virtual reality usage:

- People have limited time to be traveling across the country to attend meetings.
- Both consumers and businesses have less discretionary income and much smaller travel budgets.
- Everyone continues to adopt the Internet. This makes the whole virtual world concept seem less “off the wall,” so to speak.
- It's user-generated content.

People, businesses, and agencies are continuing to move to using virtual reality worlds because they are tired of traveling, have less money to spend on travel, and are realizing the power associated in these worlds. My motto is, “Essentially everything that can be done in person can be done over the Web using various technologies.” This is the concept that people are finally starting to understand. Everything continues to move to the Web. So instead of simply resisting, both consumers and businesses are starting to jump on the bandwagon. An additional factor that has helped the rise of virtual reality worlds is their ease of use. Two to three years ago, you needed to have a very fast computer and connection just to view one of these worlds. Today things open up much more quickly and are much more intuitive.

Check out these examples of some of the different things you can do in a virtual environment:

- Instead of attending that rock concert you wanted to go to, check out the same show in a virtual world. Grab some drinks and snacks, and gather around the computer (the bigger the monitor, the better). You will be able to view the avatars performing live, or in some cases live streaming video from the band's studio.
- Think you need to visit the doctor for a diagnosis? Guess again! Go to the doctor's office online, turn on your webcam, and you're in business. Need some tests run? Your doctor can order a nurse to your house or send you at-home testing supplies!
- Want to fly in your employees for a yearly sales meeting, but don't want to spend the money? Host the same meeting on a site like www.SecondLife.com.
- Need to purchase a new camera? Visit the camera store in one of the various virtual worlds, interact with a salesperson, purchase the product, and have the real thing shipped to your home or office.
- Looking for sales leads? Visit one of the thousands of networking locations on the various sites. These are typically labeled "networking lounges."

Anything you would want to do in person (yes, everything) can be done over the Web in the comfort of your own home or office. Why do you think www.Amazon.com had one of its best holiday seasons ever in 2008, while Circuit City closed its doors? Granted, there were various outside factors as to why Circuit City failed. But from the customer's perspective, if I can buy the same products on www.Amazon.com and save time and money (including sales tax and shipping charges in many cases), there is absolutely no need for me to visit a real store, deal with a salesclerk who

probably doesn't know what he's talking about, stand in line, and risk having my credit card information misappropriated. And so virtual-reality-world usage continues to climb.

The Basics of Virtual Reality World Communities

Let's switch gears just a bit here and chat about the different virtual communities you can potentially leverage for your business, along with some additional background information to help you understand the lingo a bit better.

There are various common threads among most virtual worlds:

- Typically they are run by user-generated content rather than people at the particular company adding content.
- Users can purchase and own virtual land.
- Currency can be exchanged and typically needs to be converted.
- There are various e-commerce applications and functionality, so you're able to buy products and services in real time.
- They are regulated to comply with the various real international laws.

Here are some of the virtual-world terms you should be aware of:

- **Avatars:** The term is derived from Sanskrit and relates to a "mental traveler" in Indian fairy tales. In the virtual world, it is the character you use to represent yourself and communicate with others.
- **Community:** The people or residents who inhabit the virtual space.

- **Currency:** Most of the virtual worlds have their own form of currency, which typically can be converted into USD or other forms of real money.
- **Emotes:** These express emotions in a virtual world (laughing, crying, smiling, and so on).
- **Grid:** The technology and platform behind the virtual world.
- **Latency:** The lag of movements in motion. It's measured in the delay of the actual change of position versus the response time. The faster your computer and Internet connection, the lower the latency you will experience.
- **Teleport:** To fly to another location in the virtual space.
- **Universe:** The collection of all entities and the space they are embedded in for a virtual world. Each virtual reality site has its own "universe," so to speak.

There are hundreds of popular virtual communities and worlds with thousands of users in existence that are much less popular. Let's zero in on the most popular ones that you need to be concerned with.

www.SecondLife.com

Let's start with the community that has received the most media attention. www.SecondLife.com does not have the largest number of registered users, but it has received more media coverage than most of the other major players because it has poured money into PR and also has had some notable people use the site.

Second Life was launched in June 2003 by Linden Labs. It allows its residents to interact with each other, socialize, conduct business, and so on, across its grid. You must be 18 or older to use Second Life, and between the ages of 13 and 18

to use Teen Second Life. This is an important distinction for marketing purposes to know that users are 18 and older. Second Life has more than 15 million registered users.

Registration is free for personal use. If you want to purchase land, there are monthly fees ranging from \$5 to \$295 per month, depending on the amount of space you are looking to purchase. For \$295, you can have your own private island. A big advantage of purchasing land is that you can start controlling the marketing space. Most of your competitors will not be on these virtual sites. Get your land before they do.

Much as in the other virtual worlds that will be outlined next, currency can be exchanged. In Second Life, the currency used is Linden dollars. The exchange rate from Linden dollars to USD and to other currencies varies based on market factors—buy and sell rates.

There have been live concerts in Second Life, government embassies established, and education and training going on pretty much 24/7, to name just a few of the applications. Keep a close watch on this virtual reality world, because it has the most potential for continued and massive growth.

www.ActiveWorlds.com

Active Worlds is a little different from the rest. It is a 3-D world platform with a browser that runs on Windows. (Yes, this helps Bill Gates's wallet grow even larger!) Originally, Active Worlds' programmers wanted to integrate a 3-D browser. Think of Firefox or Internet Explorer in 3-D. Instead, it has morphed into another Second Life.

For consumers, they can play around with their avatar in one of the 1,000 different worlds across the platform, interacting with each other, playing games, or purchasing goods and services.

For businesses, this has been a solid platform on which to develop buzz, sell products, support customers, and provide demos and training.

The advantage of www.ActiveWorlds.com over www.SecondLife.com is that the cost to develop a presence is easier and much less expensive. (To develop a full-blown store on www.SecondLife.com, you are looking at upwards of \$5000 to \$10,000 or more.) Your time to market on www.ActiveWorlds.com will be much quicker than on www.SecondLife.com. They also are very business-centric. They understand that virtual-reality-world marketing is growing in popularity and have catered many of their offerings and support to businesses while making it effortless for consumers to buy. They are trying to bring the www.Amazon.com experience to their virtual world!

Entropy Universe

Entropy Universe is in a different league than the rest because it has a real cash economy. Some consider this a good thing, others do not. Entropy Universe is an online, 3-D, virtual universe for entertainment, social interaction, and trade, using a real-cash economy. The virtual world was developed by the Swedish software company MindArk, based in Gothenburg. What MindArk really understands is monetization. Instead of charging a subscription price, they use a micropayment model, asking people to buy in-game currency (the PED), which, in turn, can be exchanged back to USD.

MindArk claims to offer the first virtual universe with a real-cash economy. They want people coming to the site to spend money, rather than just to play around. And this is stressed across their Web site and promotional materials.

Entropy Universe has been quite busy attracting various businesses and even government entities. In May 2007, they

were chosen by the Beijing Municipal People's Government endorsed online-entertainment company, Cyber Recreation Development Corporation, to create a cash-based virtual economy for China. This is *huge* in terms of adoption and possible numbers. They have been working toward creating the largest virtual world ever. Their proposal was accepted over many others, most notably Second Life. This was a blow to Second Life because they probably assumed that they were the front-runner! Entropia Universe has a goal to attract 150 million users from around the globe. Even more impressive, they expect to generate over \$1 billion annually in commerce.

This is not the go-to place for business meetings, however. Instead, it has been a good place for entrepreneurs to sell their e-commerce products and services to consumers and businesses. But, to date, they have some new plans in the works to make the site less gaming-intensive and more centered on business. Check out the site for free and get a feel for it, but don't make a major investment of your time or money just yet.

www.There.com

www.There.com is an online getaway where you can hang out with your friends and meet new ones, all in an abundant 3-D environment. It is among the simpler platforms. It currently boasts around one million members, and it has hosted some pretty recognizable stop-bys from people like Yellowcard, The Beastie Boys, Korn, and MIMS, along with events like races and concerts on its platform.

www.There.com also has a cool tool called ThereIM (nice play on words, huh?). ThereIM allows you to communicate with other ThereIM users, but without the need to be logged in to the www.There.com virtual world. The technology is similar to instant messaging. The advantage is that you can

still use your avatar to communicate with people, so it's not simply texting back and forth.

A lot of commerce and business is taking place on this platform, because it's less crowded and a bit easier to use. As the membership continues to increase, the number of islands created and amount of business being done on these islands will increase, as well.

www.Kaneva.com

Kaneva is one of the newer players in the 3-D virtual reality space. Kaneva's virtual world came onto the scene in beta form back in 2006. Originally, the vision was to develop a space for game developers to collaborate with each other. Its founders noticed the social-marketing trend moving toward 3-D spaces, so they shifted their vision a bit, though Kaneva still maintains the game platform for the developers, as well.

There are more than 1.4 million users and more than 25,000 communities on their site. The numbers don't come close to those of some of the major players, but their membership has been on the rise, along with their traffic.

Kaneva combines the social-networking aspect and a virtual world with the focus on commerce and entertainment. It's a much more laid-back, fun environment than many of its competitors. What is interesting is that each new member gets a Kaneva City Loft—their own 3-D space. They can tweak their space and furnish it with their own unique style using virtual furniture and accessories.

www.Worlds.com

Having a presence since 1994, www.Worlds.com has been able to grab some significant market share while perfecting its technology. It has proprietary technology along with

quite a few strategic partnerships such as Pearson, Time Warner, Hanson, and even the New York Yankees. This allows the company to combine the best of both worlds (no pun intended). It brings excellent graphics, text chat, voice chat, video, and e-commerce to its platform. In the 3-D communities, visitors can interact, visit different worlds, and connect with one another.

www.Worlds.com is very similar to www.SecondLife.com. One key difference, however, remains that www.Worlds.com really did pioneer the technology and the social networking aspect of 3-D communities well before it started to become mainstream. Its site is easy to navigate, making it a must-adopt virtual world in your marketing activities! To top it off, they are fully committed to charity and outreach throughout the world. For that, they get an extra thumbs up!

Moove

The Moove site allows you to create a room, create groups, and chat via instant messaging with a 3-D spin. It's currently a smaller site with just over one million members. Put Moove toward the bottom of your list of sites to leverage, but keep it on your radar. This virtual site would appeal to people targeting a younger audience.

www.IMVU.com

I saved this one for last because it is not a traditional virtual 3-D world. Instead, IMVU is more of an instant-messaging service, forum, and chat room with the 3-D twist. It was founded in 2004 and has since won numerous awards. IMVU is an online destination for people of all ages to meet each other in 3-D. There are plenty of people to meet; they host more than 35 million registered users.

Members of IMVU have fun meeting new people with similar interests and expressing themselves through personalizing their 3-D avatars, digital rooms, music, and home pages. Users also devote time to customizing their individual home pages, setting up public and private rooms, and creating and participating in user groups. These groups are very similar to forums and chat rooms.

IMVU also maintains the world's largest digital-goods catalog, with more than three million items! This has contributed to their bottom line of making \$1 million-plus per month from the Web site. The only key difference between IMVU and the more traditional worlds is that you're not flying around a virtual space and visiting different islands and communities. Again, you're using 3-D chat and participating in different groups that have 3-D scenes.

Because this one sets itself apart from the rest, I wanted to provide some specific information geared toward just this virtual world.



To Do

How to Market Using IMVU:

Step 1: Visit www.IMVU.com and sign up for an account.

Step 2: Choose your avatar and username.

- Make your avatar representative of your personality.
- Because social marketing is meant to be a bit less formal and is focused on building relationships, it's recommended that you keep your profile personal in nature.

Step 3: Link your address book to the virtual world (if using Gmail, AOL, Yahoo!, or Hotmail).

Step 4: *Show the real you.*

Load up your profile with some personal and business information. Make sure you include a variety of your interests to spark some interesting chats.

Step 5: *Decorate your room.*

Your room is basically like your own little space where you can invite others in.

- Get creative with your room, and make it match your unique style. I decked mine out for a fun section, as well as a business area that was more formal.
- Use your credits to purchase fun things to add to your room.

Step 6: *Find people.*

This tool is similar to the search functions of social networks like Facebook, MySpace, Friendster, and so on.

- What is amazing about the system is that you can search for people in certain locations, by age, what they are looking for, friends, chatting, networking, and so on.
- When you find someone you would like to chat with, view the person's profile and select Invite to Chat. This will transport you both back to your room for some informal chatting.

Step 7: *Build out your home page.*

Much as with AIM profiles, IMVU builds you out a home page and autopopulates it with some standard information such as name, age, and location.

- Add the rest of the information to make the page complete. I like to write on here exactly what I'm looking for: networking and chatting.

- Keep in mind that it also links to your room, so make sure your room is ready with different furniture and accessories so that you appear to be a bit more advanced than a newbie.

Here is the link to my page for you to check out:

www.imvu.com/catalog/web_mypage.php?user=38994879

Step 8: *Browse the various groups and join in!*

- This is where the bulk of your business networking will take place (in groups).
- Start off by visiting www.imvu.com/groups to see all the different groups, but don't get overwhelmed by the large number (more than 100,000).
- Zero in on a group or two where your target market will be hanging around. For example, there is a group called Entrepreneurs. I joined the group and instantly began to contribute.
- Groups are very similar to Web forums and the tactics are similar, as well:
 - Contribute some great content. As with the old saying, people don't care how much you know until they know how much you care.
 - Reply and post to different threads.
 - Find and friend people of interest. You're building your 3-D world!

Step 9: *Check out the different live chat rooms, and pick some of interest.*

- There are typically around 25,000 live chat rooms at any given time across IMVU.
- Check out the names for topics of interest.

- After you're in the chat, start a conversation and learn about the different people there.
- If you find people of interest, click on their avatar and select Add to Friends List.

This is much like “friending” across different social marketing Web sites.

On a final note, this can get addicting. In fact, I'm on the site now trying to multitask between work and play. Be selective about whom you talk to and what groups you join. Join groups of which you can be a contributing member; don't just join groups for the sake of joining (or with the idea of just marketing your services or products). Used effectively, this Web site (along with the other virtual worlds) can be a major marketing weapon!

Other Worlds

Here are some of the smaller and less “business like” virtual reality worlds:

- **3D Planets:** This is an online community with excellent 3-D worlds, homes, and jobs. You can move around from the planets, own a home, have a job (complete with a title), shop at the mall, buy and sell items, and earn planet bucks and experience points for using the site.
- **3DEE Virtual Reality:** Would you like to meet people from all over the world and chat with them in an online city? You can move around, communicating in a 3-D cyberspace, all from the comfort of your home on your personal computer.
- **Arounder:** Arounder offers virtual tours of various locations in the world. You can travel in 360 degrees via QuickTime VR—virtual reality—in full-screen panoramas.

- **Avalon:** This is a premier multiuser, role-playing, online-game world.
- **Chamber of Chat:** This is an MMORPG (massively multi-player online role-playing game) graphical experience. It has a number of areas, giving users the feeling that they are actually interacting in a 3-D world. You can hang out with people (students), chill in the common room, network at the pub, play games, and even download sweet wallpapers. The chat feature was created to be a safe place and is monitored by moderators. You must be at least 13 to request a membership.
- **CyberNet Worlds:** This is a 3-D, chat-based program that has your choice of avatar, virtual worlds, file transfer, instant messaging, contacts list, and even the capability to play virtual games in 3-D.
- **Cybertown:** Cybertown is a futuristic, 3-D, family-oriented, cutting-edge, fun, entertainment community with lots to do and see.
- **Disney's Toontown Online:** This is the first massively multiplayer online game designed specifically for kids and families. It is an award-winning, endlessly evolving, kid-safe, immersive 3-D online world.
- **Don Bain's Virtual Guidebooks:** Taking you there using imagery that totally immerses you is what this virtual world is all about, with more than 4,000 virtual reality panoramas of Canada, Alaska, Hawaii, and the western United States.
- **Dotsoul:** Dotsoul is the eternally surreal blog of the online virtual reality world.
- **Euro VR:** This consists of links to QuickTime VRs of the world and Europe and also information on virtual reality. Featured European countries include Austria, Belgium, Denmark, Finland, France, Germany, Greece,

Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

- **First Age of Avalon:** Experience the power of this realm where it is truly difficult to separate reality from the adventurous life of Avalon, a breathtaking journey into the imagination, where a game is no longer a game, and only you set the limits of what is possible.
- **Full-screen QTVR:** Discover the world in QuickTime Virtual Reality full-screen. Hosted by VRWAY, this is a project of Panoramas.dk and VRMa.
- **Habbo:** Habbo is a virtual world where you can meet and make friends.
- **Hello World! VRMAG:** This is a monthly online travel, photography, and technology magazine that has 360-degree virtual reality panoramas covering great architecture, cities, hotels, resorts, cathedrals, tours, walks, guest columnists, case studies, and feature articles.
- **Karga—The Other World:** This is a 3-D chat system and virtual reality environment where users can move around in 3-D places, talk and see each other, change their appearance, and so on.
- **Mainstreet East:** You can move around in the 360-degree scene of a future street, complete with flying cars.
- **Meez:** You can create animated, 3-D avatars that can be dressed up, as well as play free games and use the avatars in virtual worlds. Your avatar can be used as your AIM emoticon and can also be exported to MySpace, LiveJournal, and other sites.
- **Open Directory Project:** This is the largest, most comprehensive human-edited directory of the Web. It is constructed and maintained by a massive global community of volunteer editors.

- **OuterWorlds:** This is a 3-D multiuser, futuristic chatting system that is available now. Try on an avatar—use a 3-D human figure or some figures that are not so human. Make your avatar wave, dance, and walk. Visit many of the detailed 3-D worlds, interacting with people in real time, from anywhere in the world.
- **Power Pets:** This is an online community/virtual world, where you can adopt (simulated) pets, play games, and meet other simulated-pet owners.
- **TalkTrix Discussion Forums:** These are free-speech forums where you can talk about anything from politics and technology to sports.
- **The Internet TeleCafe:** This is a place to meet new people and make friends from the 30,000-plus active users you can chat with from the TeleCafe. Plus, membership is free.
- **The Palace:** This is the finest avatar-chat community on the Internet. You can download the Palace software, join the online community, and start chatting for free.
- **The World Wide Panorama:** This is part of the Geo-Images Project at the University of California at Berkeley. Check it out.
- **TowerChat:** Create your own customized world, meet new people, and make friends, all within the same online community.
- **Virtual Ibiza:** This is a 3-D gateway world based on hedonism; the island of Ibiza is totally filled with fun. Choose a character and then communicate with like-minded people from all over the globe.
- **Web City Office Towers 3-D World:** This is an ambitious VRML/Web3D-world project consisting of office buildings, places of entertainment, shopping centers, and many other venues. Building doors open to let you in, and you can even use elevators. This world is full of

unexpected events and surprises such as music, ATM machines, a theater, and links to other worlds.

- **Whyville:** This is a virtual world targeted to teen and preteen girls and boys. They have 1.7 million registered “citizens” who come from all over to create, learn, and have fun together. Whyville has places to go, things to do, and, of course, people to see. It has its own newspaper, senators, city hall, square, suburbia, economy, museum, beach, and so much more.

How to Leverage the Trend

Now that you know the basics of virtual reality worlds and the different virtual spaces that are getting the most play, let’s shift our focus to how to leverage this growing trend. First, let’s do a mini-recap of what you have learned about the virtual worlds and look at the advantages and disadvantages of jumping on the virtual train.

Advantages:

- No location barriers
- Demonstrate products in real time
- Awesome user experiences with massive interaction
- Ability to get in touch with peoples’ emotions
- Ability to capture market share before everyone else does
- Another sales channel

Disadvantages:

- Not every company will benefit from marketing its products and services in these virtual worlds. If you’re a very small company and you intend to stay small, this is not a great space to play in. If you’re very locally targeted in your marketing, this will also pose a challenge. Don’t expect millions of people to be on these

spaces within 20 minutes of your house or office. (But it doesn't hurt to test it out first though, right? This is cutting-edge technology, and you won't know if it doesn't work until you try!)

- It is expensive to build advanced platforms. (So start with the easier-to-use sites that require little to no cash outlay for startup.)
- Expect longer lead times (one to four months). When everything is executed correctly, you should be able to cut down your lead times.

There are so many ways to leverage virtual reality worlds. Check these out:

- **Hosting meetings/events:** Large virtual gatherings are the fastest-growing trend in the 3-D space. Why is there even a need to fly anywhere anymore?
- **Sales calls with prospects:** Why not have your prospect visit your virtual space and chat in a much less formal, yet interactive setting? The content sticks much more than in a traditional call, and seems much more like an actual meeting, rather than a phone meeting.
- **Branding:** People are flying around these portals, so why not have a virtual storefront to brand your products and services?
- **Product launches:** Many people and businesses have announced product launches over TV, on the radio, and even with a press release. Announce a product release in your virtual world to the masses!
- **Demonstrations of your product or service:** Videos are a great way to show a product demonstration, but a live virtual demo is much more powerful (and two-way). Think about how many Snuggies or ShamWows you could sell in a virtual space.

- **Digital product sales:** E-commerce is a huge part of the virtual worlds across the Net. Many of the visitors are prospects browsing for products and services. You might as well have something ready to sell them!
- **Education/seminars:** Teleseminars and webinars are big business. Let's take these events to a whole different level.
- **Training employees/contractors:** Instead of flying people in from around the world, host employee training in your secure virtual space.
- **Live entertainment:** Bands, artists, musicians; think of the potential!

Suzanne Vega, Duran Duran, a U2 tribute band, and dozens, no hundreds, of local celebrity bands are moving from bars and coffee shops to Second Life. Why? It's less intimidating. You can attract a broader range of fans, you can perform at all hours of the day (not just limited to nights and mostly weekends), and you can actually sell tickets and event merchandise.

The crowd? Depending on the time of day and how large the fan base is, a band or performer can have anywhere from a few dozen to literally thousands of people logged in, jamming out to their performance.

A couple more ideas:

- **Charity auctions:** Events go over well in the various virtual communities. Try running an auction to raise money for your favorite charity.
- **Company communication:** Instead of using just plain chat, spice it up with one of the 3-D chats.

Virtual Trade Shows and Events

The trade show industry and the live-event industry in the United States (and the world, for that matter) are very lucrative. The best part is that they appeal to a whole slew of industries, from business, finance, and entrepreneurship to pets, engineering, and food. Think about attending a trade show in general. What are some of the different elements typically in place?

- Booths of varying sizes and shapes
- Sponsors
- Giveaways (everyone loves swag)
- Attendees
- Product/service demonstrations
- Products/services for sale
- Product literature
- Networking
- Entertainment and education



Case Study

HP, one of the world's largest technology providers, decided to test the waters with a virtual trade show. The event was titled The HP Data Protector Virtual Event. It featured ten booths, with four on-demand product demos and webinars. The environment was designed to be lifelike and very rich and engaging. Overall, the event was a great success.

The Results:

- More than 1,300 attendees
- A more diverse crowd because there was no travel cost

- About 3,300 pieces of content downloaded
 - Two-and-a-half hours of live interaction on average per attendee
 - Substantial cost savings
 - A quicker time to market
-

Comparison Between Live and Virtual Trade Shows

- **Booths of varying sizes and shapes:** This is the easy one because it's the Web. There is plenty of space available, as well as the capability to deck out your booth. In fact, because of the minimal costs, you can do much more than you could afford to do at a physical event.
- **Sponsors:** Most events have sponsors, and virtual trade shows do as well. You can even sponsor the lanyards people wear!
- **Giveaways (everyone loves swag):** Virtual giveaways are easy. Want to give away something tangible? Ask for a snail-mail address and put it in the mail. Send a free report via e-mail. Offer a gift certificate for services and trial samples of your product.
- **Attendees:** What's an event without participants? Visitors can use webcams, text chat, and voice chat, just as if they were there in person!
- **Product/service demonstrations:** Need to show prospects or attendees a product demo? Not a problem. Programmers can make anything happen!
- **Products/services for sale:** We are out to make money, aren't we? You can take credit cards and process orders on the spot!
- **Product literature:** With the click of the mouse, you can send digital files to anyone interested.

- **Networking:** There are plenty of networking lounges in the various virtual trade shows. You can exchange virtual business cards, talk for as long as you'd like, and even drink a glass a beer with a fellow attendee!
- **Entertainment:** Normally, when you're traveling, there are some forms of entertainment. In a virtual space, you may enjoy virtual cocktails along with some music playing in the background.

If you are considering taking trade shows out of your marketing plan, here are some powerful reasons you will probably produce better results by going virtual:

- It's better for the environment. Unisfair, the virtual trade-show host, has saved its clients almost 162,000 tons of carbon dioxide emissions.
- There's no physically draining setup and breakdown. You can literally "assemble" your virtual booth in less than an hour, and it can be saved for the next show.
- It's cheaper than sending your entire sales and marketing staff. You might actually be able to cut some full-time sales jobs if those people spend a lot of their time on the road going to these conferences.

Plus, with no travel needed, not only are you doing your part to help the environment, but think of all the time that will be better used than sitting in an airport terminal waiting for the next flight to come in. It's a win-win for everyone.

Advantages of Virtual Trade Shows

Virtual trade shows have quite a few advantages over live, in-person shows.

- **Huge cost savings for both the vendors and the attendees.** This is the main reason more of these keep popping up.
- **Potential for more staff.** It's easier to have people staff a virtual booth than it is to have them staff a real one.
- **Higher likelihood of people keeping product literature.** More often than not, people go back to their hotel rooms and throw out your expensively produced literature. If the documents are virtual, they are much easier and more convenient to store on a hard drive so that it can be easily found when it's needed.
- **Higher attendance.** With the high cost of travel, more people are flocking to virtual trade shows.

Disadvantages of Virtual Trade Shows

Although virtual trade shows have some great advantages over physical trade shows, hosting strictly virtual-only shows has a few disadvantages:

- **Not face-to-face.** Many say “belly-to-belly” is still the best route.
- **Multitasking.** You're hoping people give you their full attention, but chances are they may be multitasking.
- **Technology issue.** For the less technologically inclined, virtual worlds may be tough to pick up quickly.



To Do

How to Have a Successful Booth at a Virtual Trade Show:

Step 1: *Prepare for this as if you were preparing for a live event.*

Do not skimp on this event because it's virtual. Think about the extreme cost-to-spending savings you've got coming your way, and preemptively reinvest some of that into your virtual booth.

Step 2: *Use a mind map to plan out your booth and your strategy.*

Set up the booth dimensions, lighting, features, product offers, and all the typical trade show-related items.

Before you approach a company to design your booth, know what you want and your expected outcome.

When I've helped plan a trade show, I have crafted giveaways, contests, and entertainment to drive traffic to the booth. While there, I also made sure that we had ample product and service literature to give away that was tailored to the event.

Step 3: *Find a virtual trade show to attend that will appeal to your target market, and one that is well marketed.*

Here are some Web sites that list upcoming virtual trade shows that you can attend or exhibit at:

- www.GoExhibit.com
- www.optionsXpress.com
- www.Unisfair.com
- www.VirtualTradeShows.net

Step 4: *Engage a company that specializes in setting up virtual-trade-show booths and one that has a proven track record.*

We recommend the following:

- www.Unisfair.com
- www.ProAccess.net
- www.ZeroOneZero.com

Step 5: *Drive traffic to your booth.*

This should be the easy part! Utilize all the various marketing tactics you are learning to drive as much traffic to your booth as possible:

- Search-engine optimization
- Pay-per-click
- Mobile
- Marketing and cross-promotion in other virtual worlds
- Microblogging
- Press releases
- E-mail blasts to your list
- Sponsorship of the event

Step 5.5: *Use guerrilla marketing tactics to further attract people to your booth after the event has started.*

Some ideas:

- Giveaways
- Contests
- Product demonstrations
- Models (yes, eye candy does work even in the virtual world!)

Step 6: *Have more than enough staff.*

Because this event is virtual, you can make sure that some extra staff members are on hand. Treat this like a physical event. Your staff should be respectful, be dressed accordingly, understand your customers' needs, and be well-versed in any/all product offerings, as well as the intent of the trade show.

Step 7: *Have one staff member hanging out in the networking lounge, chatting with others and drumming up business.*



Tas Tip

This is the key for people attending conferences, as well. The networking lounges are where a lot of deals are getting inked. Yes, it's great to visit the various vendors at their booths, but a lot of deals are done in a more informal setting. Even virtually.

Step 8: *Follow up with the leads quickly.*

What's the use of going to a trade show if you're not going to follow up with the leads? This is the biggest mistake people make after attending trade shows. They do not follow up with the leads.



To Do

How to Start Marketing Using Virtual Reality Worlds:

Step 1: *Select a site you want to start with.*

It's not feasible to develop a presence on all the sites. Start with a smaller site, and then move up to one of the larger ones after you start getting this new world down and become more comfortable in this unique space.

Step 2: *Set up your profile/avatar.*

Much as with social-marketing profiles and forum profiles, you want to be certain your profiles are all-inclusive and representative of your true self. Yes, you can shave a few years off your age and a few pounds off your weight, but be truthful in the rest! Remember, you are trying to generate business, and a professional, yet personal, profile is a must.

Step 3: *Acquire land or space for a storefront if applicable.*

This applies to people who are interested in setting up a shop to brand their product or service or to sell it from a virtual storefront. Second Life allows you to

purchase land, while some of the others sell buildings and land. This is a sizable investment, so I recommend setting up a shop if you're a business that is doing at least \$1 million per year in revenue.

Step 4: *Build your presence/storefront.*

After you have land or a building, you will most likely need to hire a programmer to help you build out your space. This is where I don't like Second Life and prefer many of the others, like www.IMVU.com. Second Life requires technical expertise to design your storefront and to make it attractive. With IMVU, I get a generic space, but with the push of a button I can change colors, move around plants, buy products to decorate the space, and make it look more like home. There are pros and cons to both. Making your IMVU space look nice will take little cash; however, with a developer, the job can be done quickly. On the other hand, if you have land and can afford a programmer, the sky is the limit.

Step 5: *Network in the various communities.*

Treat virtual worlds like real life. Visit groups, chat rooms, and locations you would frequent in real life. Strike up conversations; you will be amazed as to where things can go. Virtual-reality-world marketing is very similar to social marketing; it simply takes things up a few notches because there is a more visual interaction. Make sure you have all the latest and greatest technology to communicate with people.

Step 6: *Drive people to your virtual space.*

It's one thing to have a virtual space, but it's an entirely different thing to have a virtual storefront that actually produces revenue! Treat your virtual space as if it were another Web site that needs traffic to succeed. Use your Web marketing tactics to funnel some of your traffic to this space.

Step 7: *Use it!*

This may sound basic, but there are a surprising number of people who go through all the trouble to establish a virtual presence and then do nothing with it. Review the various ways you can use your virtual space (trade shows, sales meetings, employee training, and so on).

Step 8: *Mix things up.*

Keep your space fresh and fun. Keep in mind that trends are constantly changing and the technology is becoming more affordable. Staying on top of the latest trends will help your virtual space stand out from the crowd.

Step 9: *Constantly track your ROI.*

This can become a time-consuming process. Many of our clients have a full-time employee who is 100% dedicated to maintaining and networking on their various virtual worlds. Virtual worlds are not for every business. Before you invest a lot of time and energy in this marketing tactic, set up the analytical measurements to make sure you can track your efforts.

Virtual-Reality-World Banner Ads

Traditional banner ads are just dandy, but people often view them very quickly and click on them without looking.

People are jumping to a different Web site every 34 seconds on average, so most such ads have a negative ROI.

Place some advertisements across a few of the different virtual spaces.

Because only some of the sites allow advertising, and policies differ from one to the next, I will not be giving you a step-by-step how-to list. Instead here are some guidelines:

- Split-test a few different ads.
- Make sure that the people viewing them are targeted.
- Track and monitor statistics to ensure a solid ROI.
- Commit to no more than a two-month campaign, and set your budget relatively low.

With the rate of people flocking to virtual worlds increasing daily, there is no reason you should ignore this Web 3.0 marketing tactic. It's an awesome way to connect with people on a deeper level without having to bear the crazy travel costs. When you really take a step back and see how this fits nicely into your marketing, it can be a game changer. Virtual-reality-world marketing still has a long way to go before it will be considered mainstream, but that is probably the most exciting part. If this were mainstream, you would already be too late! See you in the virtual world!

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6

Video Marketing: Taking Video to the Next Level

The Video Craze

There is no doubt of the huge video craze across the world. Everything has been shifting from text and audio to video. We want to *see* things rather than just *read* or *hear* them. The social-proof factor (“hey, I saw it instead of just reading it”), entertainment factor, ease of use, and ability to find pretty much anything online continues to drive the video market and its popularity.

One major shift that has occurred is the shift from physical DVD viewing to the availability of on-demand viewing. If you want something, you typically want it now. You don’t want to get in the car, strap the kids in the car seats, and hike down to Blockbuster or the local Family Video store only to find that the movie you wanted to see has been sold out for days. Now you don’t have to. With the various subscription services, you can download the movie to your computer or watch a library of movies via your cable or satellite subscriptions.

We are a *now* society, especially when it comes to entertainment. This is one of the many reasons YouTube has become such a phenomenon. You can visit the Web site and be entertained for hours with videos on everything from concerts, comedy scenes, and home videos, to teenagers acting crazy, firework displays, and worldwide news.

What really has made YouTube popular is the fact that it is user-generated content. Want to become an instant movie star? Grab a video camera, start shooting, push a button, upload your video, and forward it to your entire e-mail address book. If the content sticks, it very well may go viral. Let's pause for a moment and look at a case study on viral videos.



Case Study

The free-hugs campaign is among my favorite of the viral videos on YouTube. The video starts off with a tall guy (with some pretty crazy long hair), Juan Mann, walking around town with a sign that says "FREE HUGS." For the first 49 seconds of the video, no one gives him a hug; people just look and stare. Finally, an older lady gives him a hug, and the video turns from black-and-white to full color.

As the video progresses, dozens of others give him hugs—people of different shapes and sizes. He even lets a few others borrow his sign to attract more people. Two minutes and 30 seconds into the video, the free-hugs campaign is banned. What they didn't mention in the video is that the police said the man needed \$25 million of insurance to continue.

So what does he do? He calls the media stations and gets a petition going so that he can continue the free-hugs campaign. They gathered more than 10,000 signatures, and the campaign was reinstated. The video has

received nationwide attention and accomplished its goal. Keep reading to see what the goal actually was. I'll give you a hint: It was not to jump-start a movement.

Visit www.marketinginthemomentbook.com and click on the viral videos link for the link to this video.

The Result:

- Over 57 million views to date
- Nationwide attention and press, including *The Oprah Show*
- A record deal for the band "Sick Puppies"

The Takeaway:

- If you get a viral topic, let it spread.
- *Things are not always what they seem.* Most people didn't realize that the intention of this video was to get the band a record deal, not to simply give free hugs, despite what the creators may say.
- Never underestimate the power of video.

The video craze has also continued to grab some traction for other reasons. First, you're able to watch programs you might have missed on TV through video sites. Many stations, like NBC, make the episodes of their shows available for viewing online. *The Office* gets millions of views. If you're at work and need to catch up on the latest episode, feel free to do so! Hopefully this sentence doesn't cost corporations billions of dollars in lost productivity (that they are losing now anyway due to video watching).

Anything and everything you're looking for is there. If you can think of it, chances are there are videos about it, especially on YouTube. Much of YouTube is organized into channels:

- Autos & Vehicles
- Comedy
- Education
- Entertainment
- Film & Animation
- Gaming
- Howto & Style
- Music
- News & Politics
- Nonprofits & Activism
- People & Blogs
- Pets & Animals
- Science & Technology
- Sports
- Travel & Events
- Comedians
- Directors
- Gurus
- Musicians
- Non-Profit
- Partners
- Politicians
- Reporters
- Sponsors
- Shows
- Movies
- Contests
- Events



To Do

How to Take Advantage of Online Video:

Before I jump right into the video switch that is being made, I wanted to give you a few tips on how to make sure you're capitalizing on static video, mainly the videos that you continue to see popping up on sites like YouTube and Facebook.

Step 1: *Decide what outcome you want to achieve with the video.*

Choosing some topics with your objectives in mind is much easier than picking topics to see whether they can fit. Here are some ideas of what your marketing purposes might be:

- Build general buzz and branding
- Sell products and services
- Boost search-engine rankings
- Educate the marketplace

Step 2: *Buy some hardware.*

Purchase some video equipment based on the amount of video you plan to shoot and the quality you want to produce for your target audience.

- I keep things simple with a Flip Camera (which I'll discuss later in this chapter), Sony video camera, and lights.
- Other people have green screens, teleprompters, high-end lighting, microphones, and much more.

It comes down to your use. For everyday use, simple equipment is fine.

Step 3: *Shoot your videos.*

I prefer to use settings other than an office. You will find videos of me and my team on airplanes, at parks, on boats, and even at fast-food restaurants. The trick with shooting videos is to make them stick. This is why we shoot in unique landscapes. Talking about marketing can be dull. Relating marketing to Big Macs spices it up a bit!

Step 4: *Edit the video, as needed.*

I prefer to do very light editing, if any at all. Rougher-cut videos are better perceived by prospects and do a better job of creating relationships with your viewers.

- Intro
- Outro
- Add your unique landing page link at the bottom of the video

- Music
- Adjust lighting and sound if needed

Step 5: *Set up video accounts with some of the major players:*

- YouTube
- Vimeo
- MySpace
- vSocial
- VideoEgg
- Dailymotion
- Brightcove

Step 6: *Sign up for a service like www.TubeMogul.com or www.TrafficGeyser.com.*

These tools will allow you to submit your videos to multiple places at the same time. TubeMogul is free, whereas Traffic Geyser is a paid service. Traffic Geyser continues to add new services and tools to help you take full advantage of your videos.

Step 7: *Use video everywhere.*

Here are some examples:

- On your home page as a welcome video
- As a press release
- To describe a product and your services
- On thank-you pages
- To gather opt-ins
- For FAQs
- As video walk-ons (a person appearing on the user's screen)

Step 8: *Get your video ranked in the top of the search engines.*

Google loves video. It's one thing to get your Web site ranked in the top of the search engines, but it's another thing to get a double ranking with your business occupying two spots. To do this, simply do the following:

- Shoot a great video on a controversial topic.
- Upload the video to YouTube.
- Insert keywords into the title, tags, keyword tags, and description.
- Write at least 25 articles and blog posts that also contain the keywords and point them back to the YouTube page, not your Web site. When you have a large number of links pointing to the video, Google sees it as a more popular page and ranks it higher.



Tas Tip

This tactic alone will get you massive traffic. Having double search-engine rankings will drastically increase your natural/organic search-engine traffic.

Make sure you are tracking your video results. For example, if you have a cooking video on how to cook the perfect turkey, include a link in the video to a specific landing page that you set up like this: *yourdomain.com/turkey*. You can then check the traffic of that specific page to see whether the video generated any traffic, opt-ins, or sales.

Online video will continue to become more and more popular and powerful. Google recently changed the way it ranks Web sites (search-engine optimization) and now includes code to accommodate video. This was a huge step in the

right direction. As video becomes easier to use, less expensive, and more called for, you will see exorbitant numbers of businesses and people using video in their marketing (if they are not already doing so).

Shifting from YouTube to Ustream and Beyond

At this writing, YouTube has 71 million unique visitors a month. But a site called Ustream.TV will take your Web marketing 3.0 efforts to a new level. I'm talking about watching events and videos *as they happen*. Want to watch a viral video? Join the channel and watch as it unfolds. Want to get involved? Take part in some live user interaction during the viewing!



Tas Tip

It's all about the user interaction. This goes for everything: user-generated content, webinars, video, virtual worlds, mobile marketing. The key take-away with these concepts is to make sure that the users can get involved. How fun is it to sit and watch? Depending on what it is, it can be fun. Want to make it more fun and turn it into an experience? Get the users involved. This concept is so important, I may just end the book right here.... Okay, you got me, I'll continue.

Two Options for Viewing Video

When boiled down, there are really only two options for viewing or watching video online:

Option 1: You can watch a video presentation on how to roast a marshmallow on YouTube.

Option 2: You can view a stream-broadcasting at 9:30 PM at my house in my backyard as I demonstrate, live, how to roast a marshmallow.

Which option do you prefer? Option 1 is great for busy people who can't make the time, but most will go with Option 2 so that they can be a part of the event. To facilitate the interaction, I can ask others to roast marshmallows and show their live feed, take questions over the phone, or take questions over chat. During the event, I will also be tweeting, and asking people to retweet to generate additional buzz and interaction.

Advantages of live video:

- Involves user interaction
- Typically brings higher attendance
- Allows viewers to share the thrill
- Appeals to the different senses and emotions

Disadvantages of live video:

- Can bring up scheduling issues
- Involves some lag time, meaning that quicker computers and Internet connections are preferred

As we have done with the other disadvantages, we can provide a rebuttal. If people can't attend your live stream, they can still replay it. The advantage of this over YouTube is you still get some of the live experience on your computer.

In regard to having faster computers and Internet speeds, this used to be the case for most feeds. There was always a delay and some lag time. This situation has improved greatly and will continue to get better as computer speeds, Internet connections, and the actual streaming-video technology improve.

What factors are causing the live-video trend to increase?

- People love to be entertained.
- It is easy to use.
- The usage of the Internet continues to skyrocket.
- On-demand is no longer enough; people want that experience.
- Travel costs are rising.
- People now have the ability to view and capture video from a mobile device.

Let's talk about mobile for a bit. You read the mobile chapter and understand that it's the fastest-growing trend talked about in this book (and Web 3.0 marketing tactic around). Take it a step further. You can stream video live from your iPhone or Nokia S60 cellphone directly to Ustream.TV. Think of the power here. You can report on the latest news and stream video from anywhere in the world with the push of a button! You don't need any fancy video equipment, a makeup artist, a sound guy, or a lighting crew; you simply need your mobile phone. In the next two to three years, most, if not all, mobile phones will have this capability to link up with the various live video-stream sites.



Tas Tip

I've been using the word *trend* a lot in this book. Note the difference between a trend and a fad. Trends are backed by statistics; fads are things that come and go.

There are limitless ideas for using live streaming video in your marketing and branding. Check out these ideas, hot off the press:

- **Conferences:** Virtual worlds are great, but they assume you will be hosting the event solely in a virtual world.

Let's take an example. You are a motivational speaker, hosting one of your semiannual events on how to get yourself motivated in a down economy. A real "upper" topic, huh? The last two words, *down economy*, are going to deter a lot of people from flying in and attending your event. Rather than missing out on all that business, stream the feed live for a fraction of the cost of a live event. Your attendance rate will skyrocket, and you're not limiting yourself solely to people who will physically attend.



Case Study

When Michael Jackson died, millions wanted to view his memorial service, and probably for the first time in history, people signed up for tickets to attend a memorial service. However, only so many people would get to go because of a limited number of tickets and travel restrictions. In the past, we would have been limited to viewing the service on television sets, but not in today's world. Here are just a few statistics of Internet viewers and the Jackson memorial service:

- CNN had more than 9.7 million people view its live stream.
- Facebook had more than 300,000 view its live stream.
- MSNBC had 19 million viewers on its live stream.
- Ustream had more than 4.6 million viewers.
- The United Kingdom's BBC News site had 410,000 live Internet video streams.

The Key Takeaway: If people can't be there physically, they will find a way to take part in some respect.

More than 21.3 million people viewed the inauguration of President Barack Obama, but not from their TVs; they viewed it live from their computer monitors. No, your business event is not going to generate this kind of traffic, but imagine if you sell tickets to attend your event via Ustream for a fraction of the price of a live attendance. People will get all the information they would have gotten if they traveled to the event. (They just miss out on the great in-person networking.) To combat this limitation, offer a networking session on one of the virtual-reality-world sites afterward!

Think of all the people who walk away from the sales table or click off your Web site because they can't afford to come to your event or the date conflicts with their schedule (remember, with a live stream, you can record it to be viewed later). Now think of those same people being converted! Streaming events have huge revenue-building potential.

- **Product/service launches:** What better way to tell the world about a new product or service offering than by announcing it live to your listeners, and taking orders on the spot (think of the Home Shopping Network on the Web).
- **Concerts:** Stream your concert for free or for a small price for raving fans who want to watch you but can't attend.
- **Parties:** Just reached a business milestone and want to celebrate with your staff? Get on Ustream, toast each other, and drink some bubbly!
- **Interviews:** Interviews are a great way to interact. Ustream was used widely in the recent election by both candidates.
- **Education:** Most people on Ustream use the service to educate their viewers on different topics of interest and

combine chat with Q&A in the process. An example would be me hosting an informal session on Web 3.0 marketing. For the first ten minutes, you would see me speaking, and for the next ten, I'd take some Q&A.

- **Charity:** Various events and stunts have been hosted on Ustream (and others) to raise money for charity, from sleeping strikes, to playing the guitar for tips, and even all the way to playing video games for 50-plus hours.
- **Chatting/Q&A session:** Looking for the ultimate interaction? Host a chat session with your viewers, taking questions live on the spot! Take it up a level by allowing the person asking the question to be seen on his or her webcam.



Case Study

The Jonas Brothers recently conducted a Web chat to announce some new songs, to show video clips from music videos to be released, and to just chat with their fans. The event was widely successful from all fronts!

The Jonas Brothers result (per a Ustream press release):

- About 1.5 million unique posts were made via Facebook's live feed.
- There was an average of 23,000 posts per minute.
- More than 100,000 users joined the webcast after seeing their friend's comment on Facebook.
- About 974,000 total unique viewers watched the one-hour webcast.
- Ustream reported that the Jonas Brothers webcast on Facebook surpassed the largest live-video event they have hosted for any music artist.

- More than 40,000 tweets were sent out about the event during the one-hour webcast.

The Takeaways:

- Live streaming video is amazing and much more dynamic!
 - There is no way you would get the same results by simply submitting the video statically.
-

Take note of these live streaming video sites:

- www.Ustream.TV
- www.Stickam.com
- www.Justin.tv
- www.Camstreams.com
- www.blogTV.com

Keep in mind, these tactics and steps apply across the board to the others with slight variations. I have zeroed in on Ustream.TV, as you can tell by the title of this section. It sounded a bit catchier than the others. I recommend that you start off by leveraging Ustream.TV because it's the easiest to use and gain traction with.

**To Do****How to Market Using Ustream:**

Step 1: *Go to Ustream.TV and set up an account.*

- Use your brand as the name of the channel or use something creative to stand out from the crowd.
- Invite friends via Hotmail or Gmail. Link your various accounts (Twitter, Facebook, etc.).

Step 2: *Purchase needed video equipment.*

I simply sport a high-end Logitech webcam.

Step 3: *Connect your webcam or video camera to your computer.***Step 4:** *Create a show.*

- Type the name of the show—for example, Web 3.0 Marketing Tactics.
- Upload a logo (use your logo, or have one created).
- Select the best category that fits with what your show is about. I selected How-to: Business.
- Add some tags. These are keywords people might be searching for and words/phrases that relate to your topic—for example, Web 3.0, Web 3.0 Marketing, Internet Marketing, Web Marketing.
- Write a description. You must make this compelling or people won't watch the show. Think of your description as something you would read to decide whether to watch a movie or a show.

Start 5: *Save the show for later.*

You don't want to broadcast just yet!

Step 6: *Market the show so you get some attendees.*

- Announce it in your other social sites and use other Web 3.0 marketing tactics.
- Emphasize the fact that it's live video with interaction.
- Post it on the various free sites that allow event postings.
- Try to get featured on the home page of Ustream.TV. This is done by submitting a request far in advance to Ustream.TV. Send the request to events@ustream.tv and include your channel URL,

event date, location, and the Internet connection upload speed (which can be tested at Speedtest.net).

Step 7: *Deliver a solid performance.*

- Give away great content.
- Keep it interactive.
- Take questions and feedback.
- If the show is prerecorded, I like to take questions ahead of time and play them as if they were live.

Step 8: *Have a call to action.*

What do you want people to do when they come on your show? If your shows are totally informational, that is what your viewers will expect. And, without a call to further action, your interaction with your viewers could end with the conclusion of your program. That would be a waste of all that effort you just put into the program. So, have a mini pitch or call to action at the end of each show. Here are some ideas:

- Ask viewers to sign up for an additional course with you.
- Offer a reduced price on a training product, if they buy within a certain number of hours or days.
- Invite them to sign up for a member site.
- Offer coaching services.

Whatever your business is, you can gear your pitch accordingly. Just don't get into the habit of constantly providing free information without asking for anything in return.

Step 9: *Use the recording after the live show is over.*

- Post it on Ustream.TV along with the other video sites.

- Give out the recording to your mailing list and other places.
- Even use it on a membership-based Web site where people are paying you revenue each month for unlimited access.

Step 10: *Utilize stats and analytics.*

Check out your stats right in the dashboard area, and then cross-check that with analytics to make sure you're generating some traffic. This allows you to view statistics from two places.

Internet TV

If you got excited when I talked about live streaming video, you're going to love the next unique Web 3.0 marketing tactic even more: hosting your own live Internet TV channel.

Starting Your Own Internet TV Channel

So you've grasped the concept of live streaming video and fully understand the advantages of live versus static videos (like the ones you browse on YouTube). Now, how about having your own, live TV channel that is broadcasting constantly on the Internet?

When most people think of Internet TV, they think of watching their favorite TV shows or various movies. This has been around on the Net for a few years, and the quality continues to get better with the expansion of high definition (HD). Your very own Internet TV channel has a similar general concept. The difference is you're not a huge TV station, and you're not broadcasting movies or soaps. Instead, your channel is going to be educational in nature and will turn into a lead-generating powerhouse.

To further simplify things, think of this example: One of my favorite networks is ABC. If I were to stay up for 24 hours straight, I would see a mix of things:

- Prerecorded shows
- Commercials
- Live shows, like the news

Your Internet TV channel will be similar in that broad view. You are going to offer some prerecorded materials, host some live events, and stock the waves with commercials and sponsors.

Take a look at some of the reasons you would want to have your own Internet TV station:

- Your own Internet TV station positions you as an expert.
- It gives you a great tool to educate your marketplace.
- It's a medium for you to interview people.
- It gives you another sales channel.
- It generates leads.
- You can earn ad revenue through it.
- It gives you the opportunity to have a constant presence in your space, with the freshest, most up-to-date content available.

Many people have grabbed domains ending in .tv. Not surprisingly, .tv is the assumed natural extension for television, and because of this, .tv domains have great marketing appeal.



To Do

How to Start Your Internet TV Channel:

Step 1: *Develop your station mind map so you know where you're headed.*

- What do you want to get out of your TV station?
- What content do you want to provide?
- What will be your hours of operation?
- When will you be live versus prerecorded?
- Create a schedule of events and topics.

Step 2: *Get a domain.*

I recommend getting a domain name just for this endeavor. The .tv domain names have been the most popular for anything related to a TV station. What you need to keep in mind is that .tv does not stand for television. It is actually the extension for Tuvalu, the Polynesian island nation.

Step 3: *Hire a good team to design and code a Web site.*

- It should look like a typical Web site. The difference: In the middle of the screen, there should be a large TV that is streaming your video or broadcasting live.
- Publicize your sponsors.
- Have different sections on your Web site where people can browse your products and services, learn more about you, contact you, and carry out all the other typical options.
- Change your site often to reflect current promotions and features.

Step 4: *Set up a dedicated area for filming.*

Since you will be doing both prerecorded and live videos, you should have an area in your home office (or an off-site office) that is decked out with all the necessary equipment and will look great on film.

Step 5: *Purchase suitable equipment for recording video and broadcasting live.*

You can get all of this for under \$2,000:

- An HD camera is recommended.
- Audio equipment: microphone, headset, clipped microphone, or even some wireless audio equipment.
- Lighting: Invest in some great lights.
- Green screens. (These are great because they allow for easier editing of video and still photos.)
- Teleprompter, if you want to read from a script.
- Connect your camera to your computer, and get ready to stream live!

Step 6: *Get a good Web site host that can handle the bandwidth and the constant streaming of video.*

Some good companies include the following:

- www.Rackspace.com
- www.Streamhoster.com
- www.Veeple.com
- www.EndavoMedia.com
- www.TalkPointCommunications.com

Step 7: *Record content you can load onto the station.*

Don't think you need hundreds of hours of content to launch your station. You can start with just a few hours

of content. Reread the ideas for the live events in the earlier part of the chapter for content ideas and things you can do live or prerecord.

Here are some other content ideas:

- Webcam broadcasting 24/7 (or in certain hours)
- Other people's content you can use (with permission)
- Old video recordings
- Testimonials from clients and customers

Step 8: *Keep in mind you don't need to have content up 24/7.*

- We have four hours of prerecorded content daily, two hours of live stuff, and some commercials mixed in.
- We let that content repeat for six hours.
- We then have 12 hours where there is nothing more than a Microsoft PowerPoint presentation and some music.

The reason we have done this is that we have found the times when people were browsing the station. There is no reason to put up content if very few people are on your Web site at a given time! If your audience is largely global, and in different time zones, you will want to consider having a larger amount of content at different times.

Step 9: *Host some live events.*

Live events are a great draw, as we talked about previously. The difference is you will be hosting your events on your Web site rather than appearing on someone else's.

Step 10: *Promote your hot new TV channel everywhere.*

And when I say everywhere, I mean *everywhere*.

- Link it on your Web sites, social sites, and beyond.
- Send out multiple press releases using a service like www.PRWeb.com.
- Partner with some other people in exchange for free advertising.

Step 11: *Step it up a notch!*

As your station becomes more popular, you can start commanding various features and money-making opportunities:

- Paid advertising.
- Banner ads on your site.
- High-profile guest interviews. Heck, maybe you will become the next Oprah!



Case Study

The United States, as a society, is pretty obsessed with the news and politics. I recommend you don't get too obsessed, but it's your call! To feed this obsession, the White House released the site www.WhiteHouse.gov/live/. On this Web site, they provide live feeds, offer pre-recorded video sessions, and even have slide shows. This has become the go-to place for White House TV and information.

The Result:

- The site gets millions of monthly views.
- It's a great community builder.
- More than three million Web sites link to the site.
- It gives the White House another medium to reach its constituents.

The Takeaways:

- Having a dedicated portal/site for video is a great idea.
- Both live and prerecorded video content will fare well because people have different viewing habits.

Much as in virtual reality worlds, having your very own Internet TV channel may seem a bit far-fetched, but why not give it a try? Load up a few hours of content, let it rotate, and stream at various times and see what feedback you get. You hold a great advantage if you can also say, “Hi, I’m Mr. Smith. I’m an entrepreneur. By the way, did I mention I have my own Internet TV station?” People gravitate toward experts, and this is another mode to increase your expert status and sell some products and services at the same time. And quite frankly, when you start getting the hang of it, it’s rather fun!

The Flip Video Craze

Now that I have you all worked up to be shooting lots and lots of video, I’m going to make your life ten times easier and talk about my favorite video-shooting device.

Let me set the stage. This device:

- Fits in your pocket
- Shoots HD quality
- Is easier to use than a cellphone
- Connects to your computer’s USB port in seconds
- Was dubbed one of the most significant electronic products of the year by the *New York Times*
- Costs less than \$200

Drum roll, please.... The device: *the Flip Video*.

This device will allow you to record up to 120 minutes of HD-quality video and audio with the push of a button. It is so easy to use, I've purchased it for my relatives who have always told me they are technologically impaired.

You turn it on, push one button to record, push another to zoom, if you'd like, and push one button to stop recording. When you're ready to transfer the video to your computer, you simply push the slider, and out pops a USB connector. Slide the connector into a USB drive in your computer and you're in business!



To Do

How to Jump on the Flip Video Marketing Craze:

Step 1: Buy a Flip Video camera.

- I recommend having two. I keep one in my car and one in my office.

Step 2: Buy some accessories as you see fit.

- Carrying case
- Tripod stand
- Underwater case
- Extra battery or two

Step 3: Carry it everywhere you go.

This is the most important trick when it comes to video. You're going to be out and about and things will come up for which you are going to say, "Darn, I wish I had my camera."

Step 4: Record lots of video.

Here are some fun ideas for ways my clients and I have used our Flips (both business and personal):

- Record testimonials
- Create video blog posts
- Produce educational videos
- Promote products
- Capture crazy events when you're out and about

Step 5: *Use the software that comes preloaded on the Flip to lightly edit the videos, as needed.*

We've conducted numerous surveys, and video that is a bit more "raw" has been preferred six times to one. People connect more with you if your videos don't seem staged and are just real footage.

- If publishing these videos across the Web, remember to include your landing-page URL at the bottom of the video.

Step 6: *Post everywhere!*

Publish to your blog, your Web site, YouTube, your TV channel, and everywhere else across the Net!

Flip Videos make shooting video easy and fun. What really keeps me recommending the Flip, over any of its competitors, is its commitment to charity. Check out the link: www.FlipVideoSpotLight.com.

Go buy a Flip camera or two and join in the fun. These devices really do make shooting video an experience!

The sky is the limit when it comes to online video. You can create some massive buzz using static videos, and even create a station and a following using live video. The fact is, video is here to stay, and it continues to increase in popularity while the quality gets better and better. Using any type of video will help your conversions and your traffic, guaranteed!

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Web Applications: How to Effectively Use Apps in Your Marketing

What Are Web Apps?

An “app” (which is shorthand for “application”) is a piece of software that may be found on your computer, on your mobile phone, or across the Web. Originally, all software programs were called “apps.” But recently apps have come to be used specifically to refer to the small programs found on iPhones and now other smartphones, Facebook, and Google. They typically help you do something and make your life a little easier in a big way. For example, the iPhone has an application that allows you to put your phone up to the radio (or any type of speaker) to have the app search for and find the name and musician for the song that is playing!

Over the past two years, the development of different apps has been growing at an extraordinary rate. Even more significant is the use of the apps, which is primarily for many of the Web 3.0 sites and marketing tactics we have discussed.

Rather than only talking about the traditional apps in your marketing, we're going to discuss three totally different ways of looking at apps. First, think of the apps for general business use. These apps will make your job easier, create more revenue, and make communication with your prospects and clients easier. Second, think of using apps in your Web 3.0 marketing. These are the apps that can be used for mobile marketing, in targeted forums, in microblogging, and the like. Third, think of apps as a possible lead generator or profit house. Entire businesses are being made solely for developing, selling, or giving away apps.



Tas Tip

Selling apps is one way to generate revenue. But *giving away* apps is an even more powerful way. As we've discussed before, one of the best marketing tactics for generating leads is to offer free stuff, whether it's a whitepaper, a CD/DVD, or an app. Give first, and it will all work out in the end!

Apps for Personal and General Business Use

Back in the introduction, I talked about the rapid-paced world we live in and how, subsequently, people desire information, entertainment, and tools faster than ever. I personally use apps to make my businesses run more smoothly, to keep me productive, and to have some fun along the way.

Here are 19 applications I use on a regular basis:

1. **Amazon Video on Demand:** The service lets you download movies and TV shows to watch on your PC or portable device.

2. **Skype:** Skype is my favorite way to chat via text, voice, and video over my Internet connection—for free!
3. **www.Answers.com:** Looking for answers? This service pulls information from several reference sites to provide answers to all your questions.
4. **Picasa:** This is Google's Web-based photo-hosting service. Users get 1GB of free hosting; images can be uploaded and manipulated using Picasa.
5. **YouSendIt:** Every now and then, almost everyone has a file to send to someone that's too big to e-mail. YouSendIt meets that need via a Web-based service.
6. **BlogTalkRadio:** Broadcast your own Internet radio show!
7. **LogMeIn:** On the road or off-site and need to access your computer remotely? This is the service that will help you access the files you need.
8. **Kayak:** This service scours the Web to help you find the cheapest deals on travel services around the world.
9. **ooVoo:** Looking to chat with several people at the same time on video? This application is great, and I use it daily.
10. **Zoho:** Looking for massive amounts of productivity tools? Check out the apps offered by Zoho.
11. **Woot:** One item for sale each day, and lots of great bargains. They are an online retailer of goods.
12. **Zillow:** Zillow is an online house-buying service.
13. **Veodia:** You can create video recordings with ease.
14. **VoiceThread:** This is a photo- and video-sharing tool. It lets users upload photos, videos, and documents and add voice, text, and video annotations to each slide.
15. **Mint:** Manage your money through the Web for free.

16. **Pandora:** Want to jam out to some great tunes while working? Free streaming music and video tailored to your likes.
17. **Basecamp:** Looking for a solid Web-based project management tool? This tool will make your groups come together and work on large or small projects on the same shared, collaborative space.
18. **Wikia:** Very similar to Wikipedia, but it is a collection of Wikis that can be edited. So it's actually a white-paper service that lets site owners add Wiki elements to their sites and brand them to match.
19. **Remember The Milk:** Ever forget things? How can you not?! This app makes your to-do items and reminders available via Gmail, SMS, the iPhone, Windows Mobile devices, Skype, and popular IM clients.

At this writing, there are hundreds of thousands of apps available, many of them free—which makes them a welcome presence in your customers' lives. As a result, they are also an interesting avenue for Web 3.0 marketing.

Using Apps in Web 3.0 Marketing

Let's look at how to use apps in your Web 3.0 marketing. In these instances of apps, we are looking for software tools, add-ins, and fun programs that help us accomplish a few things:

- Increase the relationship building among your prospects/clients.
- Aid in the experience your prospects/clients receive.
- Make communication easier and faster.
- Help with the fun factor in your marketing.

Apps can be used pretty much anywhere. In the Web 3.0 arena, we're looking at apps that can go along with some of our other marketing tactics to beef up the efforts:

- Microblogging
- Mobile
- Virtual reality worlds
- Live streaming video

Twitter Apps

One of the biggest problems marketers have with Twitter is the challenge of keeping up with the large amounts of tweets and direct messages. This causes a delay in response time, along with the chance of missing some critical information. As a result, Twitter has allowed developers to start building apps to aid in this dilemma—helping Twitter members organize and prioritize the hundreds or thousands of incoming tweets they receive every day.

Visit www.Squidoo.com/twitterapps to view 275 apps you can put to use!

My favorite Twitter apps include these:

- Twitterific
- Google Desktop for Twitter
- TweetDeck
- Tweet Later

The first three apps allow you to manage your tweets, making it much faster to get back to people. Tweet Later allows you to set up an autoresponse that goes out to anyone who follows you, among dozens of other uses.

Mobile Apps

We talked about apps extensively in Chapter 4, “Mobile Marketing: Tapping into Billions of Cellphone Users.” There are thousands of apps for use across the most popular devices, including the iPhone and BlackBerry. Many apps allow you to interact more quickly with your Web 3.0 marketing sites. For example, there is an iPhone app that connects to your Twitter account, allowing you to tweet more quickly. You can also shoot a short video or audio with your iPhone and have it tweeted instantly! Take this to another level with Ustream’s new live broadcast app. You can view, record, and broadcast live!

Facebook Apps

I don’t consider Facebook a Web 3.0 company for one key reason: The site is open to the masses. Remember, one of the key trends in the shift from Web 2.0 to Web 3.0 is the openness of the Web. Consumers are flocking to more exclusive and private social networks rather than simply doing all their networking on Facebook. The site is a powerhouse and generates a lot of revenue for our clients, but the whole point of this book is to talk about the up-and-coming trends and the trends that have already been in play that you don’t yet know about. Keep using Facebook, but know that there is going to be a Facebook revolt in the very near future!

Although Facebook is not a Web 3.0 company, there are various apps that can help you use it as a Web 3.0 marketing tool.

Here are my seven favorite apps for use on Facebook:

1. **LinkedIn:** This puts a convenient LinkedIn banner on your profile and a direct link to your LinkedIn profile.
2. **Books:** This app allows people to see what you have read and are currently reading.

3. **Causes:** Become an advocate of your favorite causes and charities, and even raise money right from your profile.
4. **Video:** Upload video right to your profile with ease.
5. **Countdown Calendar:** Use this cool app to have a countdown to anything you'd like, from your birthday to an event you're hosting or even to the New Year.
6. **Where I've Been:** If you travel, this is a must-have. It creates a slick map of the world showing the different places you have traveled.
7. **DivShare:** Sharing MP3s, videos, and other files is a breeze with this app.

Virtual-Reality-World Apps

Virtual-reality-world apps vary across the different virtual worlds. The main thing you need to keep in mind, however, is that virtual-reality-world technology is already very advanced, so most of the apps are already prebuilt into the technology for use. So the capability to add different apps instantly to your virtual worlds is typically nonexistent.

Instead, here are two tactics we use:

1. We use Camtasia or Jing to record our virtual-reality-world presentations. Since these take a lot of prep work, we want to make sure we capture these on camera and then distribute them afterward (typically for a fee) or as a giveaway to capture leads.
2. We always have a direct link to our various virtual-reality-world profiles or links to our upcoming presentations. There are a few apps on sites like Facebook that allow you to do this in an easy and design-appealing fashion. These apps are similar in nature to the LinkedIn app.

Live Streaming Video Apps

With the growing popularity of live video, apps are becoming increasingly available to support that activity. We've used various apps to enhance our users' experiences, but after surveying our users, they actually found most of the apps we used to be distracting to their viewing experience. After testing hundreds, we have settled on two totally different apps that we use on a regular basis:

- **Games:** We broadcast live presentations and shows that often have quite a bit of attendance. What we have found is that many people like to log on early before the broadcast starts. Rather than just having these early birds staring at a blank screen, we have had a few game apps developed to give them something to do beforehand. Our users like the various games we offer, so we continue to develop new, fun games or leverage other game apps already out there.
- **Mobile viewing:** The second type of app we use when it comes to live streaming video is the mobile-viewing and streaming apps. These applications allow our users to view our shows right from their iPhone (or other approved device). They also allow us to stream live video right from our cellphones. You have seen many cellphone-captured videos on YouTube, but I promise you, you have not seen a lot of live footage being broadcasted from a mobile phone. I use my mobile phone to broadcast sparingly because the quality isn't there yet, but it's improving daily.



To Do

How to Start Using Apps to Enhance Your Web 3.0 Marketing Activities:

Step 1: *Brainstorm.*

We like to take a different approach to apps. Instead of first looking at what's out there, we brainstorm on which apps we would like to see and what those apps would do. For example, when we first did this for Twitter, we wrote down more than 40 things we wanted the app to do. Most of the things on that list came back to "*easier management of tweets.*"

Step 2: *Search.*

Use my best friend, Google, to find out whether there is an app that meets the criteria you just compiled. More times than not, such an app will already exist.

Step 2.5: *Be innovative.*

If no app is available, keep reading and possibly consider building your own app. There are plenty of developers you can hire. Utilize sites like www.Guru.com, www.Elance.com, and www.craigslist.org. There are thousands of developers at your fingertips.

Step 3: *Reevaluate.*

Make sure that the apps you are installing aid in one (or more) of the criteria we talked about:

- Increase the relationship-building among your prospects/clients.
- Aid in the experience your prospects/clients receive.
- Make communication easier and more effective.
- Help with the "fun factor" in your marketing.

Step 4: *Follow the instructions and install the app.*

Typically, you simply need to be logged in to the particular site, push a button to install the app, and then turn it on or make it live.

Step 5: *Don't get app-crazy.*

Don't install hundreds of apps on your various marketing sites so that all that your prospects and customers see are apps. Make sure your core information is available and easily visible. Limit the apps you use across the different sites to about five to ten, max, per site.

Step 6: *Gather feedback.*

Survey your network to see how users like the apps you are using and whether they have any recommendations. You would be surprised by how few businesses actually use surveys to aid in their marketing. It's a very powerful tool.

Step 7: *Keep an eye out for the bigger and better.*

Keep up-to-date with what new apps become available. I like to use Google Alerts to easily accomplish this task. For example, set a Google Alert for the phrase "twitter apps," and let the Alert tell you when new apps have been developed. Installing and using apps, as you will see, is very straightforward. Just remember that your main purpose is serving your prospects and consumers. If you can't identify a direct benefit to your users, skip it.

How to Create Your Own App

The last key area of Web apps is creating your own applications for marketing uses or to simply sell or give away.

We've done a lot of custom programming and have built out some fun applications for our marketing uses, but we have found that when we have given away apps free, the

response was much greater. I mean, let's face it—who doesn't love free stuff?

The key with giving away Web apps is to make the app something of extreme value. The more useful or (if you're taking the other approach) fun it is, the better chance it has of going viral.

Lead Generation and Profit Apps

The main reason people develop apps is to make money from selling them, or they use them as lead generators. For example, a free application that helps entrepreneurs market on Facebook would be a great way to generate a solid list of tech-savvy entrepreneurs.

Some applications we have built in the past include the following:

- Custom applications for aiding in customer service
- Apps for Facebook pages
- A few MySpace apps
- An application for the iPhone
- Several apps to help in lead generation
- WordPress plug-ins/apps

Here are some other ideas of applications you could develop for internal or external uses:

- Expense tracking
- General productivity
- Party planning
- Event management
- Games (people love to be entertained)
- E-mail management

- Music
- Shopping
- Video (streaming or static)
- Mobile

The way we approach application development is as follows:

- We have a 50-minute strategy session in which we're just throwing out ideas. (No idea is bad.)
- We think of apps we would use (or want to play with).
- We check to see whether there is anything similar.
- If we find nothing extremely similar, we build out the app.

And that's it. That is our process for deciding which applications to roll with.



To Do

How to Create Your Own Apps:

Step 1: *Think about it.*

Figure out what you want the app to do, in terms of functionality. Then develop a mind map or a scope.

Step 2: *Decide whether you want to give away the app or sell it.*

Step 3: *Hire a solid developer to build out the app.*

For iPhone apps, we recommend that you check out www.myappcreator.com. You can develop a web app very quickly and deploy it even quicker! They have created apps for celebrities, speakers, authors, and many large brands.

For WordPress plug-ins, check out www.marketinginthemomentbook.com.

Most developers charge between \$50 and \$250 per hour for their services. If possible, I encourage you to get a flat rate for the app you would like developed. More often than not, you will end up saving money versus an hourly arrangement.

Check out www.Elance.com, www.Guru.com, www.RentACoder.com, and www.craigslist.org for a variety of additional developers.

Step 4: *Set up the lead-capture page to sell or give away the application.*

This step applies more to the giveaway of a free application. If you're going to give something away, you have the right to ask for something in return. In this case, ask for the following information:

- Name
- E-mail address
- Mobile-phone number (remember, *mobile*, not general phone)
- Web site (if applicable)
- A free field for something like comments or how consumers are going to use the app

Step 5: *Price accordingly (if you're selling).*

Keep in mind that a lower-priced product is also a great way to get people familiar with your business. After you get them to say yes the first time, it's much easier the next time!

Step 6: *Drive traffic to your page.*

Remember, this is not an if-you-build-it-they-will-come age anymore. Leverage the Web 3.0 tactics you are learning in this book to drive traffic to your application. If you are driving a lot of traffic to the page but you're still seeing minimal results, take another look at the

application that was developed. Is it useful to your target market? Does it have a viral factor to it? Don't just develop applications to give away for the sake of developing applications. If they have solid value to them, you're going to get some downloads and usability.

Step 7: *Create more applications as you see fit.*

What's the best way to figure out which applications to develop next? Do a survey! Use a tool like www.SurveyMonkey.com to survey your audience to see what they would like to see next.

As shown, you have various ways to look at leveraging Web apps in your marketing and in your business. With new social sites, forums, and virtual reality worlds popping up daily, businesses and programmers alike will continue to look at what different apps they can develop. Try out a few of the applications and you will be hooked on apps for life! After you've realized how beneficial apps are, try your hand at developing a few with the intention of their going viral and serving as lead-generating powerhouses!

8

Open-Source Code: How to Find and Use Others' Hard Work for Maximum Impact

What Is Open-Source Code?

Open-source code is a big part of the Web 3.0 revolution because it fits one of the key driving factors: collaboration. Open-source code is developed by several people (even thousands) working together to make a usable tool or program. Even when it's finished, some of these same people (or others) can and will continue to improve on it for the goodness of all. Using open-source code can help you develop programs, tools, and even Web sites that can be used in your marketing efforts.

Behind every software program you use (for example, Microsoft Office), there is code that tells it how to function and behave. For proprietary reasons, this code is typically patented, copyrighted, trademarked, and locked up tight so that unauthorized people can't mess around with it. Developers, and the businesses for which those developers

are working, don't want someone ripping off their code or taking the code and then making a similar program.

Many programmers and businesses have decided that it is in the common good to write code and then make it available to the public to improve on. I love the analogy of comparing open-source code to a potluck picnic. Everyone gets to bring something and, from the various individual contributions, a full meal is made. The concept is essentially the same. With open-source code, the meat is typically provided by another programmer, and then others are invited to add to it and make it a full, working program that people would want to use. The best part: It's free. As with a potluck, because you brought something with you, there is no cost to you.

With collaboration being the model of choice for many people, open-source code has thrown the software model on its head. The code that's behind the software tool you are running would be visible and free for use. This would be like Microsoft saying, "Hey, we know you love Microsoft Outlook, so here's the code; use the program and code for free. In fact, feel free to improve on it, make it better, and, while you're at it, sell your new software for a profit."

Using Open-Source Code

Open-source code is gaining so much popularity for many reasons:

- Software sales are drastically down. Consumers and businesses are looking to the Web for more Web-based solutions rather than buying CDs and programs that will need to be updated often.
- Using open-source code can save you money. As this book is being written, the U.S. unemployment rate is nearly 10%, and we're in one of the worst recessions we have seen in decades. Using open-source code can be very cost-effective.

- Open-source code offers the benefit of a wide diversity of collaborators who are working independently, often throughout the world, unburdened by corporate politics. The spirit of volunteerism and independent creativity fosters maverick innovation that can often lead to a stronger, more useful product.
- Collaboration is the new model. As you will learn in the next chapter, collaboration is critical for success. You cannot live in a box thinking you know everything!

There are, however, a few key disadvantages to open-source code:

- It can be costly to maintain the platform for others to collaborate on. Someone needs to maintain the server, the bandwidth, and the technology that others are collaborating on. Because open-source code is typically given away, you could be spending money and going through a lot of trouble without directly benefiting from the results.
- Quality control is nonexistent. Although it is great to have many people contributing their coding and creativity, their skill levels may not be up to the quality you might expect from the big-name companies.
- As with cooking, everyone has their own style of coding. This, in my opinion, is the biggest downfall to open-source code. One person's coding style can be drastically different from the way another codes. You end up getting a final product that may have all different types of code when it could have been a bit simpler.
- You would get minimal support, if any.



To Do

How to Leverage Open-Source Code:

In this case, we're talking only about how to use others' code for your business or personal use, rather than from a programming standpoint of collaborating on the code while it's in development.

Step 1: *Find what you're looking for.*

What type of software are you looking for? Chances are that whatever you are looking for has some type of open-source code software out there. Go to www.Google.com and type in *Open Source* and then whatever software you're looking for—for example, *open source content-management system*.

Step 1.5: *See whether there is some raw code instead of an out-of-the-box solution.*

Here are some sites to get the code from:

- www.Koders.com
- www.SourceForge.net
- www.CodeBeach.com
- www.Planet-Source-Code.com

Step 2: *Evaluate the open-source programs out there before selecting one.*

As with physical software, there are typically many alternatives that accomplish the same thing. Do your research, and read the message boards, forums, and so on to choose the best software to manipulate.

Step 3: *Get it going.*

Start using the software as is or hire a programmer to manipulate the code. Typically you are going to want to hire a programmer to help with the coding aspect to make the software even better and to suit your needs.

Also bear in mind that many open-source programs can be used with no manipulation.

Here are some of my current favorite open-source software tools:

- **Firefox:** The browser of choice for most.
- **OpenOffice.org:** Don't want to give Microsoft any more money? Leverage OpenOffice.org and their suite of tools.
- **Joomla:** Among the best content-management systems available today.
- **Drupal:** This is another content-management system. Many programmers have been using Drupal to configure their entire Web sites and shopping carts.
- **WordPress:** This is the blogging platform of choice. We have developed more than 15,000 WordPress blogs and sites to date. We are also using a software tool called WishList Member to design WordPress member sites. There are hundreds of people all over the world constantly working on and making WordPress better and better.
- **PortableApps:** Plain and simple, this tool aims to make all your apps portable on a USB drive. You can carry all your favorite programs on a small device and use them on any computer!
- **MediaWiki:** Originally developed by Wikipedia, it allows for easy collaboration.

Step 4: *Make available the code adjustments you hired the programmer to make.*

Because the open-source movement is all about collaboration, why not give back? Post the coding adjustments (as long as they are not proprietary) to the open-source community so that others can build on the changes you had made.



Tas Tip

If you drastically improve an open-source-code software tool and pay a programmer considerable money to do so, you will want to look at rebranding and selling it. Before doing so, learn about the rules and regulations of the open-source code you are using. This is a great way to make some extra money and pay for your development costs!

That's it. Using open-source code is actually quite easy. With the growing number of people looking to use open-source code rather than purchasing traditional software, chances are you will find some type of open-source software tool already out there in cyberspace to leverage and/or improve on your needs!

9

Collaboration: Connecting and Sharing Data at Lightning-Speed Paces

Everyone wants things quicker than the day before. Taz Solutions, Inc., is actually the fourth company I have started and grown. After experiencing issues in the other three, I knew that I had to learn everything I could about different systems that could help a business run more effectively. After much research and chats with different people using these various systems, I realized that Web-based systems were the way to go. I came to this conclusion from two paths: The first was that I found from speaking with others that it's much cheaper in the long run to use Web-based systems. The second was that I wanted to hire and work with people throughout the world. I wasn't going to maintain some massive server in my home office for everyone. I'd rather have the systems I purchased cover that cost.

This chapter is to help you improve (or establish) your Web 3.0 marketing systems.

Collaboration is critical for success in today's marketplace. There are many businesses that are being run by one person, but chances are that even that one person has a team

of vendors or contractors who are helping with business functions such as marketing, fulfillment, accounting, and general administrative support. Even the Fortune 500 companies use independent contractors or consultants and, more often than not, the contractors work off the business's premises. This poses a data-sharing issue as well as a potential delay in getting and sharing the information. With Web 3.0, every day—every hour—counts in terms of your competitiveness and performance.

Web-based applications can help you effectively manage all of your team members (internal and external), as well as increase your speed to market.

There are hundreds of ways teams can collaborate, but I've zeroed in on the most important, the ones that will make the biggest difference to your speed and competitive edge:

- Chatting
- Sharing docs, files, audios, videos
- Project management
- Analytics
- Shopping-cart system
- E-mail management
- Customer relationship management
- Teleconferences/webinars

Keep in mind that the software tools I will be recommending have been or are being used by my companies or our clients. I will never recommend something I cannot deem as useful, affordable, and a tool you will see a solid ROI from. Since there are more than 15 tools I'm recommending, I'm not going to give you a traditional how-to, step-by-step, as I have previously. Rather, I'm providing some specifics you should be aware of.

Google Apps

Google Apps is a collection of tools designed and hosted by Google. Google Apps started off with Google Mail and has expanded drastically from there. For \$50 a year (at this writing), you get the following:

- E-mail accounts
- Calendars
- Google Docs (docs, spreadsheets, forms, and presentations)
- Chatting capabilities (voice and text)
- Mini portal sites
- Contact management
- Customizable home page (iGoogle)
- Translation
- Picasa (photo sharing)
- And much more (check out www.google.com/apps)



To Do

How to Implement Google Apps into Your Company:

Step 1: *Sign up.*

Go to www.google.com/a and sign up for Google Apps.

Step 2: *Verify.*

Follow the technical details on how to verify your domain name. Typically, it simply means posting a page on your site to prove you have ownership.

Step 3: *Configure.*

Configure your e-mail. This will involve changing your MX records wherever your Web site is hosted. This tells your hosting company that Google is now hosting your e-mail. Your e-mail will be *example@yourdomain.com*.

Step 4: Create.

Create your different user accounts for all your employees and “virtual employees.” Keep in mind that there is a small fee, so don’t get crazy, but also don’t skimp!

Step 5: Personalize.

Set up your e-mail settings, under the Settings tab, when logged in to Google Apps.

- Set up a signature.
- Link it with Microsoft Outlook or other mail clients, if applicable.
- Set up filters. Instead of using traditional folders, Google Mail uses something called filters. This allows you to direct any mail that comes from janedoe@janedoe.com to a filter called Jane Doe.
- Color-code things to your liking for easier access.

Step 6: Schedule.

After you have your e-mail set up, move to your calendar. If you’re a Microsoft Exchange user, this will save you money. Have your employees use their Google calendars and share accordingly. Depending on your structure, some people should be able to help manage your calendar, with others having only viewing privileges. This, too, can sync with your BlackBerry and Microsoft Outlook.

Step 7: Centralize.

Get everyone using Google Docs. I love the mail and calendar apps, but I adore Google Docs! Here, you can create, edit, and manage the following:

- Documents (like Microsoft Word documents).
- Spreadsheets (like Microsoft Excel documents).
- Presentations (like Microsoft PowerPoint documents).

- Forms. Any type of paper document that you need someone to fill out can be designed in here and submitted virtually!

What is awesome about Google Docs is that multiple people can be viewing a document, form, spreadsheet, or presentation at the same time and making changes with each other live. This solves the issue of some people not having the most up-to-date version of a particular document.

These are some uses (there are thousands):

- Collaborating on your marketing calendar
- Pulling in analytical reports
- Sharing company documents, like your handbook and policies
- Keeping track of usernames and passwords with spreadsheets
- Managing personal or business finances
- Keeping résumés in one place
- Requesting vacation time off, using a Google form

Make sure that, after creating the file, you click on the Share Files link. Invite people who will view the document and those who should be able to make changes to it.

Step 8: *Link.*

Set up mini portal sites. You can set up unlimited mini portal sites and share them with the appropriate persons. We have used these for managing different projects. These portal sites then allow you to link to the various other Google Apps.



Case Study

We recently launched a new version of our Web site. As you are well aware, there are many moving parts to a Web site launch. Because we are Google Apps fanatics, we launched a mini portal site devoted to the redesign of our Web site. We invited the seven people who were involved in the design process.

On the portal site, we had the following:

- A calendar that everyone could see and manage with all the critical dates, meetings, and deadlines.
- Google forms to be filled out daily, reporting on progress.
- A Microsoft Excel file with all the links to the different pages that would be on the site.
- A presentation on the vision of the site that everyone could come back and watch to make sure that the build out was in line with the blueprint.
- Fifty-plus Google documents with all the new Web site content, shared with our copywriters.
- A countdown tool showing how many days we had left until the launch date.

It was wonderful to have one central place to have all of this information to collaborate.

The Takeaways:

- This tool saved us time and money from having to conduct dozens of unnecessary phone calls and long e-mail exchanges.
- Everything was virtual, so we could access it from anywhere (including from my BlackBerry on the beach)!

- We launched the site three weeks ahead of schedule.

Step 9: Leverage.

Leverage some of the many other Google Apps:

- Mobile: Get your apps right on your phone.
- Google short URLs (like www.tinyurl.com). Make the URL much easier to remember.
- Google Web sites: Publish simple Web sites with ease.
- Contacts: A great contact-management system to keep your contacts information stored and updated virtually.

Step 10: Follow up.

Collaboration is only as good as the collaborators using the tools available to them. So make sure your team is using their collaboration tools to their fullest extent. You can't have some people sending docs through e-mail, others through Google Docs, some on Google's mail system, and others on something else. Your goal is 100% adoption.



Tas Tip

Without full user adoption implementing new systems will not be of service to you. Understand that in the beginning, adoption may take some time to get everyone fully utilizing the new tools and systems, but in the long run, everyone has got to be on the same page.

How You Can Leverage Collaboration Tools

Collaboration Tool 1: Chatting

You need to be able to communicate with your team quickly and effectively. With the costs of travel rising, chatting with video has become more popular. Rather than purchasing expensive hardware, leverage one of the many free or low-cost tools. Most newer computers already have built-in functionality to make chatting much easier than before.

Picking one tool and using it exclusively is a much better strategy than using various chatting platforms. I also recommend using video whenever possible. Since I have a large virtual company and rarely see people face to face more than once a year, it's nice to see their smiling faces on webcam from time to time!

Tools to Use:

- **Gmail chat:** You can chat with text, audio, and now also video.
- **www.Skype.com:** We replaced our VOIP-phone systems with Skype for a \$18,000 annual savings. All of our employees, contractors, and vendors are required to use Skype to chat with us. We use text chat for quick questions, voice for conference calls and meetings, and video when conducting one-on-one meetings. We also have started using one of Skype's newest features, screen sharing, making it an even greater all-in-one solution. This allows you to view someone else's desktop in real time. Watch out, www.WebEx.com and www.GoToMeeting.com!
- **www.ooVoo.com:** This application allows you to chat over the Web with text, voice, and video. The advantage of ooVoo is that you can see multiple people's webcams as opposed to only one.

Collaboration Tool 2: Sharing Docs, Audios, Videos, and Files

Because the chances of you and everyone else being on the same network are slim to none, you need to have a central place and Web systems in place to share and work on together with ease.

Digital storage and file sharing is critical. You need to keep backups on hard drives, as well as in digital locations. With file sharing, it's great to be able to work with your team on documents at the same time and see who has accessed and downloaded certain files.

Tools to Use:

- **Google Apps:** You can share and work on documents, spreadsheets, and presentations all in one place.
- **www.Box.net:** I use this tool for two things. First, I have an account where I back up my hard drive daily. Second, we have a company account. If clients want to send us large files (like audio or video), we ask them to upload the files to Box.net and then share them with us. There is a free version of Box.net as well as a paid one allowing you more storage and faster uploads.

Collaboration Tool 3: Project Management

There are a lot of moving pieces to Web site design, marketing, product creation, and beyond. Tracking all the different pieces can be a nightmare because there are typically different people working on different parts at different times.

More important, there are always different things that need to be finished before you can move onto something else.

This is like the game Jenga. If you pull out pieces here and there, the whole tower will come crashing down. Much as with chatting collaboration, you can't leverage multiple project-management tools. It doesn't make sense to have different pieces in different locations.

Tools to Use:

- **Google Apps and Sites:** The earlier case study details how we used Google Sites to manage the launch of our new and improved Web site. It's very easy to use. The only drawback is the inability to set clear tasks with follow-up actions.
- **Basecamp:** You can find this product at the Web site www.37signals.com. It is a project-management system that is very boiled down and easy to use. We use it in our organization to track all of our design projects.
- **www.AtTask.com:** Similar in nature to Basecamp, AtTask allows you to manage multiple projects, tasks, and workflow modules. The tool is relatively straightforward and is also being used by a lot of top companies.

Collaboration Tool 4: Analytics

What you don't track, you can't measure. If you don't know where your traffic is coming from, you are losing out on very valuable data that will allow you to make strategic decisions much more quickly.

With analytics, you need to track everything as thoroughly as possible. Every page on your Web site should have a tracking code installed, and each and every promotion you do should have the capability to be tracked. For example, if you are running a mobile-marketing campaign, set up a unique landing page and install analytics on that page. Use that landing page for only that promotion to get the most accurate information.

Tools to Use:

- **Google Analytics:** This tool will blow your mind when you adopt it! There are 250-page books written on how to use Google Analytics to improve your decision-making abilities by tracking everything related to your Web site.

- **Google Webmaster Tools:** This allows you to really see how Google views and crawls/indexes your Web site. It also allows you to diagnose various site problems, learn more about the different links coming to and from your site, and even add a sitemap.



To Do

How to Use Google Analytics:

Step 1: *Install.*

Install the tracking code on your site. Make sure that the code is installed on every page on your site.

Step 2: *Wait.*

Wait a solid seven days before starting to look at trends. It takes some time for the data to start pulling.

Step 3: *Implement.*

Use the various tools to analyze and understand the data:

- **Unique Visitors:** This is the number of people who visit your site, excluding duplicates. For instance, if someone visits your site 100 times in the same day, it will not be counted more than once.
- **Page Views:** Page views represent the number of total pages viewed across your site. For instance, say you have ten visitors and 100 page views. This would mean that, among those ten people, 100 pages across your site were viewed, with an average of ten page views per visitor.
- **Bounce Rate:** This is the percentage of people who visit only one page, or exit on the page they came into. We typically consider the bounce rate as people who are not interested in what we have to offer because they didn't explore other pages the site offers.

- **Average Time on Site:** Care to know how long the average person stays on your site? This will give you that data!
- **New vs. Returning:** Seeing how many people are new to your site for the first time gives you some great information. I use this to make sure that I'm attracting new people, as well as returning visitors to my blog to read the content.
- **Traffic Sources:** This is, in my opinion, the most critical area to analyze. Traffic sources show you all the places you're getting Web traffic from. This will confirm whether the marketing tactics you're using are actually driving traffic. For example, if you spent five hours on Ustream.TV, did that actually produce some traffic?

Step 4: *Enhance your understanding of who your visitors are and what they want.*

More advanced tools will give you even deeper understanding of the people who are coming to your site:

- **Site Overlay:** This tool will show you the different places where people are clicking or taking action on your site. This data has caused us to do multiple redesigns to many sites. You can quickly see whether people are clicking on your opt-in, for example, or a different part of your site. If they are not taking the actions you are hoping they take, see where they are clicking and move your site around to accommodate.
- **Map Overlay:** This will show you all the different countries people are from who are visiting your site.
- **Content:** It's very powerful to see what pages attract visitors and where they typically exit. With this knowledge, you will see whether you need to beef up the content to keep your visitors longer—or entice them to return.

- **IP Banning:** To get an ever better estimate of your traffic, you can tell Google Analytics which computers to not include in your statistics (typically yours and your Web team's).
- **Goals:** Put in your conversion goals and track your progress of the number of people who purchase.
- **Event Tracking:** Track all the different traffic for a particular time-sensitive promotion.
- **Custom Reporting:** Design a report that makes the most sense for your business—for example, unique visitors week over week.
- **Browser Capability:** This will show which browsers, operating systems, and screen sizes are being used to view your site. If you know your site doesn't work well with Macs, yet 20% of your visitors are Mac users, you have some adjustments to make!

Step 5: *Make changes.*

Make changes to your Web site and your marketing in relation to the data. You will quickly be able to see which marketing strategy is working.



Case Study

Discount Tire provides people with various options and pricing for tires and wheels, either at retail locations or for purchase on the Internet. Discount Tire is the largest independent tire dealer in the nation, with 600 stores selling only tires and wheels.

Discount Tire implemented Google Analytics across its sites. Although many of the departments leveraged and made great use of this data, I'd like to focus on their marketing department in this example. The marketing department stated using the summary screens at their

executive meetings. The data showed simple conclusions: the return on investment based on the data was overwhelming. This led the management team to allocate much more funds to Web marketing.

The Result: Discount Tire increased sales 14% the first week by using Google Analytics.

Collaboration Tool 5: Shopping Cart

How can you take orders without a shopping-cart system? Go with something that is Web-based so that you constantly have the latest and greatest version without paying for costly upgrades. If you have some complex customizations, you will need to take this fact into consideration. Many of the Web-based-only solutions will not be able to accommodate hundreds of custom fields.

Tools to Use:

- **www.Amazingshoppingcart.com:** An all-in-one solution like this is the best route to take. With www.Amazingshoppingcart.com, your cart, e-mail database, and affiliates are all managed through its portal.
- **www.ClickBank.com:** It is one of the leaders in making digital-product selling and delivery a breeze. What rocks about ClickBank is that it handles the payment gateway, delivery, and the service end for you. You will pay a premium for this service, but it will save you money in the long run because you won't have to pay for an accountant to handle payments or a customer service representative. ClickBank will also handle your affiliates and cut them checks directly!
- **www.Infusionsoft.com:** Infusionsoft is an all-in-one solution similar to www.Amazingshoppingcart.com.

I recommend that if you're starting out, you start with www.Amazingshoppingcart.com. If you are already generating sales, Infusionsoft is a great tool to evaluate. It is a great solution for e-commerce businesses because it also has customer-relationship-management features built in.

Collaboration Tool 6: E-Mail Marketing

We live in an e-mail-driven world. E-mail is among the simplest ways to get content to people quickly.

Keep your e-mails simple, short, to the point, filled with great content and a solid, clear call to action. Understanding that many people will be reading your e-mails on a mobile device is the key here. You don't want to clutter up your e-mails with designs, forms, templates, and logos.

Lastly, it's all about the e-mail subject. Because everyone is busier than ever, they also scan and delete e-mails quickly. If your subject is not compelling, forget it! Spend 75% of your time working on the e-mail subject and 25% on the content in the actual e-mail.

Tools to Use:

- **www.Amazingshoppingcart.com:** If you take our advice and leverage this all-in-one solution, your e-mail marketing is included, allowing you to send full-blown HTML e-mails and templates along with tracking features.



Tas Tip

Get yourself on a dedicated IP with www.Amazingshoppingcart.com to drastically increase your deliverability rate! This allows your e-mail blasts to come from a server other than everyone else's. So you don't get "penalized" when others send spam e-mails.

- **www.AWeber.com:** This is considered the gold standard by many Internet marketers. Its system is easy to use and has great results.
- **www.iContact.com:** It is a solid company that really understands e-mail marketing. What I really like about iContact is that they also train you about the ins and outs of e-mail marketing (education-based marketing).
- **www.VerticalResponse.com:** If you're using Salesforce.com and need to blast your entire database, this is the tool to use. They also have a standalone solution, but I much prefer the solutions mentioned previously over VerticalResponse.
- **www.Infusionsoft.com:** Many firms are making a switch over their solution because of the advanced e-mail segmenting. You can drill down to very specific details to provide for a much more targeted e-mail campaign.



Case Study

Big Peach Running Company is an Atlanta-based retailer that specializes in footwear, apparel, and accessories for the community's runners and walkers. The company differentiates itself from other impersonal large sporting-goods stores and mall-based locations by catering to those participating in a "pedestrian active lifestyle." They focus on providing the proper footwear fitted to the individual's needs based on biomechanics, foot characteristics, fit, feel, and ride.

Big Peach uses newsletters to reach out and inform the community on events, races, walks, and clinics. The problem facing Big Peach was that whenever they launched a newsletter, their Web site's hosting company's server would get locked up for five to six hours at a time. Their database of 35,000 people was just too large.

The solution was iContact, which allowed Big Peach to easily create permission-based e-mail newsletters for their large community of runners and walkers.

The Results:

- Big Peach now is able to keep track of newsletter stats, such as the number of people opening the newsletters, resulting in more effective marketing.
- The cost of the iContact fee is less than their original Web host company's fee, so Big Peach is saving money while improving their community outreach.
- Although Big Peach does not directly sell products through their newsletter, they are seeing incremental sales increases by utilizing this informative tool. By informing the community, they are gaining interest in their product.

Collaboration Tool 7: Customer Relationship Management

Customer relationship management, or CRM, is one of the fastest-growing customer-service trends today. Because it is becoming increasingly difficult to acquire new customers, you'd better make sure you are servicing your current ones and tending to any fresh leads appropriately!

Use the tool to manage leads, opportunities, customers, and other important company information. The key to successful customer relationship management is having all the necessary data, files, and activity in a central place. For example, Matthew Ferry International uses Salesforce.com to track the different events its customers have attended and what products they have purchased, along with hundreds of other lines of information like address, birthday, spouse's name, and beyond. They use this information to help their sales

team close more businesses and to effectively stay in touch with their clients and prospects. It's become their main command center for the business.

Here are a few insights into choosing a CRM solution that best fits you and your business:

- Whichever tool you use, make sure that it is Web-based.
- One hundred percent user adoption is critical. Anyone who has a touch point with a prospect or customer has to be using the tool and entering data on a regular basis. If one person in a department doesn't adopt the solution, you're going to be missing out on valuable data and will not have a full view of all customer activity.

Tools to Use:

- www.Salesforce.com
- www.Infusionsoft.com
- www.SugarCRM.com

In this case, I'm featuring Salesforce.com because it's the tool we use along with the vast majority of our clients. I encourage you to check out all the different CRM solutions before making a decision on the one you want to use.

What really surprises me is the fact that very few businesses actually use any type of CRM solution. Many businesses track leads and customers in Outlook, Excel, Word, or even on paper. These tools are not meant for customer management. You really need to have a solid CRM solution to help you grow your business or you're going to have data all over the place and the need to play catch-up when your business takes off. I'm a big proponent of putting systems in place that are scalable.

Salesforce.com is a total CRM solution. It is the leader in this space and has been, in my opinion, from Day One. The big

difference between Salesforce.com and many of the other CRM solutions is that it is 100% Web-based. This means that there is absolutely no software to purchase, and you can be up and running in minutes. The other big advantage is the cost savings in going with a Web-based solution. Your IT management costs with Salesforce.com are very minimal because it's all maintained by Salesforce.com. Rather, if you're using a software-based product, your IT department is going to have to maintain the software on its servers, and you're going to have additional hard costs related to that software.

My favorite thing about CRM and Salesforce.com, in particular, is that everything can be housed in one place: all your leads, customers, contracts, documents, employee information, financial information, and beyond. If you add in all the different apps in the app exchange, there is a limitless amount of potential for all the different things you can do. I've known clients and customers who use Salesforce.com to essentially run their entire business. As I mentioned previously, between this tool and Google Apps, we pretty much run our entire virtual company.



To Do

How to Use Salesforce.com:

Step 1: *Sign up.*

Go to www.Salesforce.com and sign up for the professional version. There are other versions, but the professional or enterprise editions are the way to go.

Currently, the professional edition is \$65 per user per month.

Step 2: *Make a list.*

Make a list of all the different in-house activities that you want to use and track in Salesforce.com—for example, your leads, contracts, employees, e-mails, and

pipeline. This becomes your wish list. Keep things prioritized, and star the items that are critical. Put the starred items at the top of the list so that you will work your way down your priorities at the next step.

Step 3: *Customize.*

Using this list, you can see all the customizations you will need to make in order for the solution to fit your company.

Keep in mind that you can even start using Salesforce.com right out of the box. If you're a smaller company, I recommend you start using Salesforce.com as is before doing a lot of massive upgrades.

Step 4: *Specialize.*

If you require a lot of additional customization, hire a certified Salesforce.com specialist. Various people know Salesforce.com well. You want someone who not only is a very good programmer, but also understands processes and business flow so that they can make sure your solution suits your current needs and anticipates what additional changes you may have as you grow.

Step 5: *Train.*

Train your users on how to use the system.

Step 6: *Adopt.*

For any CRM solution to be effective, you must have 100% adoption.

Step 7: *Add apps.*

As your business continues to expand, consider adding different apps to your solution. Visit Salesforce.com to see all the apps they have available. Install an app or two at a time, train your users on how to use the new app, and make sure that it fits your business.

Some of my favorite apps include the following:

- **Google Integration:** This allows for documents to be linked in Salesforce.com along with outbound and inbound e-mails.
- **VerticalResponse:** This is a tool for e-mail marketing. It allows you to send highly customized e-mails that are also tracked in Salesforce.com. When looking at your contacts, you can segment out who viewed, deleted, opened, and clicked on the e-mail.
- **Genius:** This app tracks open rates of e-mails to see how many people are reading them. With Genius, you have a little box up on your computer screen. The box tells you if anyone is viewing your e-mail live.
- **Hoover's:** This gives us the competitive intelligence we're looking for. Hoover's provides information as to the size of the company, key decision makers, recent news, and beyond. I like to be armed with as much information as possible before talking to a prospect.

How we use Salesforce.com:

- Every lead, referral, and prospect is entered and tracked here.
- After we determine that a lead has revenue potential, we convert it into an opportunity. We forecast based on opportunities: expected close date, expected close percentage, and the dollar value.
- All customers and data are housed in Salesforce.com. Every e-mail and greeting card sent, every phone call placed, and other activities are entered here. Anything that relates to our customers is tracked.

- All employees are tracked in Salesforce.com, including contracts, pictures, personal information, wages, job description, and the like.
 - Our live events are managed with the event plug-in designed by Salesforce.com.
-



Case Study

Segway sells a product that allows you to get around more efficiently while staying green. I'm sure you have seen a tour guide on a Segway, people cruising around New York City, or even police officers using the devices.

Segway's original challenge was to find a solution that integrated all the various individuals and businesses that would need information throughout the world. They also wanted to bring sales and marketing together. So they decided to roll out a Salesforce.com integration. Their integration included materials and tools for sales, marketing, and a partner management system.

The Results:

- Their dealers, partners, and corporate users now have all the information they need at their fingertips.
 - On the sales front, the sales team has the visibility it was missing; it can finally see the entire sales channel to increase sales.
 - Marketing finally is able to understand what people want by having much better insight. They are able to see which marketing dollars are actually working. In addition, their marketing reps now approve sales leads and assign them to the best dealer possible. The entire process from start to finish can now be tracked!
-

Collaboration Tool 8: Teleconferences and Webinars

We use teleconferences and webinars to collaborate with each other, our prospects, and our clients. In terms of effectiveness when trying to close business, we prefer to use a webinar because it allows us to give visuals, making things easier to understand. When we're delivering presentations to the masses, we tend to just use audio and conduct these in the evening, when most people will have finished eating. We use audio for these larger groups because a lot of people will be multitasking or listening on a mobile phone while driving. If we need to make a key point using visuals, those people are going to miss the boat completely.

Tools to Use:

- **www.GoToWebinar.com:** GoToWebinar allows you to have a phone bridge of up to 1,000 people and share your screen or presentation. We use this tool when we're conducting educational presentations to both prospects and our virtual team.
- **Adobe Connect:** This tool has a very clean-cut platform that's easy to use. Adobe Connect is starting to pick up some steam in the Web-conferencing arena.
- **www.WebEx.com:** This tool is Cisco's product. It competes directly with GoToMeeting and GoToWebinar.
- **www.Dimdim.com:** Why pay for Web conferencing? www.Dimdim.com is 100% free.
- **www.FreeConferencing.com:** A 1,000-line phone bridge for free! I'm sure this will change, but it will be very low cost. I use this tool almost daily.
- **www.ooVoo.com:** This tool allows you to host a conference call and see multiple webcams at the same time. We use it to chat with our customers as well as prospects.

On-Demand/Software as a Service

Now that you know all the different tools that you can use to speed up your marketing and communication across the board, your next opportunity is to figure out how to put all this information to your strategic benefit.

If you review all the tools we recommend, there is only one that is not Web-based (Microsoft Office Suite). This didn't happen by accident. We prefer things that are Web-based and available on demand. The mantra in the technology world is *software as a service* (SaaS). This simply means that the provider licenses you the tool to use as a service on demand.

The reason it's being mentioned in this Web 3.0 book is that most companies are still not up to speed on leveraging software as a service platform and Web-based tools to speed up their marketing and collaboration. Many of them are still using clunky systems. Remember the example I talked about in the CRM system about companies using Microsoft Excel to track leads? I love the program, but come on now, you need to get up to speed as quickly as possible because the trends are changing quickly.

Here are the key driving factors:

- Reducing costs (original purchase, IT costs, and lifetime cost of ownership)
- Speed to implementation
- More companies going virtual
- Can be used from anywhere in the world
- Allows for easier collaboration
- Many add-ons that can go along with the solution

Some limitations of the SaaS model are listed here:

- If you can't access the Internet, you won't have access to these services unless an offline version is available.

- Different Internet access speeds could be frustrating when you're working in a team with members all over the country.
- There are security risks. If someone obtains your login/password, he or she may be able to access the information you're able to see. That person will also need to be on your computer or get access to your e-mail to verify before logging in, so there are extra measures in place before anyone can fully breach your account.
- Extensive customizations can get expensive.

Out of all of these benefits and limitations, reducing costs gets the most attention. Your IT costs dramatically decrease when you're using software as a service. Some examples include the following:

- ACT versus Web-based CRM, like www.Salesforce.com
- In-house phone system versus www.Skype.com
- Shopping cart software versus www.Amazingshoppingcart.com

Use the software-as-a-service model to gain speed in your marketing and collaboration with employees, vendors, prospects, and clients. Now is the time to start switching over your systems and planning for the future. The best part: Even if you use only a few of the tools we mentioned, you're going to see an immediate return on your investment. That investment may come in the form of saving you time, money, or energy. Collaboration and the desire for the most up-to-date services to be delivered more quickly will keep this fire fueled for many years to come. My recommendation: Make the switches and don't look back. Trust me, you will be glad you did!

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Web 3.0 Companies

Mike Swier

This chapter is about companies that I consider to be game changers and in a whole different league from the rest. While analyzing Web 3.0 companies, I analyzed more than 100 enterprises across various sectors. I noticed that several shared similar qualities:

- Have unique traits and habits
- Started small and grew rapidly
- Are considered or becoming a household name
- Are using the Web 3.0 marketing tactics profiled
- Are pioneers in their space

Yes, there were other factors I noticed, such as growth rates, employee satisfaction, and size, but these less-tangible qualities were the ones that stuck out to me the most. Armed with a whole slew of intangible information, I have selected four companies that I deem to be innovators and companies exhibiting Web 3.0 business and marketing tactics.

One thing I want to point out is that many small companies are leveraging some of the Web 3.0 marketing tactics I've presented in the book. However, I have yet to find a company (besides my own) that is leveraging *all the tactics* I've

presented. The four companies profiled here are leveraging all the *tools*. Don't be discouraged if you're a smaller business—it's not just large companies who can use Web 3.0 marketing. As I've shown throughout the book, any company, regardless of size, can deploy these methods.

The four companies I selected are Amazon, Zappos, Salesforce.com, and Cisco. Check out their profiles to see why I consider them Web 3.0 companies. These four companies are no exception!

Company: Amazon

Web site: www.Amazon.com

When you think of Amazon, you might think books. Granted, Amazon did start off by selling books, but it soon starting selling pretty much anything you would desire, from CDs to deodorant to kitchen knives and everything in between.

Amazon has the distinction of being America's largest online retailer. Try to top that one, Wal-Mart! It puts the customer first in all respects. Amazon tracks your browsing and buying trends. Armed with that information, it creates a unique customer experience tailored to you! When was the last time you logged on to your favorite Web site and the home page was different each time and, oddly enough, packed with only things you might be interested in?

Keeping the customers first has drastically fueled its growth. What's great about this company is that it is run by innovators who are constantly trying new ways to improve the customer's experience. They recently launched Amazon S3, included a section for self-publishing books, promoted their famous Kindle device, and even purchased Zappos. I'd say they have diversified themselves quite well as leaders!

Why It's a Web 3.0 Company

Business side:

- **Kindle:** This is Amazon's wireless reading device that allows you to read eBooks on the go as if you were reading an actual book (eliminating eye strain). You can find, buy, and read books instantly with its wireless access. You don't need Internet access to do this.
- **Amazon S3:** This is a highly scalable storage solution based on their proprietary technology.
- **One-click ordering:** I have a love-hate relationship with this. I think it's awesome that with one click of the mouse, I just ordered a product. The downside: It causes me to buy without thinking. Just visiting Amazon now caused me to preorder the next season of *The Office*.
- **User-customized experience:** This is what makes the company among my favorites! When you log in to Amazon, your screen is tailored to your personal buying and browsing habits. Don't like something they are showing you? Take it off instantly!
- **Self-publishing books:** Need to self-publish? Use Amazon's platform to get a book out into the universe!
- **Innovation:** It comes from the bottom. I told you they are innovators, but what Amazon really understands is that innovation doesn't simply come from the top!

Marketing side:

- **Amazon reviews:** This feature encourages user interaction in rating and writing reviews for different products. Amazon was among the first to offer reviews, and since then, reviews have become the norm on e-commerce-based sites.
- **Testing:** Its technology team is constantly tweaking and making things better.

- **Mobile site:** In addition to www.Amazon.com, the company operates a site that can be better viewed from a cellphone browser than can the regular site (a subsidiary of Amazon also owns a mobile marketing firm).
- **Virtual reality worlds:** Amazon has a presence on Second Life and many other VR worlds.

Company: Zappos

Web site: www.Zappos.com

Zappos is an e-commerce site that focuses on shoes, but it has many additional product offerings, from clothing and bags to accessories and sunglasses. It has gained a lot of forward momentum and awareness recently after the company went from zero to \$1 billion in sales in nine years. Not only are people and businesses talking about its sales, but they also are really excited about the company's culture and service. Zappos prides itself on its unique culture and its commitment and dedication to customer service. The company loves doing things that are not considered the norm. For example, there is free shipping, a 365-day return policy, and 24/7 customer service. Furthermore, if they don't have a product in stock, the call-center agent will locate the product on a competitor's site for you!

On a final note, the buzzword around Zappos is happiness! Their vision is delivering happiness to customers, employees, and vendors.

Why It's a Web 3.0 Company

Business side:

- This company is constantly on the leading edge in their marketplace.

- They do things differently! Reread their vision statement. I have never read a vision like that before.
- They aren't afraid to spend money to test things out or on training.
- Customer-service reps are rewarded for spending *more* time on the phone with customers.
- They encourage individuality.

Marketing side:

- At Zappos, testing is the name of the game. They have tested pretty much any and every type of marketing form on the planet to see what works and what doesn't.
- They have had such great marketing success that they have a subscription service, Zappos Insights, that allows you to learn more from them.
- Twitter is being leveraged constantly. They have a massive Twitter following, and employees are encouraged to use Twitter to communicate. Not only do they use it, but they treat their Twitter followers like raving fans and give many Twitter-only specials.
- They use open-source technology rather than proprietary technology to save on IT costs.
- They are rolling out a www.Zappos.com mobile site.
- They maintain an internal Wiki for employees to collaborate on.
- They have developed various mobile Web apps.
- They track *everything*.

Company: Salesforce.com

Web site: www.Salesforce.com

You already know about Salesforce.com because we discussed it in the chapter on collaboration. The company prides itself on two things: applications for customer-relationship management and their Force.com platform. In my opinion, they have also defined and shaped the software as a service industry.

They are best known for their Web-based CRM system that allows you to track and manage prospects, customers, employees, contracts, and beyond. Essentially anything that relates to your company can be stored and developed in Salesforce.com. We use it to manage all of our leads and customers. Using their AppExchange, we have continued to deck out our Salesforce.com experience to make it further suit our business.

Switching gears, they recently released Force.com. Force.com is among the easiest places to build out business applications and even Web sites. It's a simplified programming model in a cloud-based environment. For marketers, this may not mean much. Rephrased in English for the rest of us, it's a place to build open-source types of programs to be leveraged.

Why It's a Web 3.0 Company

Business side:

- Salesforce.com is constantly on the leading edge in the technology marketplace. Attend one of their Dreamforce conferences, and you will be even further blown out of your seat as to where this company is headed! They always announce the latest and greatest changes to the platform, allow for on-the-spot

customization, and host various breakout sessions to help you use their tool. This information is only the tip of the iceberg.

- They understand that the growing model is Web-based, and they view software as a service.
- Collaboration is king. Their users can collaborate with one another, across companies, with the Salesforce.com team of employees, programmers, and developers alike. There is very little closed communication across the company. Free-flowing information and ideas have helped keep this company growing strong.
- The AppExchange has thousands of applications that others have developed for use with their platform.
- They allow developers to run free. They call it enterprise cloud computing. It's built on their Force.com platform. Build an application and share it with the world!
- Salesforce.com can be run on virtually any device. They understood far sooner than most that things were changing.

Marketing side:

- They have been leveraging all the marketing tactics we've talked about in the book, many of them for years. Need I say more?

Company: Cisco

Web site: www.cisco.com

Founded in 1984, Cisco stands as one of the largest multinational tech companies in the world. Its model has revolved around putting customers first and then establishing partnerships with those customers to identify their needs and offer solutions.

In addition, it offers hard products, solutions, software titles, and services to a wide array of customers and partners around the world. Its collaborators understand all the critical elements of everlasting success.

Cisco became the leader in networking and has transformed how people connect, communicate, and collaborate. If you ever hear the phrase “Welcome to the Human Network,” think of Cisco, because they enable everyone to be connected!

Why It’s a Web 3.0 Company

Business side:

- Like all the others, Cisco stays on the leading edge. As we speak, its programmers are building a smart and efficient energy grid.
- It has learned to adapt and capture new markets, called *market transitions*.
- Check out their list of product, service, and software lines—it’s a mile long!
- They have a great partnership model. They know they need partners to succeed. They have thousands of partners and strategic alliances throughout the world.
- It is the worldwide leader in networking. Need I say more?

Marketing side:

- They regularly conduct virtual shows.
- They have a tool called My Cisco because they know engagement has always been a critical success factor. The My Cisco link lets you organize bookmarks, keep track of product and service announcements, support documents, and collaborate with the Cisco team, whether you’re a new visitor or a long-time partner.

- Live video conferences are the norm.
- They use Twitter, forums, blogs, social networks, and beyond.
- Many of their products have virtual stores generating revenue.
- They are a major player in the mobile market.

There you have it: four of the most cutting-edge companies that understand innovation not only from a business sense, but also from a marketing sense. These companies were talking about Web 3.0 and the next wave before most of the competition. Watch their moves, and learn from their marketing. Even though they are huge companies, they still act quite entrepreneurial, so don't be discouraged if you are a small company, thinking, "What could I possibly learn from a billion-dollar business?" The answer: everything. They didn't begin as billion-dollar companies. Like the rest of us, the developers started with next to nothing and built an empire—and you can, too.

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Your Action Plan: Putting It All Together and Taking Action

Now you're armed with all the tools to kick your marketing and business strategies up a notch. The final step is, of course, putting it all together.

What I've noticed after both attending and speaking at hundreds of conferences throughout the world is that people get very excited about the material, but a month or two later will be at the exact same place as they were they heard the new material. Don't let that happen to you.

To set a clear action plan and some goals, you need to know where you currently are (remember the 360-degree review you did in the beginning?), as well as where your competitors are. To do this, I'm going to use the ever-popular SWOT analysis. A SWOT analysis is a strategic approach to looking at the **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats of a project, a business, or something of that nature. It is meant to help you quickly see things in a logical chart so you can plan accordingly. To make things easier to understand, I'm going to use a company I once owned as a case study.



To Do

How to Conduct a SWOT Analysis:

Step 1: *Grab a piece of paper and fold it in half.*

Fold in half again so you have four squares. You can also do this virtually, if you would like.

Step 2: *Label the four squares Strengths, Weaknesses, Opportunities, and Threats.*

Step 3: *List your thoughts and ideas about your marketing in the different columns.*

Make sure you don't leave anything out.

- **Strengths:** Where are things excelling? What are you good at? What's going well?
- **Weaknesses:** Where are things not going so well? What needs work?
- **Opportunities:** In what areas do you see potential growth? What areas should be explored?
- **Threats:** Where are the obstacles you may run into? What are the possible issues and areas to watch out for?

Here are some marketing-specific questions to ask yourself to better complete this activity:

- What Web 2.0 and 3.0 tactics are you using/not using?
- What sites are you on/not on?
- Do you track everything?
- What type of analytical information are you getting back?
- How is the presentation of your materials?
- What feedback did you get from your customer surveys?

- What is the marketplace asking of you?
- How is your Web site?
- What type of interaction takes place in your marketing?
- How are you generating leads?

This list can go on forever. The idea is to ask the tough questions and then get real with the responses. You want a good mix of strengths, weaknesses, opportunities, and threats.



Case Study

Simply Soy, Inc., is a small, family-owned company that focuses on selling higher-end homemade soy candles and gift baskets. They started by selling solely through word of mouth and eventually expanded onto the Web. They quickly realized there were quite a few players on the Web already, and they would need to do things a bit differently to capture some market share. I recommended that they conduct a SWOT analysis before ramping up their Web marketing.

Simply Soy SWOT Analysis of Web Presence

Strengths:

- Pay-per-click going well
- Good reviews and feedback
- SEO is off to a great start
- Solid social networking

Weaknesses:

- Web site needs work; doesn't look professional
- Traffic is low
- Bounce rate is relatively high (not quality traffic)
- Branding

Opportunities:

- Start a blog
- Mobile play
- Additional products can be added
- Holiday themes seem popular

Threats:

- Major competition
- More and more companies popping up
- Many competing companies have much larger marketing budgets
- Economy issues

Using this information, they developed three-month and six-month SMART goals. SMART goals are goals that are **s**pecific, **m**easurable, **a**ttainable, **r**ealistic, and **t**imely. Keep reading as I go into much more detail about SMART goals.

The Result: The first thing Simply Soy accomplished was a total Web site redesign. After the site launched, they added a simple blog. Since mobile was a large opportunity, they released a mini Web site for browsing on a mobile phone.

On the strategy front, they shifted a bit to focus more on busy executives looking for gifts. This is where the mobile site really came in handy because these customers have a much larger likelihood of browsing the site on a mobile device. Using Google Analytics, the company's newly launched Web site went through numerous additional revisions to get the bounce rate (or the number of people who drop off the site very quickly) down to under 16%.

The company has seen a 350% increase in their bottom line year over year! They also released a new line of candles: "recession relief"!

Step 4: *Relax.*

After making a first pass at the strengths, weaknesses, opportunities, and threats, take a day and let the ideas sit.

Step 5: *Try again.*

Give the SWOT analysis one more pass and add any new items you might have come up with during that day of rest.

Step 6: Research the competition.

After you have your SWOT analysis complete, move on to your competitors. Research your top three to five competitors and perform the same SWOT analysis on them.

Obviously, you won't have insider information to know all their analytics and hard data, but there are plenty of free tools out there that will give you some good insight. www.Alexa.com is good for gathering basic analytical statistics for any site. It just takes a bit of investigating and some patience to find things on the Web.

Ask the same questions you asked before, but now about the competition. For example:

- How does their Web site look?
- What Web 2.0 and 3.0 tactics are they using?
- What are their customers or prospects saying?
- What data can be retrieved from sites like www.Alexa.com?

Step 7: *Get an objective perspective.*

Now that you have a SWOT analysis on your company, as well as a few competitors, have an outside party do a SWOT analysis on both your company and your competitors. Your analysis may be slightly skewed if you rely solely on your own judgment, either too critical or not critical enough. Locate your local SCORE chapter and

take your information to them or post the project on a site like www.Guru.com or www.Elance.com for paid freelance help. Do not, however, show them your work. Their information needs to be fresh without any influence.

Step 8: *Set goals.*

Using this information, create your SMART goals for the next three to six months.

Your Action Plan for the Next Three to Six Months and Beyond

It's great to talk strategy and formulate ideas, but it's another thing to implement them. Don't get into analysis paralysis with these marketing ideas; formulate a clear plan of action.

I like to identify SMART goals and then follow up with three to five action items under each. I have been using SMART goals for years and it works best for me because there is little to be interpreted or misunderstood.



To Do

How to Set SMART Goals with Follow-Up Actions:

Step 1: *Make your SMART goals.*

To get you started, set no more than five SMART goals, because each goal is going to be followed up with action steps.

Example of a good SMART goal: Close \$10,000 in new business by December 31.

Example of a poor SMART goal: Generate some new revenue soon.

Again, remember that SMART goals are specific, measurable, attainable, realistic, and timely. Only you will know if the goal is attainable, and the other attributes are easy to identify. Always have a timestamp on your SMART goals. How can you plan without any specific dates?

Step 2: *Make a list.*

Take each SMART goal and list three to five specific action steps that need to be accomplished to move you closer to that goal. What you will notice is that the action steps under each main SMART goal are also SMART goals themselves, in a way. It doesn't help if your SMART goals are great but your action steps aren't clear.

Since I talked about Simply Soy previously, let's use their SMART goals and the action steps needed to achieve each goal.

SMART goal #1: Design a new Web site for under \$10,000 by January 15.

- Interview five design firms by October and hire the one that fits the job the best.
- Make a copy of the current Web site for backup purposes.
- Assign one staff member to a project-manager role to aid the design firm.

SMART goal #2: Launch a fully designed blog by September 15.

- Hire a WordPress expert to design the blog.
- Load content to the blog by September 1.
- Test the blog on different browsers and operating systems to ensure compatibility by September 10.

SMART goal #3: Design and launch a mobile Web site for under \$3,000 by March 30.

- Engage a design and marketing firm that understands mobile by January 30.
- Have the same project manager on our side manage the mobile project to ensure completion on time and on budget.
- Solicit feedback from mobile customers to aid in the design process.

SMART goal #4: Perform SWOT analysis on the current market by September 30.

- Develop and send a customer survey using www.SurveyMonkey.com by September 1.
- Analyze the customer-survey feedback by September 10.
- Perform the SWOT analysis.
- Hopefully see where new markets are present from the previous data.

Step 3: *Revise and adjust your SMART goals, as needed.*

If the timelines or numbers need to change, do so as needed, but make sure you keep things in line with the SMART-goal formula.

Step 4: *Complete the action steps to make sure you hit the goals.*



Tas Tip

This is where 95% of people falter. They set the SMART goals but don't take any action steps to reach these goals. The minute you write down the action steps, make sure you initiate: Put things on your calendar, start soliciting résumés or bids for the different jobs, take action, and you will be ahead of 95% of entrepreneurs

looking to reach the top! The old saying “90% of life is just showing up” needs a huge adjustment. Let’s revise it to “90% of life is not just showing up, but taking clear and consistent action steps after you get there.”

The Areas You Should Start with Immediately

I’ve discussed a lot of Web 3.0 marketing ideas in this book. It’s up to you to pick and choose which ones can be easily adapted to fit your business. To help you, I wanted to identify the three areas you should focus on first. You have only so many hours in the day. Spend those hours on the three things covered next.

Video

I cannot stress video enough. Two years ago, it was fine to have a video camera and post some things from time to time. Today, consumers expect video sales pages, video testimonials, and video walk-ons (where you appear on your site with a welcome message). The companies that do not have video are being seen as inferior and outdated, and it is, quite frankly, costing them sales.

If you have not used video before, start small. Get yourself a Flip camera, and upload a few informational videos on www.YouTube.com. Don’t be surprised or upset if they don’t get 14 million views. Just get into the habit of shooting videos and posting them online.

After you get a bit more comfortable with the camera, post a video to your blog and solicit feedback. Chances are, you’re going to get some great feedback and praise for the information. This will kick you up a notch to full-blown video shooting. Start shifting everything to video: testimonials, blogs, and descriptions. Give your audience lots to watch!

After you have done this (or if you're already an advanced videographer), conduct a video audit. Do you have videos on:

- All your sales pages?
- Your site as product descriptions?
- Your home page?
- Weekly (or daily) video blogs?
- YouTube?

Next, take your video up a notch by adding some walk-in or walk-out music. Either learn to do this editing yourself or hire a video expert. You can really jazz up videos!

Only after you have mastered static videos should you move on to live! Host a trial event on Ustream.TV and then a real one. If you get a bit more daring, keep a regular schedule for these live video events to acquire a consistent following.

Mobile

You read the numbers on cellphone usage, so don't ignore the mobile trend. Get a site that is mobile-friendly as soon as you can. If you're a service-based business, this is going to be relatively easy, because you need only a few pages. If you're product-based, make the site information-based, but also allow for people to purchase some of your more popular products right on the site. The reason I recommend putting only a few products on the mobile site is load time. Your potential buyers will get bored waiting for the site to load and will most likely click off.

After you have a mobile site in place, audit your mobile-marketing efforts. Are you asking for mobile numbers on all your sites, or are you still asking only for e-mail? Start collecting mobile numbers!

Finally, leverage the numbers, host contests, or try out an SMS or MMS campaign. Test the waters with a few different things and see what sticks. Not every mobile campaign will succeed, but I promise you that many will.

Mobile will rule the day in the very near future!

Collaboration Tools

Not only will the tools I presented help your marketing, but they will help your business in general. Go back through the chapter on collaboration and see what tools you can immediately start using. I'm confident that there are at least a few you haven't adopted yet.

Get yourself on Google's platform—and you won't look back! After you have this down, make sure your customer relationship management system is helping your business rather than hurting it. If you don't have a CRM system, get one. (Again, I recommend www.Salesforce.com.)



Tas Tip

Virtual collaboration is the way business is being done today!

If you maintain an office with in-house staff, consider letting them work from home. My entire company is 100% virtual with contractors throughout the world. This one tip has helped save our clients millions of dollars every year. If you take my advice, send even 1% of the money you saved to one of my favorite charities, which you will read about in the next chapter, as a small “thank you.”

Final Thoughts on the Evolution of the Web

The Web is changing constantly. Never stop reading and continuing your education. Stay on top of the current trends so that your business can constantly be ahead of that curve, leaving your competitors in the dust.

Here is how marketing trends will evolve in the near future:

- **Mobile:** More people in developing countries will be carrying mobile phones, with the vast majority carrying smartphones/PDAs.
- **Video:** Both cellphones and residential phones will have video conferencing available. Video quality will continue to improve and get easier for the ordinary person to not only shoot, but edit as well.
- **Blogging:** Blogging will continue to lose traction to microblogging sites and even more so to video, because it's just more entertaining than reading extensive text.
- **Searching:** The Web will continue to become more intelligent. This is all that semantic talk. Search engines will be better able to read your questions and give you better information.
- **Social networking:** Hundreds of thousands of smaller, more private social-networking sites will be popping up, many made by ordinary people with open-source technology.
- **Virtual reality worlds:** People will start getting over the fact that they think it's weird and start adopting it. www.SecondLife.com will become the new Facebook! In addition, virtual shows will continue to grab the market share from the live-event industry.

- **Workplace:** The general workplace structure will continue to get more informal and collaborative. Businesses will start allowing more employees to work from home and take advantage of the various Web-based collaboration tools. Flextime will become the norm, along with smaller teams.
- **The Web in general:** Everything and everyone will continue to move to the Web. Even the small businesses, from laundromats and pet groomers to plumbers and landscapers, will be on the Web. There is just no avoiding it. Businesses that don't adopt the shifts will suffer or close their doors.

The Web is and will continue to be the place to be!

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Conclusion: The Art of Giving Back

You might be wondering, *If this is a book on marketing, why end with a discussion on charity?* Now that I've given you my secrets, I want to ask something of you: Give back just 1% of the revenue this book helps you generate, and 1% of your time to some type of charity or social entrepreneurship cause. We're in a crazy time in the United States right now, like many other areas of the world. The worst thing we can do is scale back on our charitable works when times get tough.

I'll be very blunt with you: My passion is not for doing Internet marketing for others and making them rich. My passion is for enabling and educating others to use my techniques to make themselves rich. I'm able to reach a lot more people that way and change a lot more lives.

When I'm speaking, one of the most frequently asked questions I get is "Why did you become an entrepreneur versus anything else?" To me, there isn't really anything else that compares to being an entrepreneur, so I knew from a young age that it was what I wanted to become; but I've boiled

down this answer to what I call the four *F*s of why I love being an entrepreneur:

Fun: If you're not having fun, change what you're doing. I incorporate some fun into each and every day. You will learn that some of the most successful companies do this same thing. In fact, they foster and encourage it. Take Google, for example: They encourage you to take breaks in the PlayStation lounge, relax in the aquarium room in a massage chair watching the fish swim by, or even hustle to the massage room for a session of destressing with a hands-on masseur. Now that rocks!

Freedom: Running your own company allows you to enjoy much more flexibility than you might normally expect. Don't be surprised if you find yourself working on your patio, on a boat, or even sitting on the beach. With added freedom come choices. How do you want to spend your extra free time? I personally have declared Fridays to be family day. I'm also able to attend various meetings in my community and contribute my time and energy to various charities I endorse throughout the week.

Financial: I know it's tough to be an entrepreneur or even working as a marketing executive at a corporation in the beginning, but if you work intelligently, create your unique selling position, and use some of these marketing tactics, the financial end can become quite lucrative. As a marketer in a corporation, you will be rewarded based on the success of the campaigns you help with or run. Money should not be the only reason you get into this game, but it sure has to be one of them.

Family: One of my all-time favorite books is by Jeffrey Gitomer, titled *Customer Satisfaction Is Worthless, Customer Loyalty Is Priceless*. The biggest takeaway I got from this book was when he said to take a picture of your family eating. Anytime you are on the brink of losing a customer or dealing with a dispute, look at the photo and realize that

you're taking food out of your family's mouths if you handle the situation the wrong way. Yes, this seems very irrational, but think about it—it really is true. The customers are what's putting food on our tables, and we do what we do to love, support, and provide for our families.

One of the best ways I know how to make a difference is through charitable work. Everyone has a different definition of what charity means to him. For some, it's giving their time, for others it's solely money, and for some it's making a difference that will carry on for generations. Participating in any form of charity that feels right to you is what it's all about. To me, personally, it's a combination of everything. For some charities I simply give money, while others get my time and money, and for others I help in many random areas. You personally need to make the choices to give your time and money, not me. My only hope is that as your business grows and provides you more freedom, your giving gets bigger and more frequent!

As entrepreneurship continues to become more and more popular, various charities are popping up. One of the areas in particular is social entrepreneurship. A social entrepreneur recognizes a social problem or an area he or she can impact and uses entrepreneurial methods to create and manage a business or venture to make it happen. One of the first examples of social entrepreneurship is Ben & Jerry's Homemade Ice Cream. They realized they could make a big difference by donating money from every carton of ice cream sold.

Another great example of the social entrepreneur is Muhammad Yunus, founder of the Grameen Bank. This bank provides microloans to people looking to start their own businesses. In many cases, a loan for less than \$50 for someone in a third-world country can allow them to start a thriving business that will supply them and many others with the resources they need for the rest of their lives. The

risks are certainly evident, but to ensure repayment, the bank uses a system called “solidarity groups.” These informal groups consist of several loan applicants who act as cosigners for one another. This builds not only a web of networking and business affiliates, but also one of trust, friendship, and community.

Since 1983 when the Grameen Bank was founded, Yunus and his foundation have loaned over \$6.83 billion to more than 7.4 million borrowers. Many of the microlending groups also have record payback rates and some of the lowest default rates in the world.

Some of My Favorite Charities

In no way am I trying to influence you to give to any of these charities. I simply want to mention a few that I personally endorse.

St. Jude Children’s Research Hospital

Web site: www.stjude.org

Many people are familiar with St. Jude’s name, but I have found that few truly understand the impact this hospital has made on our nation and our world.

St. Jude is a premier pediatric hospital that focuses on treatment and in-house research for children stricken with cancer and other catastrophic diseases. Located in Memphis, Tennessee, the hospital’s ultimate goal is to find a cure to heal these ailing children for life. The facility includes 2.5 million square feet of research, administrative offices, and clinical space dedicated to that particular goal.

The St. Jude doctors and staff have seen many of the nation’s (and world’s) sickest patients and most difficult cases, and are dedicated to the wellness of those children.

But with an operating cost of over \$1.4 million per day, the hospital greatly relies on fundraising efforts to support its research and clinical productions.

I do not financially support St. Jude because they need my contribution, but because they deserve it. Here's why: All patients accepted for treatment at St. Jude are treated without regard to the family's ability to pay. A company (albeit, a hospital) willing to lend its services to the healing and well-being of ill children while running the risk of not being repaid? I'll contribute to that all day, every day. I have supported this charity since I was 16 years old, and I will continue to do so.

Make-a-Wish Foundation

Web site: www.wish.org

You are most likely familiar with this charity. They help numerous children living with life-threatening medical conditions achieve their wildest dreams.

The foundation's first official wish-child, 7-year-old Frank "Bopsy" Salazar, was granted his lifelong dream of becoming a firefighter. After a day of hosing down cars in his custom Phoenix Fire Department uniform, a ride in a hot-air balloon, and an entire day at Disneyland, Bopsy was presented his official wings as the city's first-ever honorary firefighter. Bopsy passed away after returning to the hospital from his Disneyland adventure, but he left this world having his greatest dreams fulfilled.

As of press time, 185,900 children like Bopsy have had their wildest wishes granted by the Make-a-Wish Foundation. Living with a terminal disease is difficult and emotionally draining for not only the ill child but his or her family as well. To see a big smile on such a small face is worth every dollar I could ever donate.

Women & Children's Hospital

Web site: www.wchob.org

This hospital is local to western New York, where I call home. It's rated as one of the best hospitals for children in the United States and is very, very close to my heart. My twin boys were born premature and had to be kept in the neonatal intensive care unit (NICU) in this very hospital. If you have been in a similar situation, you aren't surprised when I say it was one of the most challenging things my wife and I (and family) have ever experienced, seeing our precious little boys with tubes and wires running from every part of their bodies. It was a feeling of total helplessness. There were so many babies in the NICU, many who were much smaller than our boys. The same day our boys were admitted, another baby was admitted weighing less than one pound. Due to the constant care of the nurses and doctors, our twin boys are now healthier than ever.

Because I'm an entrepreneur, I was able to be there with my boys during the day and the evening. If I had been working a 9-to-5 job, that wouldn't have been the case. Because I was ever-grateful for the hospital, I wanted to give back in some way. When visiting my boys, I noticed that many of the other parents didn't have a place to sit to relax during the day while keeping an eye on their babies. Seven brand-new glider chairs and ottomans were donated in my sons' names (Connor Michael and Logan Michael) as just one small debt of gratitude paid to this hospital.

How to Start Giving Back

American Cancer Society: www.cancer.org

American Heart Association: www.americanheart.org

American Red Cross: www.redcross.org

AmeriCares: www.americares.org
Autism Speaks: www.autismspeaks.org
Big Brothers Big Sisters of America: www.bbbsa.org
Boy Scouts of America: www.scouting.org
Boys & Girls Clubs of America: www.bgca.org
Breast Cancer Research Foundation: www.bcrfcure.org
Cystic Fibrosis Foundation: www.cff.org
Feed the Children: www.feedthechildren.org
Food for the Poor: www.foodforthe poor.org
Girl Scouts of the USA: www.girlscouts.org
Goodwill Industries International: www.goodwill.org
Habitat for Humanity: www.habitat.org
Juvenile Diabetes Research Foundation International:
www.jdrf.org
Kiwanis International: www.kiwanis.org
Lance Armstrong Foundation: www.livestrong.org
Leukemia & Lymphoma Society: www.leukemia-lymphoma.org
Lion's Club International Foundation: www.lionsclubs.org
March of Dimes Foundation: www.marchofdimes.com
Meals on Wheels Association of America: www.mowaa.org
Mothers Against Drunk Driving (MADD): www.madd.org
Muscular Dystrophy Association: www.mda.org
Ronald McDonald House Charities: www.rmhc.org
The Salvation Army: www.salvationarmyusa.org
Special Olympics: www.specialolympics.org
Susan G. Komen for the Cure: www.komen.org
United Way: www.liveunited.org
World Vision: www.worldvision.org

YMCA: www.ymca.net

YWCA: www.ywca.org

I trust that this tactical book on the latest and greatest Web 3.0 marketing trends will make a difference in your life, the lives of people around you, and the lives of those who are in much greater need than you may be.

Until we meet again,
From the heart,
Michael S. Tasner Jr.

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*To Isabella and Morgan, my two Angels,
for showing me what is really important in life.
I love you with all my heart.*

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- Research Resource Guide
- Competitive Research Guide
- Social Media Strategy and Planning Guide
- Marketing Plan Template
- Worksheets and Examples from each section
- Marketing Implementation Calendar
- Tactical Plan Template
- Traditional Media content
- ...and other worksheets, tools and templates

Foreword

Real-Time Marketing for Business Growth is an important book. Those of us who have been in business for a while know that business growth is rarely the result of one miraculous strategy or tactic. It's a series of small things that guide a business in upward growth. That's what I like about this book. It teaches people how to combine time-tested business concepts with new marketing tools and strategies. The result is an efficient and effective process to develop a plan—a roadmap for growth and success for your business.

This book presents marketing in an entirely new light. It highlights some of the problems in sales and marketing that have persisted for decades—and how to fix them. It shows companies how to organize around customers instead of products, and the need for companies to break down the silos between marketing, sales, customer service, and other teams to more effectively fulfill customer needs. It shows companies how to create a thriving culture that respects customers and employees—both of which are stakeholders.

This book was written for people like me—and most of you, I imagine—who are looking for something new in marketing. New and experienced entrepreneurs, marketers, and CEOs will find this book full of fresh new insights, including how to measure marketing and how to use social media to build customer relationships. Most importantly, it provides a process for writing a marketing plan—and smart business leaders know that the key to successful business growth is business planning. Monique teaches you a real-time planning process that keeps pace with change. It's a flexible, collaborative, and measurable process so your plan is a living, breathing operational document to help the entire business execute strategy and continuously improve.

Real-Time Marketing for Business Growth explains marketing in simple terms that can be understood by any business owner. This is not to say that this book oversimplifies. In fact, I have never seen a more comprehensive explanation of marketing. Many books deal with marketing as a tactic. This book presents marketing holistically through the P•R•A•I•S•E Marketing Process, which is a new paradigm that takes a fresh look at marketing planning. The plan it produces can make a company “market smart” and improve profitability. How could it do anything else? To me, the most important concept I've ever taught is about praising—catching people doing something right. So I certainly would love a P•R•A•I•S•E Marketing Process.

There are four aspects of this book which I feel are unique in the field of marketing. First of all, *Real-Time Marketing for Business Growth* integrates culture throughout the marketing process. It starts with defining your company purpose, and I have always

believed that a compelling vision and strong core values are the basic foundation of any business.

I know from experience that a healthy, thriving culture is woven into the fabric of every successful business. Companies that foster a thriving culture create a strong *internal* brand and that is the secret to creating a powerful *external* brand. This book will show you how to create happy, engaged employees—who in turn create delighted, engaged customers who become “raving fans.”

Second, I like the fact that *Real-Time Marketing for Business Growth* simplifies and clarifies what can be a complex subject. The *One Minute Manager* series of books is focused and simple—and I have received considerable feedback that this is a powerful way to teach. Since I have made it my life’s work to take the “BS” out of the behavioral sciences, I can relate to the power of simplicity when you want the learner to get full value from a book. Monique Reece has taken the “BS” out of the marketing planning process. Thankfully, this book avoids technical terms when possible and explains them when necessary.

Third, this approach focuses on customer experience and how to build customer loyalty. This is accomplished through ongoing real-time feedback from customers. I’ve often said that “feedback is the breakfast of champions.” You’ll get fresh ideas on how to attract new customers, retain them, and grow your relationships with them. This transforms customers into evangelists for your business—which of course increases profitability for your business.

Serendipity is the fourth fresh quality of *Real-Time Marketing for Business Growth*. Akin to luck, serendipity lets us know that there’s a force greater than ourselves. Serendipity within the research step, for example, can reveal insights that dramatically influence the way a company chooses to market itself. And in a world that changes constantly, businesses must always adapt and change. I believe, as Monique does, that you should put your antennae up. If you are looking for something to happen, you’ll get it.

Anyone wanting to increase profitability and reach a wider audience should venture through the P•R•A•I•S•E Marketing Process. It’s a journey that can lead you to your greatest achievements. Thanks, Monique. All aboard!

—Ken Blanchard

Coauthor of *The One Minute Manager* and *Leading at a Higher Level*

Acknowledgments

It started with one idea: to help CEOs, marketers, and entrepreneurs learn a better process for creating sustainable business growth. This book was written during one of the most difficult economic times in history, which sparked a question that I just couldn't let go of: If 87 percent of the businesses in the U.S. failed in the best of times, how would businesses succeed during one of the worst economic downturns?

It seemed like the right time to write a book that will teach people how to market smarter. Business leaders are more open and responsive to changing old, outdated methods of marketing that no longer work. We can change the business failure rate by helping businesses implement a proven process to plan, execute, and grow. As this recession gives birth to a new wave of entrepreneurship around the world, it is my dream to help businesses succeed.

This book is dedicated to the clients and alumni of the MarketSmarter Growth Plan Workshop who have learned and applied this process. As you have road-tested various iterations, your experiences have provided me with great deal of insight and invaluable feedback to continuously improve the process. I am so blessed to work with such amazing people—I really do love all of you!

It has been deeply rewarding to work with students in the Executive MBA program at the University of Denver. You're a smart and tough group of experienced corporate executives and entrepreneurs who have inspired me as you implemented so many of the ideas in this book with great success. We share a mutual passion for learning and you have taught me as much as I have offered to you. I also wish to thank Barbara Kreisman, Kerry Plemmons, Scott McLagan, and Kelsey Johnson at the University of Denver for giving me the opportunity to partner with such an outstanding university. Your leadership and entrepreneurial thinking is a breath of fresh air.

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A special thank you to Pamela Stambaugh, my coauthor of *Market Smarter Not Harder*, for collaborating with me on the first version of the PRAISE Marketing Process and encouraging me to do more with this fabulous model.

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A heartfelt thank you to Ken Blanchard for your wonderful support. Your insight and wisdom continue to inspire me.

My family has always been my biggest source of strength. Lynne, Mark, Michelle, and Colleen, my fun and amazing sisters and brother—and best friends. Mom and Dad, your love for us, and each other, has taught us all the power of unconditional love and the gift of family. Your encouragement has always pushed me to overcome any obstacle. Renee, Gina, and Jake—thank you for your patience and love throughout this process.

A huge hug and heartfelt thank you to my children, Isabella and Morgan. You have been so patient, understanding, and loving while I worked nights, weekends, and holidays on this project. And to Walter, you fill me up. You have given me so much support. Thank you for your amazing love...and for giving me the magic of Santa Fe.

And finally, I must say that this book was made possible through many long runs on the country roads of Santa Fe where I had many good conversations with God. I asked only for energy and wisdom so that I could put the tools and resources for business success into your hands. Now that you're holding it, *go do something with it!*

About the Author

Monique Reece is the founder and CEO of MarketSmarter, a marketing consulting and training firm that helps companies improve strategy and implement real-time business planning processes to develop a culture of execution. MarketSmarter helps businesses create dynamic cultures that inspire innovation, employee commitment and customer loyalty. Monique has more than 20 years of marketing and executive management experience working with both Fortune 500 companies and fast-growing entrepreneurial businesses. She formerly served as Executive Vice President at Jones Knowledge and as Director of Global Market Development and Corporate Planning at Avaya. She has created business strategy, marketing plans, and training programs for several of the world's leading brands.

Monique is an Executive Education faculty member at the Daniels College of Business, University of Denver. She is also an Adjunct Professor at the Institute for Leadership and Organizational Performance at the University of Denver where she teaches marketing and customer experience in the Executive MBA program.

Monique is the creator of the MarketSmarter Growth Plan Workshop, a program that teaches CEOs, marketers, and sales professionals, and entrepreneurs how to develop growth strategies and marketing plans. She developed the MarketSmarter ROI Optimizer, a tool that helps businesses predict, measure, and continuously improve the results of sales, marketing and service programs.

As a columnist and writer, she has published hundreds of articles and is coauthor of *Market Smarter Not Harder*. She is also a frequent speaker for industry conferences such as the American Marketing Association and *Inc. Magazine*. She currently serves on the Chief Marketing Officer Council (CMO) Academic Liaison Board, the board of directors for The International Entrepreneurs (TIE Rockies), and several private companies.

Helping businesses learn and grow is Monique's biggest passion. She lives in Denver, Colorado and Santa Fe, New Mexico.

Introduction

Predictable, profitable business growth is not as hard as you might think. Business growth is rarely the result of one miraculous strategy or tactic. It's the culmination of several small things that guide a business in upward growth. Sustainable business growth is also the result of business planning. Even though this fact is substantiated by countless studies and respected business leaders, most businesses don't have an *operational* marketing plan that is used daily to guide decision making, interactions with customers, and processes for people to collaboratively execute.

This book will show you the most effective way to create continuous, profitable growth. It combines timeless marketing concepts with many new marketing tools and strategies to provide you with the most efficient way I know to create a market plan—a roadmap for growth and success for your business.

You will learn a proven process that entrepreneurs and business professionals have been using for well over a decade to create significant success in their businesses. As an entrepreneur, marketing executive, and professor, I have helped business leaders launch and grow their companies for over 20 years, and I understand the challenge of finding time for business planning. That is why I made it a mission to develop the most efficient and effective method of planning that I possibly could.

Business owners are overwhelmed with information and the need to adapt to a constantly changing global market place—these factors highlight the need for business planning more than ever. How do we quickly assimilate and adjust strategies to respond? The answer is to apply *a new way of planning that is in real-time and has execution built into the process*. Planning and execution must be tightly integrated to occur not as an event or annual process, but part of day-to-day operations.

It's also time to fix the problems in sales and marketing that have persisted for decades, such as how to make marketing more measurable, organizing the company around customers instead of products, and breaking down the silos between marketing and sales teams to sell more effectively to customers. Marketing must also be flexible to integrate the latest marketing tools, social media, and online marketing strategies.

This book is written for CEOs, entrepreneurs, marketers, and sales professionals who are looking for a new, yet proven method to create business growth. This process and framework have been used to develop hundreds of marketing plans for companies in consumer, business, non-profit, retail, and manufacturing industries. Companies of all sizes and stages of maturity have used this process to increase revenue, profitability, and discover new business opportunities. Start-ups have used the planning framework as a

feasibility study to test a new business idea or launch a new company. Fast-growing businesses use the process to grow at triple-digit rates. Even companies that have been in business for several decades have reaped tremendous value by developing a plan that keeps pace with customer needs in an ever-changing business climate.

In short, the process is flexible and proven to be successful. If you're tired of the same old marketing and business strategies and ready for growth, read on.

Imagine

A New Way of Marketing.....

...in Real-Time

Eliminate the sacred and inefficient annual planning process and replace it with real-time planning that keeps pace with change. Use a process and tools that are flexible, collaborative, and measurable so the plan is a living, breathing operational document shared across the organization to help the entire business execute strategy and continuously improve.

...Improves Execution

Research proves that 90 percent of a company's strategy is not executed. Business planning cannot be disaggregated from execution; businesses need a planning process *with execution built in*. Learn how to create a culture of execution that is accountable and measurable.

...Makes Marketing Measurable, Predictable, and Successful

Introducing the ROI Optimizer, an industry-changing process that links and optimizes the entire demand chain so marketing and sales programs achieve increased levels of measurability and success. You will learn how to accurately predict the return on investment of sales and marketing programs by linking them to revenue goals, product and service forecasts, sales channels, and target market segments.

...Integrates Proven Concepts and Best Practices with New Tools

Even best practices need updating to reflect today's market realities.

Integrate best in class business tools like the Balanced Scorecard and strategy fundamentals from leading business experts into your plan. Combine proven marketing strategies with innovative new tools and techniques to target elusive buyers.

...Improves Customer Experience and Lifetime Value

Learn the easiest, most consistent way to create profitable business growth. Get fresh insight on how to attract new customers, retain them, and grow customer lifetime value. Learn how to create customers who are evangelists for your business and create increased levels of customer loyalty and profitability for your business.

...Develops Company Culture into Marketing's Secret Weapon

As former IBM CEO Lou Gerstner said, "Culture isn't part of the game. It IS the game." A thriving culture is woven into the fabric of successful businesses. Throughout this marketing process, you will learn how to create happy, engaged employees—who in turn create delighted, engaged customers. Businesses that foster a thriving culture create not only a powerful brand, they are *proven* to have substantially higher profits—up to 50 percent more—than businesses that don't.

...Innovates Using Social Media and New Media Marketing

New media tactics are rapidly beginning to overshadow, and in some cases replace, more traditional media channels. Build an integrated marketing plan that uses new media like search engine marketing, email marketing, viral marketing, social networking, and blogging. Learn how these tools will help you generate new leads as well as improve customer relationships and your company brand.

...Inspires by Producing Fast Results

Entrepreneurs and marketing and sales professionals aren't looking for "fill in the blank" exercises to help them run their business. Nor do they want to wade through long theoretical explanations of strategy. They need to know *how* to execute real-time marketing into a business plan that gets results. Learn a six-step process that provides your business with the fastest and most efficient method to create a plan for business growth...and life-long skills that can be used to continuously improve your business.

In Summary

The P • R • A • I • S • E™ Marketing Process will introduce you to a new way of planning. It will help you continuously understand and respond to a constantly changing global marketplace and ever-evolving customer needs. Learn to innovate and optimize your go-to-market strategy, link planning to execution, and measure results so your business will continuously grow and improve.

“A fool with a plan can outsmart a genius with no plan.”

T. Boone Pickens

Decision-Making Framework

This book is organized in sections according to each step in the P • R • A • I • S • E™ Marketing Process (Purpose, Research, Analyze, Implement, Strategize, and Execute and Evaluate). Each step provides a decision-making framework that guides you to summarize your actions and decisions (see Figure I.1). Here's a quick summary of what we will cover in each section:

Purpose: Your company mission, vision, and values will define the direction for your business. You will define specific goals in several strategic areas and your marketing plan will be written to achieve these goals. You'll also create a situation analysis and SWOT analysis.

Research: The work you do in this section will lay the foundation for the rest of your plan. This part of the process may take you the longest, *but it is the most important so don't skip it!* The results are an understanding of customer wants and needs, customer segmentation, a definition of your target market, and a competitive analysis. You will also gain a deep understanding of the market forces impacting your industry. All of this information will be used to develop your strategies later in the process.

Analyze: In this section you will analyze research findings, distribution channels, and pricing to discover new product and service growth opportunities. You will also analyze competitors, market trends, and customer insight to identify new areas for business growth and improve customer experience.

Strategize: You will apply everything you have learned to develop a sales plan, marketing objectives, and marketing strategies. You will develop a positioning statement that differentiates your business and develop customer, target market, competitive, product, price, promotion, distribution, growth, and innovation strategies for your business.

Implement: You will learn how social media and other types of digital media can help you create brand awareness, drive leads, and engage customers. You will learn how to develop a tactical plan that defines the sales and marketing programs, timeline, budget, and resource needs. Apply these processes and methodology to improve execution, ROI, and sales for your business.

Execute and Evaluate: The “E” in **P•R•A•I•S•E** stands for Execute and Evaluate. You will identify critical metrics to track and evaluate strategies, and learn how to use the ROI Optimizer to measure and improve the results of marketing and sales programs across your entire demand chain. You will learn how to integrate marketing with operations and learn 10 principles that will improve your company’s culture and ability to execute.



Real-Time Marketing

Creating a marketing plan takes more time to develop the first time, but once it's written, it is much easier to update in real-time and keep it fresh. A good analogy is having a goal of getting fit. If you are out of shape, the first few weeks are tough. You can't delegate “getting in shape” to someone else; you have to do the push-ups yourself. But it becomes easier over time, and once you're in shape, it is much easier to stay that way. The same is true with your plan. Once it is developed, it is much easier to keep it current—and your business is in good shape to respond to changing market conditions.

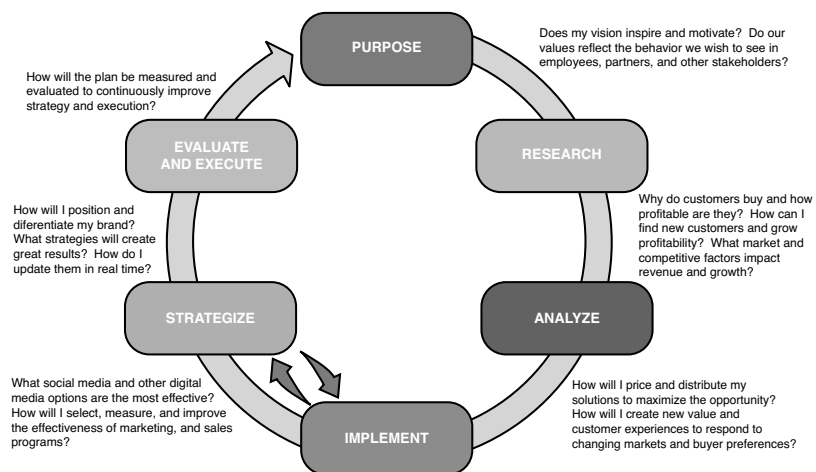


Figure I.1 *Decision-making framework*

Section I

Purpose: Define Your Purpose

*“People want to be a part of something larger than themselves.
They want to be part of something they’re really proud of,
that they’ll fight for, sacrifice for, that they trust.”*
—Howard Schultz, CEO, Starbucks

Defining your purpose is a critical first step in the process of any marketing plan because it describes why you are in business, where the business is headed, and how people will work together. Purpose characterizes the heart and soul of your business.

In this section of the marketing plan, you will define the following:

- Your *company vision*, which describes what your company will evolve to become in the future
- Your company *mission*, which summarizes what you sell, to whom, and how you deliver on this promise
- *Values* that people in the company must believe in and live by which is evidenced by their behavior
- Specific company *goals* that will be achieved during the defined planning time period
- A Situation Analysis to describe your company’s current state
- A SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis to define your company strengths and weaknesses relative to external opportunities and threats

1

What Is Purpose and Why Is It Important?

If people understand where the company is headed (vision), what the company stands for (mission), how they will work together to get there (values), and what must be accomplished (goals), then the strategy to get there can be understood and executed.

These four elements will ultimately define your company culture, the kind of people you hire, suppliers you work with, how you treat your customers, and even the quality of the customers you attract. Ultimately, it is the best way you can create a solid foundation for your business that will set the compass in the direction you intend.

If you are an entrepreneur, your purpose is further refined by the reason you started your business. It's the passion, vision, and opportunity that inspired you to start the company. Company purpose is unique to every entrepreneur, just as personality is unique to every person. The goal in defining your purpose is to get clarity about what business you are in, how it is unique from others in the market, and the value you provide to all your stakeholders. A business does not exist solely to make money (although that is a nice goal). A business exists to provide value to customers who buy its products and services. If you focus on providing extraordinary value to customers, this alone can drive success.

Just to be clear, this section of your marketing plan is not about “fluff.” Most of us have been in strategic planning sessions (or have worked at companies) in which considerable time was spent drafting mission statements only to wonder about the significance of what was really accomplished. And surely as a consumer, you have had an experience where you observed a mission statement displayed prominently on the wall of a business only to discover the words in the statement were anything but *your* experience with the company.

Purpose-Driven Companies Make Higher Profits

If you want higher profits, have a purpose. Writing this section of your plan will increase profits while also creating a business that is more fun and meaningful for you, your employees, and your customers. *Companies that clearly define their mission, vision, and guiding principles, and communicate this consistently across the organization, have significantly higher profit per employee than companies who perform poorly*

2 Section One: Purpose

*in this area.*¹ Success Profiles, a performance management company, studied 600 businesses and found that the average profit per employee in the survey increased from \$7,802 per employee to \$27,401 in companies that make this a best practice in their organization.

If you think things like mission, vision, values, goals, culture, and company purpose are merely “soft,” nice-to-have attributes for a business, this fact alone should change your mind.

As the leader driving the development of this important effort, you have the opportunity to create the experience people have with your company. If you are the company founder, you will develop the mission, vision, values, and goals to inspire your employees. If you are a marketing or strategic planning executive, you will have the opportunity to drive this process and communicate the messages in unique and creative ways so they are understood and integrated into the company culture. You will facilitate this important assignment and communicate the messages in your internal company brand campaign. As you will learn in the chapters that follow, an internal brand campaign is as important as your external campaigns because it inspires the actions and behaviors that ultimately become part of your brand.

We will explore several examples of companies that have done an exceptional job of defining their purpose. We will also look at a few special companies that have taken the road less traveled to create a company where company purpose is THE distinct competitive advantage for their company. Author Jim Collins defines the characteristics of companies like this in his book *Good to Great*. CEOs like Tony Hsieh of Zappos and Kimberly Jordon of New Belgium Brewery run companies powered by purpose.

Create Raving Fans

While hundreds of companies are beginning to embrace the concept of a purpose-driven organization, these companies tend to be the exception, rather than the rule. I find this surprising given the fact that not only are these companies adored by their employees and customers, but they also *deliver consistent profitability and return to their shareholders*. Perhaps I am oversimplifying this concept, but when you have a choice to run a great company versus a mediocre company, *why not* create a great company? Not only will you have more fun; but you will create loyal employees and customers who are “Raving Fans.”²

Raving Fans, the title of a book coauthored by Ken Blanchard, describes customers who believe so much in a company's people and products that they actually become a part of the sales force. The way to create customers who are raving fans is to first treat your employees with great care and respect. If you do this, they in turn will care for customers. The result of creating raving fan customers, being the employer of choice, and the investment of choice is a "triple bottom line." As Blanchard is famous for saying, "Profit is the applause you get for taking care of your customers and creating a motivating environment for your people."³

Blanchard not only writes about companies with extraordinary purpose, he runs a company that lives by these principles every day. As Chief Spiritual Officer of The Ken Blanchard Companies, Ken Blanchard's role is to lead others at a higher level. He not only does this in his organization, but he also teaches other companies to embrace this concept. If you don't think this concept is important, especially in tough economic times, read on to see how Blanchard handled a difficult choice in our last recession during the period of time immediately following the 9/11 tragedy.

When Employees Leave at Night, So Does Your Business

In the first thirty days following 9/11, the Blanchard Company lost \$1.5 million. During the economic downturn that affected most companies at this time, Blanchard was losing between \$350,000 and \$400,000 a month. He did not lay off people or shutter the business (as many other businesses did) because he said it would be the wrong thing to do. Instead he said, "Here's the deal. This is what we've got to do. Let's break into task forces and look for ways to cut costs and increase sales. Let's see how we can all pull together."⁴ Employees responded by agreeing to cut their salaries and stop paying into the 401k. If people quit, it was agreed that they would not be replaced.

As Blanchard observed the sacrifice his employees made, he declared that when they pulled out of the slump, he would take everyone to Hawaii. In February of 2005, he followed through on his promise and took 350 people to Hawaii for a celebration.

When Blanchard discussed his decision to handle a crisis in this manner, he said, "You know, without your people, you are nothing. That is the biggest leadership mistake most people make. They think people and results are an either/or proposition rather than a both/and proposition. At the end of the day, when everybody heads home, your business just left. So leadership is about your people. If you turn around and nobody is following you, you are probably not leading."⁵

The result of a purpose-driven, triple-bottom-line company is a concept Blanchard calls the “Fortunate 500.” What I love about this concept is that the meaning of business success is redefined. Companies in the future will be successful not by their size, but by the quality of service offered to customers and the quality of life experienced by employees.

Company Purpose: Intentional or Dysfunctional?

This is what makes a purpose-driven company so unique: *The words in mission and value statements are supported by actions that drive behavior.* Company culture is ultimately (and simply) defined as “the way things are done around here.” As actions and behaviors define the culture of a company, it would be wise to do this in a purposeful way. Companies that don’t pay attention to culture or view it as unimportant will by default create an atmosphere that could be described as “dysfunctional.”

If you have a company that has been in business for several years, it will be helpful to reflect on what your purpose is today and what you intended it to be when you started it. An important part of the marketing planning process is reflecting on past results and taking a series of small incremental steps to improve based on the new knowledge acquired throughout the process.

If you have already defined a vision, a mission, and values for your company, ask yourself if they are still relevant or if they need to change. Ideally, a company’s mission and value statements stand the test of time; however, if you feel the statements do not accurately reflect where you are going today, now is the time to change them. The first few years of an entrepreneur’s business tend to evolve opportunistically; therefore, it’s extremely valuable to step back and evaluate whether your businesses is heading in the intended direction. Ask: “Have I communicated my company purpose so everyone understands where we are headed and why?” If not, this is your opportunity to create a solid foundation for the business. The future success and growth of your business depends on its purpose, so take time to complete this important first step in the planning process. As your marketing plan develops, you will see that purpose drives your marketing and business strategies.

2

A Mission Statement Answers “Why Do We Exist?”

What is a mission statement? *A good mission statement is a concise statement that summarizes what you offer, to whom, and how.* I will provide you with a few examples of good mission statements, and then we will discuss vision and value statements and how they all come together to define your company purpose. I suggest that you read this entire chapter so you can see how all the elements work together, and then craft your own mission, vision, and values statements.

There is not a specific formula for writing a mission statement, but there are a few guidelines. First, make it brief. If you can't summarize your company mission in one or two sentences, it's not clear what you sell to anyone. Second, it ideally summarizes what you sell, to whom, and how. The best way to know if your statement is clear is to test it with customers, employees, and strangers. If they have a puzzled look on their face after hearing or reading it, try again. Good mission statements are clear and concise.

The following statement is an example of a good mission statement. Ron Phelps, Owner of RedShift Framing, says he regularly gets comments from customers about their mission statement. Customers say it's a perfect reflection of their experience with RedShift.

RedShift Framing Mission Statement

Our mission is to produce a perfect package for art that exceeds industry standards using innovation, creativity, and environmentally sound products at a fair profit to fulfill our customers' expectation of value, aesthetics, quality, and conservation.

Source: Red Shift Framing

Clinic Service Corporation is a medical billing company that provides services to over 900 physicians. Medical billing is far from “sexy,” but as you can see by the mission statement, they deliver more than just billing statements.

Clinic Service Corporation Mission Statement

Clinic Service maximizes the profitability of medical providers. We serve as the trusted business advisor, consistently producing and communicating relevant, high-quality business results for our clients. The Clinic Service team applies an untouchable ease of doing business grounded in integrity, discipline, and seasoned professionalism. We care and lead the market because of it.

Source: Clinic Service Corporation

What I love about both of the statements is how they each demonstrate market differentiation in competitive markets. RedShift Framing is clearly not your average framing store, and Clinic Service Corporation delivers far more than just medical billing.

Does Your Mission Statement Inspire?

A mission statement is often expressed externally to customers. It can also be internally focused to provide employees with clarity and guiding principles.

Great mission statements are inspiring. They create a sense of pride and ownership with employees and customers alike. Mission statements that are flat and lifeless have no purpose, and in fact can be de-motivating to employees if there is no substance to back them up. Keep in mind that if your employees do not feel happy, respected, and engaged, it is extremely difficult to create happy, engaged customers.

Companies that are both employee and customer focused often create an “employee pledge” in addition to a mission statement. Sometimes the statement is directed to customers and employees, and other times statements include suppliers, partners, investors, and the communities in which the company operates.

In an extremely tumultuous industry filled with bankruptcy proceedings, Southwest Airlines is one of the few consistently profitable airlines that has also maintained a thriving culture. The company puts its mission, vision, and values first because they realize their company purpose and culture drives shareholder value and satisfaction. This is a company that has always realized that customer satisfaction is the result of employee satisfaction, and their eyes have not wavered from that target.

If you are writing a mission statement for the first time, look for inspiration from companies that you admire. Also consider learning from best practice companies in completely different industries. For example, if you want your business to be known for its great customer service, you can use Nordstrom or The Ritz-Carlton Hotel Company as examples, regardless of the industry you are in.

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Create a Compelling Vision

An essential part of defining your purpose is creating a vision statement. A vision statement is a vivid statement or story that describes what the company will be like in the future. The future is defined as a point in time, perhaps twenty or more years from now. If this timeframe is too hard to grasp, think about ten years from now. *The purpose of a vision statement is to inspire and inform people about where the company is headed in the future.*

I do not endorse a specific process for writing a vision statement because I believe it should be an individual creative exercise. For some people, a clear concise statement works best. For others, vivid descriptions, pictures, or even stories are the most effective ways to communicate a vision. Several years ago I worked with Denzil Samuels, who at the time was General Manager for the Managed Services Organization at Lucent Technologies. Although Lucent had a broad overarching statement of purpose, Denzil wanted to create a vision for the new division he was leading that would communicate and align people toward the vision he had for the organization. As he was a new leader in the company, he also needed to convey his leadership style and beliefs so that people would understand what was expected of them.

I was consulting to Lucent at the time and asked Denzil to create his vision so that it could be shared in one of his first all-employee meetings about strategic direction. While I expected a paragraph or statement, what he created was something much better. He wrote a story that illustrated what the division would look and feel like to a new employee in ten years. The story was written several years ago, so the technology has changed; however, the impact of his story has not. The following is what he wrote.

Our latest recruit, Lee Wong, entered the beautiful marbled three-story atrium of our new Management Services delivery headquarters. As he walked past the rich, cherry wood reception area, he overheard receptionists speaking in French, Spanish, Italian, Russian, and English. Gazing at the magnificent artwork hanging on the wall, Lee couldn't help but notice the customer commendation letters that hung below both the Baldrige and ISO certificates.

"Welcome to Management Services," a voice called out to him. "Thank you for joining us. You will be one of eight people joining our team today. Over the next two days, our orientation program should take you through everything you need to know about our successful business enterprise."

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Lee gasped as he suddenly caught a glimpse of Bill Gates leaving a conference room with one of the management services associates. "Is that Bill Gates?" asked Lee. "No, that's Leonard Chavez with someone from Microsoft," remarked the receptionist.

The group walked further and was stunned when they reached the Operations Center. In front of them, covering one of the large walls within the center was an enormous electronic map of the world with a multitude of flashing lights, representing cities around the world. "Each light represents a city where we have our customers and our people," exclaimed the guide.

"In Management Services, we pride ourselves on three key elements. The first is Superior Customer Service, so it helps to be where our customers are. Innovation is finding creative ways to solve their communication challenges, and the third is Leadership, whether it's state-of-the-art technology, globalization, market leadership, or playing a key role in our communities. We want our customers to think of us as leaders. Of course we can't do any of this if we are not profitable."

Everyone smiled.

They were led to another room that was referred to as the "pride of the techies."

"Our technicians have built their own lab environment to help us understand and use new technology as it's released and the potential impact on our customers. It helps us understand the complex environments our customers have and how we can ensure new technology can be easily integrated into their environment. Actually what I often hear them say is that it's just fun to play with the new stuff."

As the group moved further into the Management Services center, they couldn't help but notice the impressive electronic notice board filled with information. The board was utilizing state-of-the-art technology and had information presented in a variety of colors, text, and graphics, which represented information about the business.

"This is like our own internal CNN," exclaimed the tour guide. "We get accurate information in a timely way to our people so that they can make the decisions that impact our business."

Lee couldn't help but notice that everyone they had passed, observed, or talked to seemed very upbeat, cheerful, and positive. In addition, he noticed the diversity of the organization, the mix of ages, cultures, and gender was both refreshing and encouraging.

It was now lunchtime and as they made their way to the dining hall, they passed a conference room filled with associates. "What's going on in there?" asked Lee.

"Oh, we have guest speakers from outside companies who come in to give free lunch-time seminars. Today's seminar is how to invest in stocks and shares. It helps our people stay in touch with important information outside the workplace as well as ensuring we keep in touch with key companies and people in the Denver area."

Over lunch, the team was greeted by one of the Management Services leadership team. "Welcome to our team," remarked Kathy. "The mere fact you are here today is a great tribute to your ability." We started with over 300 applicants for these 8 positions." The team gasped. "We pride ourselves on picking the best so that we can deliver excellence to our customers. But just because you are here doesn't mean you have arrived...it means your journey has just started. We demand that you give us better than your best. We expect you to grow and develop your skills and knowledge, while focusing on the core values of the team. You would do yourselves a disservice if you expected any less of yourselves. Thank you."

As Kathy sat down, Lee smiled to himself and thought, "I may just be starting on this journey but I can't help feeling I've arrived!"

Tell a Story

Denzil's story paints a vivid picture of what a customer or employee would see, feel, and experience when they entered the Lucent building. The basic message is that the company would be a global market leader, the employees are diverse and multilingual, and the company takes pride in offering the best technology to service customers. The story also describes a company culture that is professional, fun, and caring.

What if Denzil had written a statement such as: "Our vision is to be a diverse, innovative, global market leader that provides superior service and technology solutions to customers worldwide."

This would have been a perfectly acceptable and safe approach, but does it really mean anything? Which statement is more meaningful to you? I think most of us would appreciate the story more because it paints a vivid picture that is unique and inspiring. When you engage people at an emotional level, it will motivate employees who must execute activities every day to help you realize the vision. In fact, in just two years, the new division grew to become a \$75 million (profitable) division of Lucent Technologies. It is a several hundred million dollar division today. When Denzil left the company a few years later, the employees printed the vision statement on a large canvas, signed and framed it, and gave it to him as a parting gift.

As you create a vision statement, or review an existing vision statement that is already drafted, answer the following questions:

- Is the vision clear?
- Is it future-based yet realistic enough to achieve?
- Is it inspiring to those who work here?
- If so, are there ways to make it even more compelling?
- If not, how does it need to change to be motivating for all stakeholders?
- Are all stakeholders aware of the vision? How is it currently communicated so there is a shared understanding of it? What can be done to bring it into focus and inspire everyone in the company?



Marketing Tip

If you are a marketing executive facilitating this process, I recommend that you give your CEO the purpose of the assignment, and perhaps some examples. Then let him or her be creative. This is the one exercise in the entire process that the business leader must own. Your job is to bring it to life through the marketing plan and communication in your internal branding campaigns. In doing so, it will create ownership with other people in the company who contribute to the vision as the company grows and changes.

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Core Values Drive Behavior

The next step is to define values that reflect company beliefs. Core values ultimately drive behavior, so when values are clear and defined, it conveys what is expected of employees and it helps them make decisions. Speed of decision making results in an increased ability to execute because time is not wasted figuring out what is important or a priority. Values also drive what kind of people you hire, suppliers you work with, and even the type of customers with whom you do business. Core values are a fundamentally important driver of business success with many benefits.

Make It Personal

Defining qualities like values requires that you dig deep to understand what drives you and what matters most, regardless of the job you have or company you create. If you reflect on a time you have ever compromised your values, you have likely paid a high personal price and perhaps regretted an action or decision. Values conflicts are often at the root of organizational performance (just look at the news headlines) as well as the cause of relationship conflicts.

Luke Wyckoff, President of Wyckoff Consulting, founded his company by following his gut and uncompromising core values. When he worked for a large national recruiting firm, he experienced a series of events that were red flags to his personal sense of integrity. Continuously frustrated, he thought about the kind of executive recruiting firm that he would like to start: a firm focused on integrity, trust, and honesty.

One day, as he drove to a client meeting to make a pitch to the board of directors, he had a crazy idea. When he was greeted in the lobby by the executive who was recommending his services, he was asked, "Where are your presentation materials?" Luke said, "They're in the car. If you trust me, just go with it." Luke walked into the board meeting and spontaneously presented his own company, making a very passionate speech about the principles and values of his firm. The board liked what his company stood for, and he walked out with an immediate assignment and a \$20,000 retainer. This gave him the seed money and the courage to leave a company that had different values from his own to start his own firm. Lesson learned: Follow your gut and don't compromise your values.

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The “C” Word

Up to this point, I have made a few references to the “C” word, Culture, but I have not yet explained why it’s so important. During the more than 20 years that I have developed marketing and business strategies, I’ve noticed something quite interesting: A company could develop the best kick-butt strategy to win in the market—and still fail to realize the potential of what was possible. What kept a company from achieving what it was clearly capable of? Some people might say “execution,” but if you dig deeper, you have to ask, “What keeps a business from executing?”

The answer is culture. A company that has no soul, no sense of purpose, no passion for serving customers, and no desire to foster happiness and trust among employees can’t possibly win in the market. A company without culture will never achieve greatness or even a fraction of what it could achieve with a healthy, vibrant culture.

So what is a healthy, vibrant culture? I could tell you, but I think it’s better to show you. As I mentioned in the Introduction, culture is a theme woven throughout this process. You will learn from examples throughout the book and you will also have the opportunity to develop your own culture plan in the last chapter of the book. But for now, learn from a few of the masters. The examples in the rest of this section will show you how to create a truly amazing culture: a company where it’s not only more fun to work, but more profitable and satisfying to all stakeholders as well. Let’s start with a company that has recently become the poster child for culture and values-based leadership.

Las Vegas-based Zappos is anything but a typical online shoe retailer. Company culture and values do not simply differentiate the business, but seem to fuel the very idea of why the company exists. Founder and CEO Tony Hsieh attributes Zappos’s overwhelming success (and over \$1 billion in sales) to a culture that thrives on unique values and delivers exceptional levels of personalized customer service. In less than ten years, Zappos has created a customer base that exceeds 10 million, and an impressive 75 percent of customers return to buy an average of 2.5 times a year.

Truly exceptional customer service is the norm at Zappos. They have a 24/7 service, a 365-day return policy, an 800 number on every web page, free shipping, and free return shipping. When was the last time you placed an order through a customer service

agent and finished the call actually feeling better than you did before you made the call? That's the goal at Zappos. Your experience with a customer service agent is anything but typical. In fact, the friendly, caring agents have been known for cheering up a customer who is having an exceptionally bad day by sending flowers, a note, or spending extra time trying to make a customer's day a little happier.

What Do Pizza and Shoes Have in Common?

When Hsieh spoke at a recent conference, he shared a story that described just how service oriented his employees are. He was in Santa Monica with a group of people including a vendor from Sketchers who was hungry and craving a pizza at 3:00 a.m. When she became frustrated after making call after call to find a pizza place that would deliver at 3:00 a.m. with no success, Hsieh suggested that she call Zappos to see if the customer service agent who answered the phone could help. "You must be kidding," she said. Hsieh gave her the number and when the agent answered the phone, she gave him her request (remember she is in Santa Monica looking for a pepperoni pizza delivery at 3:00 a.m. and the agent works for a shoe company in Las Vegas). After a brief hold, the agent comes back on the line and gives her five phone numbers for pizza places that were still delivering. Now that's service. Great service is the core purpose at Zappos. The company is a service company that just happens to sell shoes and other items.

Since Zappos is "Powered by Customer Service," one of the biggest challenges is finding people who love working with other people to deliver "Wow!" customer service.

New candidates are screened in two interviews. One interview is focused on skills and the other on core values and cultural fit. Questions like, "On a scale of one to ten, how weird are you?" help sort out the cultural fit.

Once hired, every employee goes through five weeks of training in culture and core values as well as customer service and warehouse training. Zappos wants people who are there for the culture, not for the paycheck. In fact, they are so adamant about this that they offer new hires \$2,000 to quit after their initial five weeks of training. If you stop to think about this for a moment, you realize just how unusual Zappos is. Two-thousand dollars is a really good incentive for call center employees looking for a nice bonus to go find another job, but surprisingly few actually take them up on it. In 2007, three percent took the payout to leave, and in 2008, only one percent took the offer.

Committable Core Values

Hsieh says the secret sauce to a great culture is having “Committable Core Values.” This means that whatever a company’s core values are, people must commit to them, evangelize them, and be willing to hire and fire based on the core values. Hsieh says he wasn’t always enlightened about the importance of culture to business success. He learned this the hard way that most entrepreneurs do: through personal experience, trial and error, and mistakes. Although Hsieh’s first company, LinkExchange, was very successful (he sold it to Microsoft for \$265 million when he was only 24 years old), he said he didn’t know any better to pay attention to company culture. By the time the company grew to 100 employees, he no longer wanted to work in the company because it had become too impersonal.

Hsieh has clearly put his “lessons learned” to work at Zappos where culture and core values are talked about every day, just as revenue and market share are talked about in most companies. Culture is so important that they have developed a more than 350 page manifesto called “Zappos Culture” that is updated yearly (it was more than 470 pages in 2008). The highly transparent company extends the same courtesy to suppliers, vendors, and customers by offering several views into the company:

- An extranet gives vendors access to the same database as Zappos employees. Hsieh says, “This means we have 1,500 vendors helping us co-manage the business.”
- An “Ask Anything” newsletter.
- Tours for customers, reporters, or anyone that just wants to visit their company headquarters and warehouse. Just make a request at tours@zappos.com. During a visit, you can walk around and talk to anyone you want. Zappos will even pick you up at the airport!
- Communicate with Hsieh or other Zappos employees through Twitter (twitter.com/zappos) or through one of several blogs (blogs.zappos.com).

So what’s next for a company that has set a new benchmark for employee engagement and customer service? Hsieh says he wants the company to be known for “Three C’s,” which are clothing, customer service, and culture—three attributes that align with the customer value chain. Customers come to the company for the clothing (awareness); customer service helps retain them and bring them back; and culture is the platform that makes it all possible.

The July 2009 merger of Zappos and Amazon could be a match made in heaven. The merger combines two strong visionary leaders, a customer-driven online experience, and technology directed toward a 1:1 learning relationship with customers. If Hsieh can infuse the union with his personalized approach to customer experience, we may see a new business model—a perfect combination of technology and caring, personalized service.

“It’s all about delivering happiness,” says Hsieh.

Zappos Core Values

The Zappos core values are expressed next. The explanation of each value is actually in the words of an employee, Donavon Roberson, from the Zappos Culture Book. The book is published by Zappos every year and is largely a compilation of what the culture means to each Zappos employee. It’s really a brilliant idea to create a culture book that is written by employees. Although CEO Tony Hsieh developed the ten core values, it’s the employees who own them, live them, and make them real.

Roberson’s introduction to the ten values begins with “...I love what I do! I love this company! I love the culture, the people, the mission, and the passion to do whatever it takes to provide the greatest customer service possible. I was attracted to the culture and the fact that it is a living, breathing, active aspect of who we are. Many organizations that I have been involved with in the past have had mission and value statements, but they were simply put into publications and posted on walls. Many companies talk about culture, vision, or values but many times it ends there, a plaque on the wall. Not in the case with Zappos! Our culture is what sets us apart from would-be companies that try to mimic what we do here.”¹

Zappos Core Values

1. Deliver WOW Through Service

Go the “extra mile” to make sure that the customer is completely taken care of.

2. Embrace and Drive Change

Realize that we are a growing company and that change is inevitable if we are going to stay relevant.

3. Create Fun and a Little Weirdness

To ensure that our customers catch our enthusiasm, we need to create an environment worth passing on...not to mention the importance of not taking ourselves too seriously.

4. Be Adventurous, Creative, and Open-Minded

In a setting that is going to change, an attitude of open-mindedness is key. Besides...who knows when the next big idea is going to hit; think “outside the box.”

5. Pursue Growth and Learning

Pushing yourself to the next level benefits the individual and the company as a whole.

6. Build Open and Honest Relationships with Communication

It has been said, “Teamwork makes the dream work.” Communication is the key to strong teams moving in the same direction for the common good of the company.

7. Build a Positive Team and Family Spirit

Since the majority of one’s week is spent at work, it seems only fitting to create an atmosphere worth coming to.

8. Do More With Less

Money is not always the key to success. Sometimes solving the task at hand with limited resources brings about a greater sense of accomplishment and satisfaction for a “job well done.”

9. Be Passionate and Determined

Go for your dreams and desires and don’t let anyone or anything stop you from doing what you want to do within the company.

10. Be Humble

The truth is that it is not about me; keeping this in mind makes all of the other Core Values not only possible but attainable.

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How The Ritz-Carlton Creates and Sustains a High-Performance Culture

I would like to bring together the concepts of mission, vision, and values by illustrating an example of what I believe is perhaps the best example of how a company integrates mission, vision, and values into their culture on a *daily* basis (if you know of others, please write me and let me know, as I love hearing about creative, effective ideas on this subject). The Ritz Carlton has established seamless processes and rituals into daily business activities to enable employees the flexibility of delivering exceptional levels of service to customers.

It is far more difficult to deliver exceptional service to customers in a service business than it is in a product-based business because each customer interaction is unique. You may initially think that the idea of processes and rituals is too structured or rigid to provide personalized service, but you will see that it actually provides a framework for employees to add their own creativity to each service interaction, and this is what creates the magic.

Ritz Carlton's unique approach earned the Malcolm Baldrige National Quality Award twice, and they now teach other companies to use the same principles that have helped them to become so successful. Recipients of the coveted Malcolm Baldrige award are required to teach others the principles of their best practices so companies can learn and apply these strategies to their own company.

Diana Oreck leads The Ritz-Carlton Leadership Center, a leadership training organization that provides a broad spectrum of classes for senior executives, managers, and employees. The center is a resource for companies that would like to learn how The Ritz-Carlton defined their principles and how the company integrates them into processes. What is so wonderful about the Leadership Center is that any business owner or senior executive can learn and experience The Ritz-Carlton "Mystique" first-hand (yes, they actually share everything). You can then apply what you learned in a creative way that makes sense for your company. I'm speaking from experience as I have used what I learned at the Center to develop several organizational change programs.

The key to The Ritz-Carlton's success is employee commitment and engagement, which is created by their foundational principles called The Ritz-Carlton Gold Standards.

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The principles are comprised of elements the company uses to describe mission, vision, values, and service principles to create a culture of committed employees who in turn create engaged, loyal customers. The Ritz-Carlton Gold Standards include the following five components:

- **The Credo:** This is similar to a mission statement and conveys the essence of the brand: “The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.”
- **The Motto:** The well-known statement, “We Are Ladies and Gentlemen Serving Ladies and Gentlemen,” describes the spirit of Ritz-Carlton employees.
- **Three Steps of Service:** The three service steps describe how guests will be greeted, how their needs will be fulfilled, and a sincere farewell that will make guests long to return again.
- **Service Values: “I Am Proud to Be Ritz-Carlton.”** This statement is the heart of the Gold Standards. Twelve simple but powerful statements define what is expected of everyone in the company. Employees are expected to know every word of every principle, but more importantly what each statement means. One of the twelve principles is discussed every day during the daily line up.
- **The Employee Promise:** This statement defines managements’ commitment to employees.

How The Ritz-Carlton Mystique Works

If you are thinking, “But any company can come up with great words,” you should note that creating inspiring mission, vision, and values statements is only the first step. What makes the statements come to life is the rigorous processes put in place to support them. Every employee, without exception, must go through seven days of training before ever working in a Ritz-Carlton. Two full days of the orientation are indoctrination in The Ritz-Carlton values and philosophy. The goal is to create a significant emotional experience for new employees during their first few days. This happens the moment new employees arrive for training at 6:00 a.m. and see senior leaders lined up outside the doors of the hotel, clapping and cheering as they greet them. The message is clear: *You are important and we will treat you exactly as we want you to treat customers.*

The leadership team is involved in facilitating the program, sending a powerful message about the importance of consensual commitment. “For these next few days, we will orient you to who we are—our heart, our soul, our goals, our vision, our dreams—so you can join us, and not just work for us.”¹ When management affirms what is expected of every employee, they also communicate what employees can expect of leaders.

Horst Schultz, former president and COO of The Ritz-Carlton, implemented the motto “We Are Ladies and Gentlemen Serving Ladies and Gentlemen” in the mid-1980s, and the motto is still at the heart of the company’s values today. In an address to employees, Schultz said, “You are not servants. We are not servants. Our profession is service. We are Ladies and Gentlemen, just as the guests are, who we respect as Ladies and Gentlemen. We are Ladies and Gentlemen and should be respected as such.”²

When new hires have worked a few weeks with a coach to learn the skills of their job and apply the Gold Standards to their daily work, they return for a third day of training on their 21st day of employment so they can talk about their experiences. In this session, the goal is to assess how well The Ritz-Carlton has lived up to the commitments that management made during initial training and orientation. Management pays close attention to the feedback from employees so training can be continuously improved. On an employee’s 365th day of employment, he or she returns for a fourth day of training where he or she is psychologically “rehired” and reenergized with The Ritz-Carlton philosophy.

What Can 15 Minutes a Day Do for Your Company?

In my opinion, the most powerful aspect of The Ritz-Carlton culture is the fact that every person in the company (management included) receives 15 minutes of training, *every single day*. This is accomplished through the “daily lineup” that serves as a mini-training session held at every Ritz-Carlton hotel across the world, as well as the corporate office. Employees and management gather to hear one of the featured “Service Values” read by an employee or manager. This is followed by an example of how an employee has exhibited the principle through specific action or behavior, or how it could be applied through various actions and behavior. This reinforces the company’s philosophy and helps employees develop the skills and behavior necessary to deliver high levels of service. This practice also recognizes outstanding employees, thereby creating even greater motivation to excel.

Another example of employee recognition and positive behavior reinforcement occurs when a “Wow Story” is shared two days a week. This is a real story of how an employee created a great experience for a customer. The story is often read from customer comments but it can also be an experience that was observed by a manager or fellow employee. This simple yet powerful daily ritual is an opportunity to remind and teach employees about the values and beliefs of The Ritz-Carlton. Employees hear it, get an experience of it, and are motivated and encouraged to act in ways that will enhance the company culture and deliver exceptional customer experiences.

Contrast The Ritz-Carlton process with those in your company or with companies you have worked at in the past. Do employees even know what the company values are? How are they expressed so everyone has a common understanding of them? Are employees rewarded for exhibiting values? Are they reinforced daily so they always remain on an employee's mind? Are employee behaviors directly correlated to customer value and customer experience? Are employees recognized for their engagement with customers and contributions to the organization?

Most businesses will train new employees about values and beliefs during the first week of employment and perhaps only once or twice a year thereafter. As a result, employees can't even remember what the statements are, let alone tell you how they are woven into the fabric of the culture or used to drive individual behavior and customer experience.

The Transformation to Passionate Advocacy

Cultural transformation is achieved as employees progress through their own personal experience with a company. A new employee might hear what your company values mean, but he will not believe, trust, or understand them until he sees real proof that there is substance behind the words. At this point, an employee begins to internalize what the company culture means to him and exhibits the values in his daily behavior. It takes considerable effort and commitment to build this level of trust in an employee, but the result is a culture that separates the mediocre from extraordinary. It's what makes companies (like Zappos, Southwest Airlines, and The Ritz-Carlton) that are competing in commodity markets excel over their competitors.

The financial results of a healthy culture are significant for any business. For The Ritz-Carlton, a one percent increase in customer satisfaction results in a 2.5 percent increase in revenue per available room. Employee turnover is only 23 percent in an industry where normal turnover is 100 percent. Stop and think about this for a moment. This is quite an achievement considering most employees are hourly workers. There are very few companies that can take a young man or woman out of some of the worst neighborhoods in the world and turn them into respectful leaders who are valued contributors to a company's success.

Most businesses can only dream of being this successful, yet many of the processes just described can be duplicated. Several industries, such as those in the call center market where turnover rates exceed 125 percent a year, can learn to apply the same principles to improve their businesses. Here is my challenge to you: Apply just one idea from The Ritz-Carlton. I *guarantee* it will improve your company culture, customer experience, and bottom line.

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Defining Core Values

As you converse, debate, and prioritize a list of values with your leadership team, you have an opportunity to build a solid foundation of shared values that are a collective expression of principles and beliefs. The following exercise will take you through a process to define, prioritize, and evaluate values for your organization. The result of your efforts will ultimately drive the behavior of everyone in your business, and it will become a business tool to drive decision making. During the process of evaluating the best values for your business, keep three primary measures in mind. Values must be 1) distinctive—unique to the company; 2) able to stand the test of time; and (3) drive decision making and behaviors.

On the following page is a list of values to give you some ideas to get started. Like a mission or a vision statement, there is no “right” way to define your values. You can choose a standard approach, or you may want to define principles, as Zappos did.

It’s valuable to do this exercise with others in the company so there is a lot of stimulating discussion to select the values that most reflect your company purpose. Debate the choices people make and be highly selective. As a guideline, select three to five core values or define a small set of principles. You want to purposefully narrow and refine your choices. After selecting three to five core values, define them further in statements so there is absolute clarity about their meaning. Arbitrary statements such as, “We value quality, teamwork, and innovation” mean nothing without a definition of what each word means. When you do this exercise with a group of people, you will find that people define values in very different ways.

Another problem with an arbitrary statement like this is it contains three different values. You can’t give a clear example of what the values statement means if you have more than one in a sentence. If you base performance evaluations on the way people behave and perform against the values, it’s too murky. Are they being evaluated on quality, teamwork, or values? This exercise will force you to be selective and discriminating in your choices.

Defining Corporate Values

PART 1: SELECT AND DEFINE

Select three to five values from the following list or define your own.

- | | | |
|-----------------|-----------------------|------------------|
| • Quality | • Competitive | • Performance |
| • Excellence | • Entrepreneurial | • Knowledge |
| • Innovation | • Highly Specialized | • Security |
| • Profitable | • Efficient/Effective | • Customer Focus |
| • Honesty | • Responsiveness | • Precision |
| • Integrity | • Honesty | • Affordability |
| • Reliability | • Accountability | • Value |
| • Creativity | • Growth | • Competitive |
| • Dependability | • Authenticity | • Other |
| • Dedicated | • Education | |

PART 2: PRIORITIZE

Now prioritize and define the three to five values (less is better) deemed by the entire team to be a truly authentic representation of your company values.

PART 3: TEST

As you deliberate values, ask the following questions, which will help you prioritize those that are most important:

1. Which values are so much a part of your company that if they ceased to exist, your company would cease to exist as it is?
2. Are these the values you believe your company can remain committed to under pressure and obstacles?
3. When you look at each value, does the word passionate come to mind?
4. Ask why a value was selected. (Why did you select that specific value? Why is that important? And why is that important? Keep asking why until you are certain this value is the right one.)

Example: The value “quality” is debated against the value “innovation.” Both values are important to leaders but innovation is selected on the basis that quality is always important, but it has become an expectation customers now have.

PART 4: COMMUNICATE, EXECUTE, MEASURE

Similar to most projects, the hardest part of this exercise is not development, but execution. Now that you have put time and energy into developing values you are passionate about, you need to communicate them and build them into the daily operations of your business.

The only way to do this is through relentless communication and mechanisms that are built into the processes and the fabric of the company culture. Simple things such as a small desktop reference or framed description of the values, mission, and vision are good reminders to help guide people every day. An even better way is through rituals. As shown in Chapter 6, “How The Ritz-Carlton Creates and Sustains a High-Performance Culture,” The Ritz-Carlton integrates daily rituals into their culture that provide daily training. Ken Blanchard leaves a daily voicemail for employees, reminding them of mission and purpose. Use your imagination to come up with creative internal campaigns that will serve not only to teach or remind, but inspire. Better yet, ask your employees how they would bring the company values to life for everyone in the company. You will probably get your best ideas this way.

Vision, values, and culture are driven top-down in a company, so the business leaders (the company owner, C-level executives, and business unit leaders) must walk the talk. Leaders in senior positions must model the behavior they wish to see in other people. If senior leaders do not emulate the values, you can never expect employees to do so.

Lastly, the best way to motivate employees to embrace company values on a daily basis is to measure and reward employees through their performance appraisals. On the performance appraisal, ask employees to describe and give examples of how values are exhibited in their everyday work. If performance measures and salary are tied to how well employees execute value-driven behavior, you will surely see results.

8

Game Changers

Concepts such as corporate social responsibility, eco-tourism, environmentalism, and “green” products have become increasingly more important to both consumers and businesses in recent years. So has the growing concern over companies that exploit child labor, disrespect diversity, or ignore personal and environmental safety. Values are no longer a nice-to-have. They are growing in awareness and significance as a key business success factor—and becoming an expectation we have of the companies that we do business with.

While a select few companies would dare say values and core purpose drive business success, others are courageously beginning to use this as a means to differentiate their brand and their company. They have abandoned the old ways of doing business and have chosen a new business model that operates with integrity, values, purpose, passion—and yes, profitability.

Purpose-Driven Companies Are More Profitable

A new kind of business referred to as Firm of Endearment (FoE) describes companies that embrace this operating philosophy. The book *Firms of Endearment* illustrates the fascinating connection between operating a purpose-driven company and financial outcomes. The authors researched companies people truly love and respect and compared traits each firm has with key stakeholders in five groups: employees, customers, suppliers, society, and shareholders. Similar to The Fortune 500, in an FoE business model, no stakeholder comes first. FoE companies achieve their financial objectives through *endearing* themselves to *all* stakeholders by addressing their needs.

According to Firmsofendearment.com, “These companies pay their employees very well, provide great value to customers, and have thriving, profitable suppliers. They are also wonderful for investors, returning 1025 percent over the past ten years, compared to only 122 percent for the S&P 500 and 316 percent for the companies profiled in the bestselling book *Good to Great*—companies selected purely on the basis of their ability to deliver superior returns to investors.”¹

Who are these companies? Only 28 companies meet the criteria for being an FoE company. Amazon, eBay, and Google are just a few. Check out www.firmsofendearment.com to learn more.

24 Section One: Purpose

FoE are known for challenging industry standards and beliefs, operating with great transparency, decentralizing decision making, and operating with the company's long-term interests in mind. Because these companies favor organic growth and don't believe in traditional tradeoffs (such as blending work and play), they attract loyal employees who are usually paid more than industry averages. Loyal employees attract more customers and increase customer loyalty, resulting in improved bottom-line measures of performance.

What can you learn from companies like this? It pays to be nice (and it's a lot more fun!)

New Belgium Brewing: Passionate About Purpose, People, Sustainability, and of Course, Beer

New Belgium Brewing founders Kim Jordon and Jeff Lebesch met over a beer at a friend's house in 1990. A year later, they founded their own brewery, which has grown to become America's third-largest craft brewery and the eighth-largest overall with sales of \$96 million in 2007 and projected to grow eight percent in 2008. As of August 2009, the brewery grew to 348 employees who are as passionate about the company's purpose as the founders.

Purpose is a powerful driving force at New Belgium. Even before the first beer was bottled and sold, Jordon and Lebesch decided to craft a vision and values that would make their new company a direct reflection of their personal core values. They hiked into the woods with a jug of beer, pen, and paper, to craft a vision for the company they wanted to create. This vision, "To operate a profitable brewery which makes our love and talent manifest," is still the driver of their success today.

Part of what their love and talent manifest is their strong belief in sustainability. As early adopters to the movement toward sustainability, employees voted to make New Belgium Brewing the first 100 percent wind-powered brewery in 1998, even if it meant forfeiting their yearly bonus. That first vote created the momentum for the significant progress the company has made, and continues to make, in their commitment to sustainability. A few of their goals are to reduce their carbon footprint by 25 percent, reduce water usage by 10 percent, offset eight million car miles in the next year by riding bikes (Team Wonderbike has over 10,000 member pledges), and many other projects you can review by visiting this section at www.newbelgium.com/sustainability. The company is also a member of 1% for the Planet, meaning through donations and fund-raisers, the company contributes one percent of their revenue to environmental non-profits.

The company founders and employee owners clearly put actions behind their words. A key business practice that drives the company culture of commitment and execution is

a policy of open book management. New Belgium Brewing shares financials, business strategies, and branding plans, creating a culture of transparency that fosters trust and respect. CEO Jordon says, “We care deeply about one another, and we also care deeply about being very good at what we do.”²

The result of New Belgium’s passion and purpose tied to business practices is an amazing employee retention rate of 92 percent. On one-year anniversaries employees are rewarded with a bike (the one famous on the Fat Tire label) and stock ownership. Employees who have been with the company for five years are rewarded with a trip to Belgium.

New Belgium Brewing Purpose Statement

To operate a profitable brewery which makes our love and talent manifest.

Company Core Values and Beliefs:

1. Remembering that we are incredibly lucky to create something fine that enhances people’s lives while surpassing our consumers’ expectations.
2. Promoting world-class beers.
3. Promoting beer culture and the responsible enjoyment of beer.
4. Kindling social, environmental, and cultural change as a business role model.
5. Environmental stewardship: Honoring nature at every turn of the business.
6. Cultivating potential through learning, high-involvement culture, and the pursuit of opportunities.
7. Balancing the myriad needs of the company, our coworkers, and their families.
8. Trusting each other and committing to authentic relationships and communications.
9. Continuous, innovative quality and efficiency improvements.
10. Having fun.

Source: New Belgium Brewing

Many companies develop exceptional statements reflective of their purpose, but fail to execute in a way that employees are inspired and motivated by them so that their behavior is a mirror reflection of the company’s values. If your goal is to create a great company known for its values, culture, and unique customer experiences, you have to go

far beyond just creating great vision and values statements. It's all about execution, and it's surprisingly harder to do than you think. It takes commitment, relentless focus, and dedication. In Section VI, "Execute and Evaluate," we will discuss specific actions you can take to create and build your own culture of excellence.

A Strong Internal Brand Equals a Powerful External Brand

It makes complete sense that cultivating a thriving internal brand would be reflected in a stronger and more powerful brand externally. It not only serves to differentiate a business in a competitive market, it also drives down marketing and branding costs. A common benefit of companies with strong internal brands is that they spend considerably less than other companies on sales and marketing.

Scott Bedbury is one of the leading marketing and branding experts in the world. He built the Nike and Starbucks brand from their infancy to become among the world's leading brands. I had an opportunity to interview Bedbury and ask him how he did this. As you will see, it was not through clever marketing strategies and tactics. It was a relentless focus on the company's purpose.³

"Just Do It" Campaign Among Bedbury's Accomplishments

Scott Bedbury, former senior vice president of marketing at Starbucks, was instrumental in creating the Starbucks brand. Prior to that, he was head of advertising for Nike, where he launched the "Just Do It" campaign. A resident of Seattle, he is CEO of Brand-stream, an independent brand consultancy.

Reece: How do you build a great brand?

Bedbury: With people that are passionate and care about the company and the brand. Every great brand starts with a passionate, visionary CEO, like Phillip Knight at Nike and Howard Schultz of Starbucks. They focused on creating a great product. But what increasingly separates product A from product B is how people feel about the brand and all the details that go around the experience—what happens after you buy and how you are treated during the purchase.

Reece: At Nike, you had a multi-million-dollar ad budget to help you build the brand, but at Starbucks you spent very little money on advertising. What did you focus on to build the Starbucks brand with a limited budget?

Bedbury: The “Just Do It” campaign was launched with \$8 million, and when I left, we were spending \$200 million on media worldwide. At Starbucks, Howard realized the single most important thing was the people, and what set Starbucks apart was the health benefits and stock ownership for people who work part time. It had never been done before, and it came with a cost.

The dollars to build the brand were put into operations to create an experience that would enable the brand to endure and be sold profitably for many years to come. It really came down to experiential marketing.

The stores were once four white walls. There was no comfortable furniture or fireplaces or music. So we set out to create an experience in the stores and a level of brand equity that most traditionally marketed brands couldn’t touch. That meant constant creative development of products, and the look and feel in the stores. It wasn’t cheap. The first year, we spent \$100 million building out stores, which is a significant marketing budget for anyone.

Reece: Did you set out with the mission to define your brand by focusing on a stock option and employee benefit plan or did this happen by accident?

Bedbury: That was Howard’s mission. When he took over the company, he was not a rich man and he didn’t own a house or even a car. Howard grew up poor in Brooklyn and was influenced strongly by his dad, who never got health benefits from any of his employers. This fueled Howard’s drive to create a company that put employees first.

He is passionate that when it comes to customers versus employees, employees will always come first. He knows if he does this, he has employees that value their job, and if they feel valued and respected, they will in turn take care of customers—and that formula has always worked.

Reece: It really has worked. Why don’t more companies do this?

Bedbury: It takes a lot of courage. When Howard tried to raise \$2.8 million to buy the company from the three founders, he made 220 presentations and he got shut down in all but 12 of them. He was seen as an idealist who was going to put an unnecessary burden on the bottom line by offering benefits to part-time employees who viewed this as a temporary job.

But Howard convinced them that turnover would drop, which it did. Store manager attrition was 15 percent, part-time hourly employees was 65 percent, compared to McDonalds and Taco Bell, which were about 200–300 percent a year. That’s turning over your work force every four months, and when you do that, your service suffers and there are all kinds of problems. I don’t know why more

people don't do it. If you give up some equity to employees, they'll reward you for that.

Reece: When will people cease to pay \$5 for a designer cup of coffee?

Bedbury: I don't think they ever will. I have a Starbucks close to my house in Seattle and I go there for the coffee and also for the peace of mind and to see friends. It's not just about the coffee; it's about the experience.

Reece: What are the most important things you learned from building two of the world's leading brands?

Bedbury: The No. 1 thing is everything matters and you should sweat the small stuff. I think Starbucks has the best restrooms in the world. We paid attention to that.

The other is never underestimate getting the brand positioning right inside your company first so everyone understands what the values are and what it means. It's not about reciting a mission statement, it's about understanding what is Nike and what's not Nike. You would hear that all the time in the halls of Nike. There was no mission statement. It all came down to what was honest and what was not honest. What was consistent and what was not consistent. It was highly judgmental, but everyone felt the scrutiny of their peers to honor the brand. So make sure everyone gets it and honors it. And the ones that don't, you get them the heck out of the company.

Reece: What is the most important element to focus on when building a brand?

Bedbury: Exceeding customer expectations. We are coming off three decades of businesses in every industry failing to meet customer expectations. The sad part is they have done that while communicating promises they are not keeping, or inconsistently meeting. People just want a product they can trust. Less than 10 percent of product claims are believed today.

Reece: How does a company understand its brand essence, what you call its DNA?

Bedbury: It starts with an audit. If you ask employees to use three adjectives to describe the brand today, good or bad, what would they say?

The second question in this two-question survey is, "If everyone in the company did their job at the highest level and pulled together, how would you want the brand to be described as in three years?" There is always a gap.

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9

Do What You Love and the Money Will Follow

If you own a small business, you don't have to look far to find examples of companies that are integrating passion and purpose in their businesses. At first glance, Cru Vin Dogs appears to be an odd mash-up of products: wine and dog portraits. But a closer look reveals a thriving business fueled by the interests and passion of three owners.

Cru Vin Dogs is a business operated by husband and wife team, Jay and Mary Snellgrove, and partner Bill Foss. Jay is a gifted artist who draws meticulous portraits of dogs. A small number of prints are signed, numbered, and made available for sale in the gallery and wine store. Portraits can also be commissioned by loving pet owners.

The three partners combine their passion and skills to create limited edition wines featuring portraits of a dog (created by Jay) and are marketed under the label Cru Vin Dogs. Several types of wines are made including Cabernet Sauvignon, Pinot Noir, Cabernet-Syrah, Cabernet Merlot, Chardonnay, Sauvignon Blanc, and, most recently, a Shiraz-Grenache-Mourvedre blend. The creative product portfolio is comprised of three major lines, as shown in Figure 9.1.



Puppy Series: 2008 Greyhound Sauvignon Blanc; 2008 "Blue Heeler" Shiraz-Grenache-Mourvedre.

Portrait Series: "Yogi" Cabernet/Shiraz (the name of their beloved golden retriever), 2005 "Yogi" Cabernet-Syrah in a collectable 1.5 liter bottle in cedar box, and "Lucky" Cabernet/Merlot.

Best in Show: 2007 Pinot Noir.

Image Source: Cru Vin Dogs Wine Group.

Figure 9.1 Cru Vin Dogs product portfolio

In addition to selling wine and portraits of dogs, the gallery and wine store sells clothing with the company logo and dog portraits, note cards (with dog portraits of course), and various wine accessories. Central to Cru Vin Dogs's business philosophy is charitable giving to organizations and foundations that support dogs. Ten percent of all revenues are split between Canine Companions for Independence and the Morris Animal Foundation's Cure Canine Cancer Campaign. Specific releases of wines are given to organizations such as the Ali Foundation and other charities to help them with fundraising.

When I asked the business owners why they chose to create a business with such an unusual combination of products, they said they simply wanted to combine their passions to create a business they loved. Their background and experience was in the wine importing and wholesaling business, but they wanted more from life. They wanted to do what they love as well as give back to the organizations they passionately believe in. The strategy has worked for these entrepreneurs. Since the 2007 launch of the company, Cru Vin Dogs has donated over \$100,000 to dog-related charities.

A New Wave of Entrepreneurship

The intent of this story and the previous example of New Belgium Brewing (in Chapter 8, "Game Changers") is to illustrate how purpose can be the central business driver for a company's existence. As the economy rebounds, I predict there will be a new wave of entrepreneurial business that is bigger than anything we have seen in history. As many people make a conscious choice to leave corporate life and create a new business, many will pursue a business that is central to their values and passions. There has never been a better time to be an entrepreneur, and you really can "do good" and be financially successful. As the saying goes, "Do what you love and the money will follow."

But we're not going to leave it to chance. The next step is to define your goals, break them down into executable steps, and put a plan in place to execute them.

Measurable Goals Drive Success

The goals in your marketing plan will describe very specific objectives you want to achieve as a result of implementing your marketing plan. The marketing plan goals should tie back to the overarching goals of the company to create alignment and momentum. Be as specific as possible when describing your goals so they are measurable. Follow a framework to create SMART goals, which are Specific and Measurable, Motivating, Achievable, Relevant, Trackable and Time-bound, as described below:

- **Specific and Measurable:** State your goals in a way they can be measured. Break big goals down into manageable chunks so you can define the steps to achieve big goals.
- **Motivating:** Describe goals that you want to achieve and can achieve. People excel when they do things they like. As goal achievement is delegated to employees in your company, the goal should also motivate them, so it's important that they understand their role in achieving the goal. Consider tying performance measures to the goal as incentive.
- **Achievable:** Describes goals that are realistic yet challenging to you and your team. Nothing is more de-motivating than having a goal that is completely unrealistic.
- **Relevant:** Define goals that drive short-term objectives like revenue as well as goals that are congruent with the long-term vision. Both short-term and long-term must be balanced.
- **Trackable and Time-bound:** Define the timeframe each goal must be completed, as well as how it will be tracked, measured, and reported. If possible, state who is responsible for the goal (this could be a person, department, division, or region). For large overarching goals, you may want to consider assigning an executive sponsor.

To achieve a short-term plan, it's important to state very specific goals and milestones. Consider how the 80/20 rule (Pareto principle) drives most businesses. If 80 percent of your revenue comes from 20 percent of your customers, then it's critical to focus goals on that 20 percent of your customer base.

To balance both long-term and short-term goals, you will define one-, two-, and three-year goals. Obviously there will be more detail developed for one-year goals, but your marketing plan should also include long-term growth strategies. Your strategy should have consistency while remaining fluid and responsive to changing market conditions.

The Balanced Scorecard Goal Framework

The Balanced Scorecard is an effective framework for categorizing goals into financial, customer, process, and culture segments. Section VI, will explain how you can use the Balanced Scorecard (BSC) framework to align activities to achieve your goals. For now, I would like you to think about your goals in each of the four overarching goal categories used in the BSC:

- **Financial:** Think long-term *and* short-term. What are the revenue and profitability goals related to growth? What are the cost containment goals?
- **Customer:** What is the value provided to the target segments of customers?
- **Internal Processes:** What processes must be in place to deliver value to customers?
- **Learning and Growth:** What skills do people need to implement the processes? How will culture inspire employees to deliver extraordinary value to customers?

Goal Categories

In addition to the BSC categories, additional categories are listed below for you to consider, such as business growth and specific marketing and sales categories. Please customize the goals to correspond to the needs of your business. Write your goals using the SMART framework described earlier. When you have finished, edit the list to select and prioritize those that will have the most impact on business success. Fewer goals result in more focus. Summarize the goals in the marketing plan template.

If you have a small company you can group all your goals together. If you work in a large company, you may wish to divide goals (and your plan) by divisions, product and service lines, or geographic regions.

Financial

- Revenue
- Profitability
- Gross margin
- Operating costs
- Other key financial performance metrics

Customer

- Value proposition goals
- Number of customers
- Number and revenue of customers by market segment
- Market share
- Customer retention
- Customer satisfaction (Net Promoter Score)
- Customer lifetime value

Process and Innovation

- New processes to deliver greater customer value
- Process integration
- Number of new products
- New services
- Awards and patents
- Research and development
- Time to market
- Improve customer experience

Growth

- Number of employees
- New customer segments
- New products and services
- New markets, geographic regions, stores, offices, and so on
- Acquisitions, alliances, new channels, and so on
- Revenue, market share, and so on

Learning and Culture

- New positions and skills needed
- Performance measures
- Employee satisfaction
- Culture programs
- Employee retention
- Training and Development

Marketing and Sales

- Lead generation
- Marketing program ROI
- Brand awareness
- Lead to proposal to close ratio
- Sales funnel effectiveness

As you develop your marketing plan, your goals will change and evolve because you will learn more about the market. This section will also be fluid as you develop your plan, so don't worry about writing "perfect" goals before moving on to the next section. In Section VI, you will review and evaluate the goals you are creating now to make sure they are still relevant based upon what you have learned during the course of writing the plan.

Situation Analysis and SWOT Analysis

Situation Analysis

A Situation Analysis is a brief overview of company's current situation. It's similar to a balance sheet as it provides a brief snapshot of the company's current situation. It provides enough of an overview that the reader will understand the company's products and services and the value its products and services provide to customers. The key issues, concerns, and business drivers are summarized to give the reader a good idea of the business environment. This section may also include *brief* information about competitors and past financial performance as well as a brief summary of the products and services in the marketing plan.

All of this information should total two or three pages. Detailed information about the market, competitors, and target market will be developed in the Market Opportunity Analysis in the next section.

SWOT Analysis

A SWOT (Strengths, Weakness, Opportunities, and Threats) Analysis is an important outcome of the situational analysis. It is a simple and effective way to summarize your company's internal strengths and weaknesses, relative to its external opportunities and threats. The outcome of the SWOT matrix is that it helps company leaders develop contingency plans to overcome threats and understand the best opportunities to pursue where the company has a competitive advantage. But remember that competence alone does not constitute a competitive advantage. You must be able to perform and execute better than your competitors. The following summary outlines additional benefits and outcomes from doing the SWOT Analysis.



Marketing Tip

If you are working with another person or a team, it will be valuable to do this exercise as a group to list all the issues and get agreement. Opportunities can be prioritized according to their attractiveness and success probability. Threats may be expressed as a challenge, an unfavorable trend, or a competitive situation that may lead to a possible downturn in sales, profits, or market position. As a group, plan defensive marketing actions to minimize potential threats.

Use the chart in Table 11.1 to create your SWOT Analysis. Create bullet points in each category and then summarize actions in the marketing plan template to do the following:

1. Expand and leverage your strengths.
2. Understand your weaknesses and seek to overcome those that you can control.
3. Identify opportunities and create strategies to act on them.
4. Reduce threats where possible and create a defensive plan.

Table 11.1 SWOT Analysis

Strengths	Weaknesses
Opportunities	Threats

Summary

Now you are ready to summarize the first section of your marketing plan. Using the following checklist to summarize this section in the marketing plan template in the Appendix.

P • R • A • I • S • E™ Marketing Process

Purpose



Summary: Section I

- ✓ Create your company values with buy-in and commitment from senior leaders.
- ✓ Write a vision statement that summarizes the future direction of what the company will become in the future.
- ✓ Write a mission statement that incorporates the company values and vision.
- ✓ Create goals for the desired timeframe of the plan (usually three to five years).
- ✓ Summarize the Situation Analysis:
 - Key issues the plan will address and the business drivers
 - Brief product and services description
 - SWOT Analysis
- ✓ Review and finalize goals following completion of the marketing plan.

Section II

Research: Market Opportunity

*“We have for the first time an economy based on a key resource [information]
that is not only renewable, but self generating.
Running out of it is not a problem, but drowning in it is.”*
—John Naisbitt

This step in the marketing planning process is considered by most business leaders to be the most important. Why? Business decisions are often made without having enough—or the right—information, to make an intelligent assessment regarding the future direction of their business. This part of the process is critically important to your overall plan as it will help you understand the market opportunity, revenue potential, your customer’s wants and needs, and your competitive advantage. You will also learn new ways to use social media and other tools to seamlessly update your plan on an ongoing basis. After completing this section, I guarantee you will emerge with new knowledge and enlightenment about potential growth opportunities. With that bold statement, here is what we will cover in this section:

- How to drive more profitability and revenue from your customers
- The most effective way to define your ideal target market
- Why your customers buy from you
- How to develop your market and competitive intelligence
- Simple steps to build a customer relationship management program
- How to increase customer retention, customer loyalty, and customer lifetime value
- Successful tips to create a customer-focused culture
- Competitive differentiation
- New media and social networking tools to get research done fast and efficiently
- Define and scope your research plan for primary and secondary research

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The Biggest Mistake Entrepreneurs Make

Do *not* be tempted to skip the research phase of the marketing planning process! It does not matter if you are writing a plan (1) for a new business; (2) if you have been in business for awhile and you are writing your first plan; or (3) you are updating an existing marketing plan—*do all of the exercises*. I promise you will gain tremendous insight from doing them. Once you have written the plan at least once, then you can begin to update it using the real-time methods outlined throughout the book. Remember, writing a plan is always harder the first time, but once it is done, it becomes easier to keep it current.

The *biggest mistake* that entrepreneurs make, which causes most business to fail, or at least fail to grow, is that they don't integrate research into the planning process. Entrepreneurs love to jump right in to creating marketing strategy and tactics, which is a huge mistake. When a business takes the time to understand how their solution solves customers' problems, who is buying and why, then strategies and messages that are conveyed through marketing tactics are targeted and effective.

Know What You Don't Know

Research has become considerably easier now that a myriad of Internet resources are available at your fingertips. The problem is not finding information because we are barraged with it. The problem is assimilating it and turning it into actionable knowledge to make decisions. Throughout this process, you will learn new tools and techniques to keep pace with information overload, as well as simple methods you can integrate into daily business processes so this information is organized and updated into your plan in real-time. Another technique you will learn is to use real-time research tools. We will explore how you can integrate social media, social networking, blogging, customer advisory boards, and other tools for getting actionable information in a fast and efficient way.

If you are creating your first marketing plan and have been in business for a couple of years, research will be valuable for several reasons. First, you can validate the assumptions you made when you first started your business. How has the current economic climate impacted sales and customer buying behavior? How has the economy changed the competitive environment? Is the market more price competitive or are there

new opportunities in the current economy that you can take advantage of? How has your target market changed over time? Do customers value your products and services as they once did or have their wants and needs changed? All of these questions and more underlie the reason why research must become integrated into regular business practices.

Second, you will research and analyze new areas where you can grow your business based upon the successes you have had so far. It's valuable to learn from situations that did not turn out as expected. Was the end result due to improper assumptions based on not understanding the market or customer needs? Was it an issue with execution, or was it due to market or competitive factors you did not anticipate?

Third, a marketing plan is a valuable historical document that you can review to see what assumptions you made as you evaluate business results over time. One of the biggest mistakes entrepreneurs make is the false belief that they have a marketing plan because it exists "in their mind." This simply doesn't work. Marketing strategy and plans must be written to completely understand, communicate, and execute them.

As you embark on your research, you will discover many benefits from the experience. One of the biggest is: *You Will Know What You Don't Know*. My experience working with businesses is that they see this part of the marketing process as a journey of discovery. Entrepreneurs feel humbled from the experience, and greatly excited about the new growth opportunities they discover. They learn to be more prepared to respond to changing market conditions, and become more agile to capture new opportunities. Throughout the research phase of marketing planning, one of the biggest benefits you will receive from the process is serendipity, which is discovering pearls of wisdom and insight that you didn't know or were unaware of. This can take your business in an entirely new direction. It happens to everyone going through this process, so remain open to new ideas.



Marketing Tip for Start-Ups

If you are creating a marketing plan for a *new* business, your research will be based on a set of assumptions about the market opportunity, and your objective will be to validate those assumptions. Even though you do not have historical data, do the exercises making a best guess and assumptions using best-case/worst-case scenarios. A valuable outcome of doing the exercises for start-ups is that you will understand what kind of information is important to track on an ongoing basis. The process of learning how to find and analyze the most relevant data and metrics will be applied continuously to adjust your strategies as your business grows. *This gives you a huge advantage over competitors who don't create a marketing plan during the critical start-up stage.*

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A Micro to Macro Process

An easy way to think about research is to break it down into two main chunks: micro and macro research. Micro research is internally focused, and it will help you understand who your customers are and why they buy from you. It involves analysis of your customer data and usually some primary research. Primary research is information you will need to gather on your own using tools like surveys and customer interviews. This research often consists of information gathered directly from customers, or potential customers, and will help you understand buyer needs and preferences.

Macro research is externally focused to help you understand the market, your industry, and the competitive landscape so that you can begin to anticipate market forces impacting your business. Most of your macro research is gathered from secondary research, which is information that has already been collected by someone else for a different purpose, but is useful to you. Examples include information found in research reports, industry periodicals, and articles.

Goals of a Research Plan

There are several overarching objectives of research for a marketing plan. The primary goals are to:

- Gain a competitive advantage by knowing more about your competitors and market trends.
- Understand customer preferences.
- Validate the viability of new product and/or service opportunities for your customers.
- Identify additional target markets for existing products and services.
- Learn about new communication technologies that will help you create richer experiences with your customers.
- Anticipate changes in market conditions.
- Find answers to challenging issues affecting your business.

The end result of your research is to make well-informed decisions. William Pollard said: "Information is a source of learning. But unless it is organized, processed, and

available to the right people in a format for decision making, it is a burden, not a benefit.” The best way to organize and prioritize what is needed is to create a research plan. The research plan will define questions that need to be answered, researched, and then analyzed in order to make decisions and take well-calculated risks that lead you to business growth.

As you go through this section and complete the exercises, write down the issues and questions that arise. Most of the questions can be answered through secondary research; however, it’s also advisable to engage your customers and/or potential customers using primary research. At the end of this section, you will find a process and explanation that will teach you how to create a primary research plan. For now you only need to be concerned with listing research questions as you go through this section.

It’s important to define questions so that they can be clearly answered. Ambiguous questions produce ambiguous answers, so you don’t want to ask an open-ended question that is hard to research or will not yield actionable information. An example of an ambiguous question for a financial service firm might be, “What are the trends in financial services?” A more specific question would be, “As divorce rates climb above 50 percent, what are the specific needs women have for financial planning services and investment advice if they have typically relied on their spouse for this? What do they *need* and who do they currently purchase the services from?” This type of question will help you drill into specifics that will help shape strategies.

Focus and prioritize the research plan on the topics you need to learn about in order to make decisions during the rest of the planning process. Research categories to consider are

- New target markets
- New potential products and new service offerings
- Buyer behavior and needs
- Market situation and key trends
- Market sizing by product or service
- Competitors
- Macro environmental factors
- Customer relationship management processes
- Distribution channels
- Other



Marketing Tip

Research is the most important part of the marketing planning process, and the results of your work in this area will create the primary drivers of your business growth and success. This step in the process is the most significant, and it may also be the most difficult; however, it will make the rest of your plan much easier to develop—and grounded in facts instead of assumptions!

“In the long run, a short cut seldom is.”
—Malcolm Forbes

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Micro Perspective: Focus on High-Value Customers

The heart of micro research is analysis of your existing customer base. Learning more about your current customers is a critically important step in your growth plan. The outcome of the next exercise has eight benefits:

- Segment customers based upon revenue and profit.
- Segment customers by characteristics to improve target market criteria.
- Create a profile of your best customers to use this to target new customers.
- Create different levels of service for different customer segments.
- Align everyone, especially those in sales, marketing, and customer service, on the definition and criteria of different customer segments.
- Reduce customer defection.
- Create strategies to build customer loyalty with your best customers.
- Develop marketing programs for distinct customer segments.

The Most Powerful (and Easiest) Way to Improve Profitability

This exercise is my favorite in the entire planning process because I have seen how this simple analysis adds significant value to every business that has used it. It helps focus companies on attracting higher value customers, it refines marketing strategies for customer segments, and it will help you find new customers who match your ideal target market profile. It is a very simple yet powerful segmentation process.

The first step is to segment your customers according to revenue and profitability in four quadrants: A, B, C, and D customers. Here is a definition for each category:

A Customers = High Profit, High Revenue

B Customers = High Profit, Low Revenue

C Customers = Low Profit, High Revenue

D Customers = Low Profit, Low Revenue (Therefore, the “D” stands for “Deadbeat.”)

“A” customers are your most profitable and highest revenue-generating clients that you want to love individually and often. “B” customers represent an opportunity because business transactions with this customer segment are profitable, but these customers do not purchase very much from your business for some reason. Is it because they are giving part of their business to a competitor? Is it because they make only occasional purchases? Do they tend to buy only in small amounts or in one product category versus across your product or service lines? Are the customers in this segment aware of the full range of products and services your business has to offer? A thorough analysis of buying behavior and decisions will help you take the necessary action to help transform these customers into “A” customers.

“C” customers are those who may purchase a lot from your business and therefore generate a lot of revenue, but transactions are not profitable for some reason. Perhaps these customers are demanding price concessions and discounts. Maybe they only buy “loss leaders” and purchase more profitable items from someone else. Or perhaps your “C” customers require more service from employees? As you analyze this group of customers, the goal is to understand why business transactions with this customer segment are not more profitable and figure out what you can do to change this.

Often businesses will discover large revenue-generating customers are in this segment and these customers receive a substantial discount. If your goal is to increase brand awareness by securing a powerful customer, then this may be an acceptable strategy. If you have customers in this segment that receive large discounts and also bring in a substantial amount of top-line revenue, this *may* also be acceptable. The most important question to ask as you evaluate customers in this category is to ask, “By servicing customers in this segment, what am I giving up by continuing to put resources toward these customers instead of ‘A’ customers?”

The customers that are low revenue and causing a drain on your profits are your “D” customers, otherwise known as “Deadbeats.” When companies look at the customers in this category, they almost always discover that these customers are very difficult to deal with. They may be unpleasant, demanding, or just rude. In other words, it’s painful to do business with them and they cause a drain on resources, or worse, negatively affect employee morale.

You need to do one of two things with this group of customers. First, you should look for ways to develop them into “C” or “B” customers. Review the list of questions and issues listed in each category to see if they apply to this group of customers. Create a plan of action to see if you can increase the value of these customers and move them to a higher segment. If this doesn’t work, you will need to make the tough decision to “fire” them—or you can refer them to a competitor.

Existing Customer Analysis and Segmentation

Step #1: Categorize Existing Customers by Revenue and Profit

Start with what you know. Separate your existing customers into one of the four categories defined by revenue and profitability according to the A, B, C, and D definitions.

Step #2: Add Other Segmentation Characteristics

After you have segmented customers by revenue and profitability, the next step is to look at the customers in each of these categories to describe the characteristics that make each of these customer segments unique. What do you notice about “A” customers? Are there common demographic criteria that describe these customers such as size of company, geographic area, certain industries, amount of revenue, number of employees, primary decision-maker level, or other characteristics? Do these customers make referrals and tend to buy across multiple product and service areas of your business? Are “A” customers the most enjoyable and fun to work with?

When my company went through this process of segmenting customers several years ago, we discovered unusual criteria that we eventually made part of our target market criteria. This criteria was (1) they were in a specific profitability range; (2) they were smart, and we enjoyed learning and collaborating with these companies; and (3) they were fun to work with! As you can see, the definitions you ultimately assign to each customer group are both quantitative and qualitative. *The goal for this portion of the exercise is to think creatively and objectively to define the characteristics of your best customers—the criteria will be used to define your primary target market.*

Now evaluate your “B” customers; what do you notice? Do they only buy one or two products instead of several products and services from your company? Do they give you only a portion of their business while they give your competitors more? Are these customers from a particular industry or geographic area? How would you describe the target market criteria for these customers?

Now look at your “C” customers for common characteristics that could describe this group of customers. Why are these customers high revenue, but low in profitability? Do these decision makers consist of purchasing agents from large companies who purchase in volume at lower prices? Does only one department do business with you instead of the entire company? How is the decision maker different from customers in the other categories? What other characteristics would you use to describe customers in this segment?

As you ask similar questions for your “D” customers, you may notice that there is one particular aspect of this group of customers that is different from the others. Hint: It’s usually tied to the “likability” factor. Is this group of customers difficult to work with? Do these customers require a lot more service or “whine” more than any other customers? Do your employees cringe when they hear a particular customer is on the phone? Look at the group of customers in the group you have identified as “D” customers and define as many common characteristics of this group as you can.

Step #3: Define Service by Customer Segment

When you have finished the first two steps of this exercise, step three is to describe how you provide different levels of service to customers in each of the segments. Some companies may note that they don’t treat customers in each of the segments differently. This is not smart. “A” customers should be loved individually and often and your “B” customers require different handling than your “C” customers. Each customer segment should be entitled to different levels of service.

For example, first-class and million-mile business members get higher levels of service compared to coach passengers who fly infrequently and are interested in a discount price. All customers get to the same destination safely and at the same time, but the customer experience is different.

If you discover that you do not provide differentiated levels of service in each of these segments, you have made an important discovery. When you develop customer service strategies later in book, you can create strategies for each of the customer segments.

Step #4: Customize Marketing Programs

The final step in this exercise is to determine how you market to each customer group. Just as different service levels are needed, marketing programs for each customer segment should also be unique. As you consider your existing marketing strategy and communication programs, think about the types of special offers, rewards, and incentives you offer, as well as the frequency of your communication with segments of customers and/or individuals. Note how existing marketing programs vary (or not) for each of the four customer segments. Later in the planning process, you will put this idea to work to develop different marketing strategies and programs for customer segments.

I mentioned earlier that this one exercise has proved to be a goldmine for some businesses. Here's why: Once you know who your best customers are, and why, this information can be used to target new customers who meet the same criteria. You simply use the criteria that you defined for an "A" customer as your ideal target market profile. Your observations about the characteristics in this segment may also lead to additional targeting criteria. Also note that if you have not maximized the revenue and profit potential for "A" customers and there are still considerable products or services to sell to these customers, then this group of customers might actually be your "B" customers. In this case, you need to set the bar higher and define new target market characteristics for "A" customers. This exercise will also help you increase both revenues and profits with your existing customer base by evaluating how to migrate them up another level or two, transitioning "B" customers to become "A" customers, "C" customers to "B" customers, and so on.

Every company I have worked with has found this exercise to be extremely valuable because it shines a bright light on information they didn't know about customers. It also helps establish more effective marketing and sales strategies, as well as processes.

A healthcare company did this exercise and was shocked to learn that the 80/20 rule was actually reversed. Most of their customers were in the "D" category. By simply understanding this and defining what an "A" customer looked like, they were able to completely refocus the sales force on a new set of target prospects, resulting in a huge uplift in new sales. They also "fired" their "D" customers by politely referring them to a competitor, and this enabled them to focus their energy and build a new sales funnel of profitable customers very quickly.

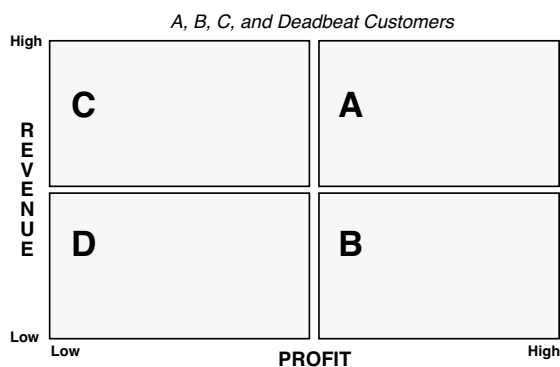
Following completion of Figure 14.1, summarize your findings and decisions in the marketing plan template in the customer segment and target market sections. You will continue to refine this information as you complete additional exercises in this section.



Marketing Tip

If a marketing team is working on the plan, it is extremely valuable to do this exercise as a group. You may want to invite the sales team to participate in this exercise. It can be done individually first, then shared as a group to see if everyone has similar or different perspectives, and why.

PRIORITIZE CUSTOMERS BY VALUE



- (1) Segment customers by revenue and profit.
- (2) Define other characteristics that are similar in each segment.
- (3) Define how customer service is different in each customer segment.
- (4) Define how marketing programs are different in each segment.

I know this about my class A customers: _____ _____
I know this about my class B customers: _____ _____
I know this about my class C customers: _____ _____
I know this about my class D customers: _____ _____

Figure 14.1 *Prioritize customers by value*

Love Your Loyal Customers

Many companies are focused on finding and selling to new customers, but the smartest companies concentrate on keeping their existing customers and growing their relationships with them. Here's why:

- It is *five times more effective* to sell to an existing customer than it is to find a new customer.
- Customer loyalty drives profitability. It is estimated that keeping a customer can *increase profits between 25 and 80 percent*.¹
- Loyal customers make repeat purchases.
- Loyal customers tend to buy across your portfolio of products and services.
- Loyal customers give referrals.
- Loyal customers tell their friends and spread good will.
- Loyal customers are immune to the pull of competition.
- Loyal customers require less marketing.
- Loyal customers help you co-design new products and services.

Do you know what drives customer loyalty in your company? In addition to an analysis of your customer base, it is important to understand WHY customers choose to do business with your company. What drives them to do business with you instead of your competitors? What do your customers value the most? It's easy to form assumptions about why customers do business with your company instead of competitors, but the only real way to know is to *ask them*. Surveys, focus groups, and behavior research can help you understand what customers want and gauge how well your company actually meets their needs.

How Do You Measure Loyalty?

You now know that great customer service and experience creates customer loyalty, which in turn creates more profitability, but how much profitability? Research shows that *a one percent increase in customer retention is equal to a five percent increase in business value*, which is significant. Research also has proven that companies with the highest level of customer loyalty *grew revenues at twice the rate of their competitors*.²

There are several metrics you can use to track customer loyalty. Two of the most effective are customer lifetime value (CLV) and customer delight using the Net Promoter Score (NPS). These concepts are explained below.

Measure Customer Profitability and CLV

A basic measure of customer profitability is the revenue a customer generates over a period of time, minus the cost of attracting, selling, and servicing the customer. Activity-based cost is another way some businesses calculate customer profitability. This method is more complicated and involves subtracting all costs and resources to make and distribute the product or service, including all expenses to service the customer (travel, entertainment, phone calls, and so on). This is a much more granular method of estimating customer profitability, and if you don't have the luxury of time or an accounting department to crunch all these numbers for you, I suggest you stick with the simple calculation previously described. This basic measure will give you a good estimate of customer profitability and you can also use the same method to evaluate profitability of channels and market segments.

CLV is based on the concept that a customer profit rate increases the longer they do business with a company. Depending upon the industry, this number can be substantial. According to James Putten of American Express, a company's best customers outspend others by:³

- 16 to 1 in retailing
- 13 to 1 in restaurants
- 12 to 1 in the airline business
- 5 to 1 in lodging

CLV can be calculated in several ways. Many companies use the same calculations described above (annual customer revenue minus costs to arrive at profitability rate and the number of loyalty years) plus estimating the net present value. But again, if you have not estimated CLV before, I recommend a basic approach (customer revenue - costs = profitability × years) so you have a good estimate of present and future CLV and how loyalty transfers to profitability in your business.

Building Customer Loyalty

It's a fact that loyal customers create sustained, profitable growth. You now know *why* you should focus on creating loyal customers and how to measure it, but *how* do you do it? Here are a few methods you can learn and apply to your business:

- Measure customer delight, not customer satisfaction.
- Measure customer loyalty using the Net Promoter Score.
- Create customer relationship management strategies for profitable customer segments.
- Build a customer and employee centric culture.
- Engage customers in unique customer experiences.
- Know why customers buy your products/services and why they choose to do business with your company.

Measure Customer Delight, Not Satisfaction

Measuring customer satisfaction will not be an indicator of customer loyalty. Yes, you read that correctly. In fact, customers who are merely satisfied are at risk of defecting to a competitor. Why? Like a business attribute like "quality," customer satisfaction is becoming a given, a baseline assumption that customers expect. Consumer needs have become more fickle as products and services have evolved to become more sophisticated and a vast array of choices has been made available for consumers to choose from. This means businesses need to ask different questions to understand whether they are meeting customer needs.

Fredrick Reichheld, author of *The Ultimate Question* and *The Loyalty Effect*, has studied customer loyalty and how to measure it for more than a decade. He discovered there is really only one question that a business can ask its customers to know if they are loyal:

"How likely is it that you would recommend this company to a friend or colleague?"

Net Promoter Score

Reichheld's question results in a metric called the Net Promoter Score (NPS). The NPS is derived from measuring customer satisfaction by the criteria in three groups:

- **Promoters** are loyal enthusiasts who continually buy from a business and encourage their friends and family to do business with the company.
- **Passives** are satisfied but unenthusiastic customers who would easily move to the competition.
- **Detractors** are unhappy customers who no longer wish to buy from a company.

Reichheld advises companies to measure customer loyalty by asking the "Ultimate Question" and using a ten-point scale. Promoters score a 9 or 10, Passives a 7 or 8, and Detractors score 6 or below. Therefore, the best way to gauge customer loyalty (profitable growth) is to subtract the number of detractors from the number of promoters to calculate the NPS ($P - D = NPS$).

The best companies average an NPS between 50 and 82 percent. Sadly, the average U.S. company has an NPS of less than ten percent. Some firms even have a negative NPS. It's no wonder so many businesses fail. They don't know how to keep their existing customers; therefore, how could they ever be successful in growing their business with new customers? The NPS is a remarkably simple methodology to track customer loyalty and understand customers' constantly evolving wants and needs.

Both small and large companies are integrating the NPS score into their business processes and using it as a key metric. Take a look at how Intuit uses the NPS to measure and improve customer relationships and develop new products.

Intuit: How the Best Get Better

Scott Cook, former CEO of Intuit, was passionate about creating customer loyalty. When Intuit adopted the NPS to measure customer loyalty, they implemented a two-question phone survey to determine how many promoters, passives, and detractors there were. They asked:

1. What is the likelihood that you would recommend TurboTax to a friend or colleague?
2. What is the most important reason for the score you gave?

The result of asking these two questions resulted in an NPS of 27 to 52 percent across Intuit's product lines.⁴ While this is above the national average, Intuit's goal was to achieve a much higher ranking. Intuit launched a 6,000 member "Inner Circle" of customers to get ongoing feedback about how the company could improve. As customers joined the virtual community, they were asked to answer the "Ultimate Question" and make recommendations for improvements to TurboTax. They could also vote on the suggestions other people made. Intuit's software team then ranked and prioritized the suggestions so the most popular and valuable suggestions were implemented first.

But Intuit didn't stop there. They discovered that priorities were different across the Promoters, Passives, and Detractor segments. Curious, executives called customers to learn more. (Note: The task was not delegated to a research manager.) This resulted in several discoveries and subsequent improvements in the products. The final outcome was an increase in new user NPS from 48 to 58 percent, and scores for the desktop version of TurboTax jumped from 46 to 61 percent.

If your company has several metrics, you might find it refreshing—and immensely more valuable—to focus on one measurement. Cook said, "We have every customer metric under the sun and yet we couldn't make those numbers focus the organization on our core value of doing right by the customer. The more metrics you track, the less relevant each one becomes. Each manager will choose to focus on the number that makes his decision look good. The concept of one single metric has produced a huge benefit for us—customers, employees, and investors alike."⁵

Current CEO of Intuit Brad Smith has continued to foster Intuit's maniacal focus on understanding customer needs and using non-traditional market research to do so. Follow Me Home is an observational research project started several years ago. Intuit representatives go to a customer's home or office and observe them as they load the software and use it. Intuit knows they can only learn so much by talking with customers and asking questions. Often it's far more effective to watch what customers do when they use a product. This sheds light on how the product is used, the features customers use and appreciate the most, and those that are not used at all. Over time, this helps Intuit modify products to meet customer needs based upon what they value the most. It's so important that Intuit invests more than 10,000 hours a year with customers on this project alone.

1:1 Marketing: Treat Different Customers Differently

So far, you have learned how to segment customers and why customer loyalty is important to the profitability of an organization. The process of understanding how your company collects and analyses this information has probably shed light on how well this information is tracked and stored in a database. If you currently segment customers based upon their value to your business, great. You may use this information to provide different levels of service and marketing to different segments. If you do not currently track this information, or only track some of it in a sales database program, then now would be a good time to assess your current and future needs. Ongoing tracking and analysis of customer purchases and buying behavior is a critically important aspect of your marketing plan. This information will be used to develop your customer relationship management (CRM) strategies.

The basis of CRM is simple: Rather than trying to sell a product to as many customers as possible, focus on selling as many products or services to each customer over their lifetime. Rather than organizing the company around products, divisions, and sales channels, organize around the customer. Instead of trying to sell to as many new customers as possible, focus on getting, keeping, and growing customers. This is the basis for profit growth.

Most marketing and sales teams are using some type of CRM program to track customer information. For those that do this well, the core of a CRM program is a database that enables a learning relationship with customers. It tracks what customers buy, their preferences, and a company's profitability, activities, and communication with customers. By tracking information on an individual customer basis, anyone in the company can have the information they need to have the next conversation with a customer.

Make Customers the Center of Your Universe

An effective first step of developing and implementing a CRM program is to focus on creating a CRM strategy for your most profitable customers. Don't extend it to other customer segments until after this first step is implemented and tested. When this

process has become successful, you can choose another segment and roll out programs to the next customer group. This process of slow, incremental implementation has proven to be one of the most critical success factors for companies implementing new CRM programs.

A CRM strategy begins with defining the type of information that is important to know about customers, as well as how this information will be tracked and reported. For some businesses, it is useful to report this information weekly; for others, it is useful on a monthly or quarterly basis. If you don't have a person responsible for CRM programs, assign a customer relationship manager who is responsible for a certain set of customers. This person can come from sales, marketing, customer service, or another area of the company. On a monthly or quarterly basis, have the CRM managers organize and share what has been learned about customers.

Cross-functional team dialogue is often overlooked, but it is critically important. By distributing CRM responsibilities across several people and sharing customer feedback, it takes the burden off one or two people to be responsible for this information. It will also help the broader team become smarter about customers as people learn from each other. This type of process achieves the outcome of improved customer relationships and helps your business become a customer-focused learning organization. The product marketing teams will begin to design new products and services to more effectively meet the needs of customers. The marketing team will know how to craft new messaging that is more relevant to its most valuable customers. And it will help break down the barriers between sales and marketing teams by engaging in a dialogue about what customers want, and how to improve sales, marketing, and customer service.

Maintaining or growing customer relationships may require new customer service strategies directed toward major accounts or valuable market segments. Major account service may require a restructuring of the sales force to allow salespeople more time with customers. If a company differentiates itself from competitors based on knowledge and service, then training programs may need to be developed for several audiences who interface with customers, including salespeople, distributors, customer service agents, and operations teams.

If delivery, integration, or logistics is a priority for customers, business processes may need to be redesigned to fulfill customer requirements. A customer that demands reliability and responsiveness may require a 24/7 help line. Initiatives such as these improve customer service and differentiate a business as a result of being customer focused rather than product focused. When businesses allow customers to challenge them to improve service and experience, the company will be better as a result.

Marketing's Secret Weapon

So far, we have discussed how to analyze and segment your existing customers and track customer information to develop effective CRM strategies. These are the basic mechanics for fostering customer loyalty and building a more profitable customer base. Customer experience and a customer-centric culture are the elements that add the magic.

A strong customer strategy requires a company culture that values customers and nurtures this philosophy among employees. It's easy for business leaders to talk about creating a customer-focused culture, but actually doing it is a completely different matter. Companies that are customer-centric do more than put programs in place. *They design a culture that values creating a rich customer experience, and strives to exceed customer satisfaction.* Employees in companies like this realize that customer satisfaction is important, but it's just the price of admission for competing in their industry. They know that *exceeding* satisfaction creates customer loyalty and a high-performance organization.

Many companies adopt a "customer is always first" mantra, but it's my experience that this is wrong—it's backwards. If you put employees first, they will always move mountains to take care of customers. It just doesn't work the other way around. If you have ever experienced an employee who is complaining about how the company treats them poorly while trying to service you, then you know what I mean. Customers will not feel valued unless employees feel valued, too. Companies that truly value and appreciate their customers create a culture that is respectful to both customers and employees. It's really quite simple. Employees want to please customers. The biggest reason they don't is because they don't feel valued or don't understand how; therefore, how could they provide great customer experiences? Employees need to know the rules of customer engagement and what their boundaries are so they feel empowered to do the right thing for customers. It's simply playing by the Golden Rule: "Do unto others as you would have them do unto you."

It may sound easy to build an employee- and customer-centric strategy, but don't be fooled. According to a survey of CRM users, 87 percent of those surveyed said the failure of their programs was largely due to the lack of adequate change management. Even

though there was a desire to be customer focused, the culture did not support the strategy. If customer strategy is not crystal clear and integrated into company values, culture, and daily processes, even the best of intentions will be disappointing.

A company's ability to foster customer loyalty is closely linked to the company purpose and culture. When a company has a strong foundation of values and principles, and has processes in place to nurture them, executives and employees can naturally do the right things to stimulate customer loyalty. If you did a good job of defining your company purpose in Section I, "Purpose," you have taken a huge leap in the right direction.

Customer-Focused Culture at OrangeGlo

One day I was visiting the office of OrangeGlo, a family-run business that was on a path to turn its small cleaning business into a multi-million dollar brand. (It was eventually sold to Church and Dwight, makers of Arm and Hammer products, for \$325 million.) When I walked through the front door, it appeared that nearly every employee in the company was packed into the front office. Entrepreneur Joel Appel was sharing a story about how two of the drivers had just returned from a long trip delivering product across the country when they received a call from one of their best customers, Wal-Mart.

Wal-Mart was in process of opening one of their biggest stores in Texas and realized they were out of stock of OrangeGlo and OxiClean, two products that Wal-Mart customers expected to find in the store. They asked OrangeGlo if they could possibly arrange to have the products there the next day, which was not possible using typical transportation methods. So the two drivers offered to load up a truck and drive it day and night in order to please the company's most valuable customer.

Appel could have rewarded the two men with additional pay or a "thank you" and left it at that. Instead, he chose to recognize the two men for their dedication and commitment for doing something so important to both Wal-Mart and OrangeGlo. If you could have seen the smiling, beaming faces on the two men, and all the other employees who were smiling, clapping, and patting them on the back, you would realize there is nothing more important than rewarding employees for their actions. There could not have been a more powerful training moment than this to teach other employees the value of customer service.

Another great lesson about creating a customer-and employee-centric culture can be learned from The Ritz-Carlton. In Chapter 6, “How The Ritz-Carlton Creates and Sustains a High-Performance Culture,” I described how all new employees at The Ritz-Carlton are required to attend training prior to ever setting foot on the job. There is strict adherence to this rule because the company realizes that they are in the business of creating unique customer experiences. In order to do this, employees must understand the company values, principles, and what it means to “anticipate and respond to a customer’s unexpressed wishes.” This is very hard to do in a service environment where every customer service moment is unique.

A company can only teach employees what their values mean, provide them with examples, and clearly state what their boundaries are to meet this goal. To this last point, The Ritz-Carlton’s employees are allowed to spend up to \$2,000 a day to make sure a customer is satisfied. Employees rarely tap into this fund because they know they have a high degree of flexibility and creativity to make customers happy—and happiness is not usually tied to money.

Company culture is the secret weapon of good marketing. A talented marketer can create brilliant marketing programs, but if the underlying culture can’t support it, even the best programs will fall short.

The following is a list of a few rules of the road to keep in mind as you design a company culture linked to customer strategy.

Tips to Create a Customer-Centric Culture

1. Company culture starts at the top. If the CEO or senior leadership team does not value culture, you have quite the battle in front of you. If you are a marketing executive in a company with a problematic culture, focus on the things you *can* do to help your company move toward building a customer-centric culture.
2. A powerful external brand begins with a strong internal brand:
 - Is there regular, ongoing communication across the organization so people understand the company strategy, goals, and how their daily work contributes to this?
 - Do people understand the company purpose, mission, vision, and values?
 - Are values defined and communicated often so people understand what types of behaviors are associated with the values?

3. Educate and train employees to do the following things:
 - Treat different customers differently. To do this, they will need to understand who your best customers are, as well as understand the criteria and rationale for customer segmentation. Share the outcomes of the A, B, C, D exercise.
 - Handle difficult customer situations. If employees are trained and armed with ideas and examples about how to handle a variety of customer situations, they will be much more relaxed and feel more capable to respond.
 - Set broad boundaries. Give people the latitude to solve customer problems. If they understand what the boundaries are, you can leave it to them to be creative and do the right thing for customers.
4. Invest in training for new employees, especially in areas like company culture and values. This will set them up for long-term success.
5. Provide feedback mechanisms so that front-line employees can easily communicate customer needs to the rest of the organization. Feedback should not be limited to only the marketing and sales departments, but should be shared throughout the organization so everyone can learn, interact, and respond to customer feedback.
6. Reward employees who provide outstanding customer service. Not only will you retain your best employees, you will set an example for others in the company.

Create Unique Customer Experiences

One of the most interesting and creative ways successful companies create competitive differentiation is by creating unique customer experiences. Peter Drucker said, “The aim of marketing is to make selling superfluous.” In today’s market, this could be updated to: “The aim of great customer experiences is to make marketing superfluous.”

Perhaps the best expression of this is the growing trend of customers taking a more active role as co-producers in experiences. For example, Nike’s web site allows customers to custom design their own athletic shoes based upon individual preferences. Oakley sunglass fans can design and order their own shades on the company Web site.

Converse has been selling shoes for decades. If you’re a Gen-Xer, perhaps you wore a pair of the famous black and white tennis shoes. Was it ever a good shoe? I don’t think so. In my humble opinion, it has absolutely no arch support or performance capabilities, but the brand has been revitalized and has made a comeback by designing shoes that appeal to a new generation. Visit www.converse.com and you’ll experience a young, spunky, and user-friendly site. Browse their diverse array of clothing and shoes, including those by designer John Varvatos. The most engaging aspect of Converse.com is the excitement of concocting your own unique pair of designer shoes. Choose from twelve basic designs, a deluge of fabrics, threads, patterns, lace colors, and even the hue of your rubber insole. Converse.com elicits a delightful creativity that, for a decent price, can be yours with a simple click.

You don’t have to have a consumer product or retail store to create a unique customer experience. Citizen’s Bank in Boston installed a “Dog Spot” in the lobby of a bank to cater to dog lovers. A special area features water bowls, a doghouse, and dog biscuits so canine-loving customers could bring their best friend with them while they took care of banking needs. Suddenly a typically mundane activity like making a deposit became a warm and friendly experience.

Business-to-business markets can foster customer loyalty by hosting customer advisory boards or creating unique events that foster customer intimacy. The following stories illustrate a few examples.

Customers for Life

When a new business division at Avaya was created to focus on Service Providers, I was brought in to lead global market development with our customers. It was a unique business model. We bundled Avaya's communication solutions with those of large service providers like Sprint, France Telecom, Telecom Italia, AT&T, British Telecom, and other tier-one service providers around the world. Our objective was to partner with these companies and build a new revenue stream for both Avaya and the service provider by selling solutions to the service provider's customers. Hosted, on-demand services required the implementation of a new business model (from hardware to hosted solutions), so it was critical to build relationships with executive decision makers.

As our team designed the launch of this new service, we knew that traditional marketing programs would be useless in reaching the CEO and other executives unless we implemented a compelling customer intimacy strategy. A key part of this strategy was sponsorship of The World Business Forum, a two-day conference for C-level executives to listen to the world's leading thought leaders such as Jack Welch, Richard Branson, Tom Peters, Jim Collins, and respected CEOs from the world's best companies.

Over the course of two days, we had the opportunity to spend quality one-on-one time with our customers and get to know them on a level that would have taken years of business meetings to develop. We hosted lunch and cocktail parties with the conference speakers so customers had the opportunity to talk with them about specific business challenges. In the evening, small dinners with customers were arranged so everyone could share perspectives about the topics that were presented that day and get to know each other on a personal level. Over the course of two solid days with customers, business issues were discussed, and much of the conversation was personal. As relationships developed, it opened the door to talk with customers about the advantages of implementing a new business model. It was a priceless experience with customers—who became friends for life. Had we taken a more traditional sales path, it would have taken many months to have quality conversations with these individuals.

Customer Experience: The Dark Side

Customer Experience: The Dark Side

In the new economy, there is little margin for error. Companies that do not pay enough attention to customer service are prey to agile competitors who see an easy opportunity to strike and take advantage of a vulnerable customer base. It's not just poor customer service that causes customer defection: The growing use of social media can quickly accelerate a company's demise.

Once upon a time (pre-Internet), customers who had a bad experience would tell nine or ten people about it. Now when a customer has a bad experience, they tell thousands—even tens of thousands of people about it around the globe.

People don't just tell others about their bad customer experience, they may post a video on YouTube or a blog that *shows* people just how badly they were treated. Ouch. And it won't be long before customers are streaming live audio and video of the mishap for the entire world to see. Marc Andreessen, founder of Netscape, the first Internet browser that was sold to AOL for \$4.2 billion, is involved in a new company called Qik. This technology has the ability to turn every mobile device with a camera into a source of streaming video and audio. Just imagine the effect of this. Qik's technology could record a firestorm of customer service disasters.

Why Consumers Are Skeptical

Clearly consumers are more skeptical today than they have ever been before. Who can blame them? Enron was essentially fictitious; executives at Tyco, Qwest, and a host of other firms lied and cheated all the way to the bank. Once solid financial firms crumbled like a house of cards. Even our former president, George W. Bush, lied about "weapons of mass destruction." And then there's Bernie Madoff, who has forever changed the look a consumer has in her eye when talking to her financial advisor. There's plenty of reason for even the most optimistic of folks to be skeptical.

But what has led to consumer skepticism is not caused so much by the big issues just mentioned. It's the small ways companies, even entire industries, take advantage of their customers. Airlines are probably the worst. You will never know what the best fare is when booking a flight. You could have easily paid hundreds of dollars more for your ticket than the guy sitting in the seat next to you. Making last-minute travel plans? Most companies would love to give you a discount for potentially unused inventory, but airlines find this a good excuse to charge you even more. If you are traveling last minute to attend a funeral, you may get a generous \$100 off the price of the inflated ticket, but the customer service agent will press you to produce verification from a physician or funeral home that your loved one is indeed dead. Just what a grieving customer needs.

Most major airlines charge their customers \$100–\$150 to make a ticket change, and \$50 to check a bag. As fuel costs soared, consumers were nickel and dined for a cup of coffee or a soda on a flight they paid more for than they did a year ago. Airline execs blamed Wall Street traders for higher costs due to soaring fuel costs, but when the price of oil dropped to half of what it was, airlines continued to charge customers the same price for a ticket and charge for the basics such as having your luggage accompany you on a trip. In a recent Jay Leno monologue, Leno quipped that it won't be long before airlines start to charge consumers for basics, like arriving at their destination safely. Want a smooth landing? That will be another \$50.00.

Live By the Golden Rule

Southwest Airlines is one of the few airlines that remains profitable and has a stellar reputation for employee and customer satisfaction. They simply follow the Golden Rule: *Do unto others as you would have them do unto you*. Ask any Southwest Airline employee or executive, and they will tell you they practice the Golden Rule in everything they do. But there is no need to ask because you will *experience* it.

Other industries are also guilty of poor customer experience. Car rental companies charge consumers two or three times above normal gas rates if they bring back a car without a full tank of gas. Imagine a car rental firm that filled up the tank for you when you returned it, charging you the market rate? Wouldn't people flock to do business with the company? But it may not necessarily be for the great experience as much it would be for the thrill of just being treated fairly. This is one industry that has opportunity written all over it.

Another industry that comes to mind when thinking about customer service is the communications industry. Mobile phone carriers won't hesitate to send a customer a \$1,000 phone bill because her teenage son downloaded ringtones and music from the

Internet without a data plan. But how would a teenager know the phone company charges ridiculous data transfer rates for a slow download of a song? If only mom had known she could have signed up for a \$25 a month plan for unlimited Internet access and saved \$975!

Customer Service Gone Bad

Perhaps the darkest side of customer experience is the way in which some companies take advantage of their most loyal customers. If you are a loyal cable subscriber, you are probably paying more for your service than a new customer who just got a deal for switching carriers. If you are a magazine subscriber, you are probably being asked to renew your subscription at a much higher price than if you just let the subscription lapse and subscribed as a new customer. *Why are some companies penalizing their best customers?*

Do companies really think they are making more money with this bait and switch tactic? All the switching, paperwork, and hassle of dealing with companies like this is frustrating for customers, as well as for employees. Do companies think consumers are too stupid to notice? Or that employees don't know they are duping customers? If bad behavior like this is just company policy, why on earth would an employee ever trust the company they work for?

Treating people fairly is a pretty simple concept. So is the idea of giving good customer service. As we get back to basics in this new economy, maybe more companies on the dark side of customer service will see the light.

Why Do Customers Buy?

The “A, B, C, and Deadbeat Customers” exercise in Chapter 14, “Micro Perspective: Focus on High-Value Customers,” helped you segment and analyze your customer base. The next step is to analyze why your customers buy from you. Do you know what your customers value the most? What drives them to do business with you instead of your competitors? To answer these questions, you will create a “working hypothesis,” or best guess, about why your customers choose to do business with you. This question can only be answered one way: You need to ask them. The outcomes from the “Why People Buy” exercise later in this chapter will become part of your primary research.

Entrepreneurs have a sense of what motivates customers to do business with them, but as I have worked with hundreds of entrepreneurs on this exercise, they usually discover that their initial assumptions are incorrect. This causes a whole chain of marketing mistakes: Sometimes brochures do not describe the actual benefits customers derive from a product, service, or company; or the company emphasizes low price when price is not even important to the customer buying decision. Factors like timeliness of delivery or what constitutes quality are very different between what the company assumes and what the customer really wants. The “Why People Buy” exercise will help you separate facts from assumptions. Like the “A, B, C, or Deadbeat” exercise, there are many benefits to this exercise including improved marketing strategies, focused messaging, and improvements in the results of marketing programs.

Mac McConnell, who owns Artful Frame Gallery in Fort Lauderdale, Florida, thought for a long time that his customers bought because of price. He advertised low prices and competitive research revealed he was indeed the cheapest in town. Frustrated with business profitability, he decided to ask each customer who came in the door over a six-week period to fill out a one-page questionnaire about his or her experience with Artful Frame and the reasons why he or she buys from him. Much to his surprise, McConnell discovered that his customers prized quality, creativity, and service. Price finished near last as a priority in his shoppers’ minds.

As a result of this simple questionnaire, McConnell's entire strategy shifted from being the low-price provider to being a quality framing shop. His employees are trained to skip a conversation about price and engage the customer in a creative discussion. McConnell changed his inventory to emphasize high-end pieces. The average invoice rose from \$67 to \$167. Sales tripled to almost \$600,000 and net profits increased 26 percent. Not only is McConnell happier because he is making more money, he and his staff are happier because they are doing more creative work for customers.

Why People Buy

Create a working hypothesis, or best guess, of why people buy from you. Your goal will be to validate your working hypothesis in your primary research. This information will be used in several areas of the planning process including the development of several business strategies. It will also be used to create focused communication and messaging to increase the effectiveness of your sales and marketing programs.

- A. Select and Define Attributes:** Review the following list of attributes and select those that you believe are the primary reasons your customers buy from you. If these attributes don't fit for your business, write your own attributes in the blanks below. Select and define no more than five attributes.

<u>Attribute</u>	<u>Definition</u>
Price	_____
Quality	_____
Customer Service	_____
Reputation	_____
Relationship	_____
_____	_____
_____	_____

- B. Prioritize and Rank Attributes:** Based on why you believe your customers choose to buy from you, rank the attributes in order of importance: 1 is the least important and 5 is the most important. Prioritize each attribute so you have a ranking of most important to least important. Prioritize and rank exactly the same number of attributes that you defined above.

C. Translate Attributes to Benefits: Write the prioritized ranking of attributes in the area below. Now translate each of the attributes into features and benefits customers receive from them. Describe the benefits from your customers' perspective.

ATTRIBUTE	FEATURES	BENEFITS
1.		
2.		
3.		
4.		
5.		



Marketing Tip

If you are taking a team-based approach to writing your company plan, have everyone in the group begin by brainstorming a list of possible attributes and vote on the top five. Then have everyone define and rank each attribute separately. When finished, go around the group and have each person describe how and why they answered as they did. You will be surprised how different the responses can be!

Decide as a group how you will choose to define and prioritize each attribute. If you are doing this exercise as part of a strategic planning session, this should be one of those "Ah Ha" moments as you realize how internally focused ideas and messaging can be. It should stimulate interesting discussion because people will have differing opinions. The secret to this exercise is to realize that *only your customers* can really define their buyer motivation.

Action

After you have completed this exercise, the next step is to validate your assumptions with customers and dig deep to understand what motivates them to do business with you. This will be done using primary research such as a customer survey or customer interviews. This process will be explained later in this section. For now, summarize what you learned in the "Customer Behavior" section of the marketing plan template and write down questions you would like to have answered when you develop your primary research plan.

Real-Time Customer Research

The concept of customer focus groups usually creates an image of a group of 10–12 people who meet anonymously behind a two-way mirror to discuss a company's products or services. While this primary research method can be an effective way to get customer feedback, I would like to share a very different approach for learning about customer preferences. This approach can be used for any size of company, but it is exceptionally valuable for companies that are in the early-stage launch of a product or service.

Launch Pad is a business that was founded by Joel Appel and Frank Kvietok. Both Joel and Frank have deep consumer products experience. Joel and his family founded OrangeGlo (specializing in cleaning products), which was sold in 2006 for \$325 million. Frank was a “creative PhD” scientist with Procter and Gamble. The two young entrepreneurs founded Launch Pad with the intention of funding and rapidly launching innovative new consumer products.

How do they know if a product will be successful or not? Aside from experience and “gut feeling,” they use consumer focus groups to test and validate their assumptions about the go-to-market strategy. But focus groups are not simply used as a research tool. It's actually part of the underlying fabric of their business operations. Here's how it works.

Every Wednesday, a group of people, mostly women who have been a part of this group for a long time, meet to give their opinions about various products. During the course of an hour, product managers from Launch Pad present concepts and ideas to the group who in turn give their opinions about the products and the way they are marketed. There are no two-way mirrors, no set agendas, and no formalities—just honest direct feedback.

The day before the meeting, the agenda is penciled out. Topics range from discussion about the likes and dislikes of a product, packaging design, messaging on a Web site, pricing, promotions, or advertising, to questions about who would buy the product and why, among other topics.

One of the most unique and valuable outcomes from the focus groups is the ongoing interactivity that potential customers have with the products. All of the products are in various stages of product launch and the group gives ongoing feedback throughout the launch process and product life cycle.

This group has the power to shape the strategic and tactical launch of the go-to-market strategy. The Launch Pad team actively listens to the comments and suggestions, makes adjustments, and the cycle repeats. Every week the goal is to get permission to move to the next level. As the product progresses through the launch process, it is progressively tested in target markets so the strategy can be refined. It's one of the most effective processes I have seen for launching new products. It enables a company to see if a product or product strategy will be successful—or not—before thousands of dollars are wasted.

While this process is ideal for a new product launch, you can modify it for testing products and services in new markets, evaluating new features, advertising campaigns, and other important marketing criteria.

Ongoing research to understand the ever-changing wants and needs of customers is an important part of every marketing plan. As you read through this section and go through this process, you will learn various techniques for integrating customer feedback into your everyday business activities.

**Marketing Tip for Large Companies**

If your company or agency has done recent customer research to understand buyer behavior, review this information to see if you can use the findings in your marketing plan.

You may discover that the type of research your company conducts annually does not include the right type of information to update your plan, or enough specifics into what drives buyer behavior. If this is the case, make new recommendations about the type of research criteria that will be more useful in the future.

Macro Perspective: Get the Big Picture

The first part of this section focused on the micro, or internal, aspects that drive your business. The research up to this point has been focused on your customers and has been gathered from company database records (or your best guess if you don't collect this information). Now we'll shift to an external perspective to seek information about market segments, competitors, and the market environment. The blending of information about both the internal and external environments will help identify opportunities for business growth. The combination of both the micro and macro research becomes the Market Opportunity Analysis (MOA) section of your plan.

A macro perspective is an understanding of the market and industry in which you compete, the potential market size for your solution (projections of the available market size, revenue, and market share), and your competitors. Macro research will include examining the issues and events outside of your control (such as the economy) that may impact your business. Companies that learn to anticipate market, industry, and competitor dynamics have a distinct competitive advantage. They discover opportunities and quickly respond to them because they have already thought through their next strategic move. Businesses that are not prepared for obstacles and uncertainties are often blindsided. These companies can get derailed for periods of time; or worse, they can fail due to unforeseen issues.

Your research in this section will include the following:

1. Sizing the market opportunity for your products and services.
2. Defining your target market.
3. Competitive research to determine your unique differentiation in the market.
4. Macro-environmental issues and trends to anticipate changes that are outside of your control but still impact your business.

Market Segmentation and Target Marketing

Clearly and accurately defining your target market(s) is one of the most important, if not *the* most important, part of developing your marketing plan. If the target market description is not accurate or is too broad, the rest of your marketing plan will not be on point.

If your messaging and marketing strategies are directed to the wrong target market, how could they possibly be effective?

Identifying a target market starts with market segmentation. Market segmentation is the process of defining and selecting all the possible segments of customers who would be interested in buying your products. Begin by identifying the broad market segments that buy your products and services, then narrow this to the one or two markets that have the strongest need and ability to purchase your solutions. Factor in issues such as the ease of reaching and selling into the markets, competitor market share, and other factors.

If you sell many diverse products and services, or if you sell into many different industries or geographic locations, you may have several target market definitions. They may be defined by demographic and psychographic characteristics. Demographics are items like age, income, gender, occupation, and so on. Psychographics are lifestyle traits, such as hobbies, sports, and special interest groups. Market segments should be mutually exclusive with no overlaps.

**Marketing Tip**

Review the definitions you developed for your “A” customers in the “A, B, C, or Deadbeat” exercise of Chapter 14, “Micro Perspective: Focus on High-Value Customers.” If these characteristics represent the optimal buyer for your products and services, you should integrate these characteristics into your target market description.

Use the following criteria to define your target market. The first section, “Identifying Target Market Segments,” summarizes common characteristics of primarily consumer buyers, although several factors can be used to target business buyers. The second section, “Business-to-Business (B2B) Target Markets,” summarizes the attributes of buyers in a business market. Be as specific as possible to define an accurate description of your customers. The more you narrow and focus on precise characteristics of buyers, the more targeted your marketing becomes.

Identifying Target Market Segments

1. Demographics

Consumer: Criteria such as age, sex, income, occupation, education, household size, geography, home ownership, marital status.

Business-to-Business: Criteria such as industry specialty groups, geography, level in organization (C-level), size of organization, number of employees, revenue, type of asset, buying cycle, seasonality.

2. Psychographics

How do a prospects' lifestyles, interests, activities, and opinions affect their buying behavior?

3. Need and Problem

What problem are you solving for the target customer? How much time or money will your solution save? How big is the problem for various target markets?

4. Revenue Potential

How much revenue do you anticipate each segment will generate?

5. Growth Potential

How much do you anticipate the target market will grow and change?

6. Loyalty Potential

Does the target segment(s) tend to be loyal customers or do they buy based on price?

7. Responsiveness

How fast is a prospect likely to respond to your products and services? What are the "no haggle" factors you should consider?

8. Ability to Target

The ability to reach a customer through a targeted marketing program is an important consideration, and will impact marketing expenses and budgets.

9. Lifetime Value

What is the estimated lifetime value for a specific market?

10. Decision-Making Power

Who is the buyer versus the user? Who makes the actual purchase decision and who is involved in the decision-making process?

11. Usage

Are users of your product or service high, medium, or low users?

Business-to-Business (B2B) Target Markets

1. **Specific Industries**

Include the SIC/NASICC number for each of the industries in your target market. Defining the specific codes will be valuable to you as you create marketing programs to reach these audiences.

2. **Specialty Groups**

Groups may consist of trade or professional organizations, government sectors, exclusive clubs, special interest groups, and so on.

3. **Geographical Regions**

Some businesses are exclusively local while others use technology to find a broader reach. Large companies typically have geographical regions defined using their own unique descriptions, such as North America, CALA (Caribbean, Latin America), EMEA (Europe, Middle East, and Africa), and APAC (Asia Pacific and China).

4. **Job Title and Responsibility**

C-Level (CEO, CFO, CMO, COO), Senior Executives, Directors, Senior Managers, Managers, Procurement Officer, and so on followed by their area of concentration (human resources, marketing, sales, operations, and so on).

5. **Size of Organization**

Target based on company size that may include total revenues and/or number of employees. Try to go beyond broad descriptions such as small, medium, and large. These descriptions vary widely by company. For example, the Small and Medium-Sized Business Market (SMB) could be defined as fewer than 500 employees in some companies, and another company might define small as less than 50 employees.

6. **Type of Asset**

This is critical information for anyone targeting technology or manufacturing businesses. For example, if you sell a software product, you will need to understand what type of operating system the company currently uses and perhaps what enterprise applications are installed. If you are trying to sell a certain type of machine, you can target companies with an install base of certain equipment.

7. **Price Range of Buyers**

How sensitive to price are the buyers of your product or service?

8. **Buying Cycle**

Does your market buy products or services on a seasonal basis only at a certain time of the year?

Market Segmentation for the Twenty-First Century

Marketers are challenged to keep pace with constantly changing consumer buying habits. Consumers are confronted with making choices from an enormous array of new products. The proliferation of new media and access to products and services through new channels has changed the way people buy. All these factors result in fragmentation of market segments and distribution channels and the need for new methods of market segmentation.

One approach that is highly effective is an extension of what marketers call observational research, but it adds a new spin that attaches consumer behavior with brand purpose. The result of successful branding and marketing is customer perception that a product or service has significant meaning in their life. This can only be achieved when marketers understand how a product is used and valued by customers. When you understand this, you can then define targeted segments and more effective marketing communication focused on those characteristics. Clayton Christensen, a Harvard professor and best-selling author, discovered a simple way to segment customers that companies are finding immensely valuable.

The premise is based on a statement made by revered Harvard professor Theodore Levitt back in the '60s. He told his students, "People don't want to buy a quarter-inch drill. They want a quarter-inch hole!" Despite the fact that marketers know this to be true, marketing is still focused on the features and functionality of the drill, not the hole. This causes misguided marketing messages and strategies and subsequently marketing is directed toward solving the wrong problem. The product is marketed in ways that is irrelevant to customers.

Christensen takes Levitt's premise "that people just want to get things done," and puts a new spin on it. He says, "When people find themselves needing to get a job done, they essentially hire products to do that job for them."¹ It's simple: If you understand the job that needs to get done, design the products and services to do that job, and market the product to reinforce how the product does the job, consumers will hire the product when they need to get the job done.

Sheraton Hotels is a good example of a company that offers an entire portfolio of products directed to various customer segments that are looking for different products and experiences to hire for a specific job. In this case, the job is to find a place to sleep

in a hotel overnight that fits the customer's need for price and comfort. Low-budget travelers might choose to stay in the Four Points brand, and business travelers may choose a Westin or a Sheraton because they love the "Heavenly Bed" in their home-away-from-home. Discriminating travelers who appreciate luxury can choose from the St. Regis or The Luxury Collection hotel brands. Hip travelers may prefer the W Hotel, or the new modern Aloft hotel brand. Travelers who are looking for a completely different experience may choose to stay at an Element hotel. This new hotel brand focuses on the attributes of balance, health and fitness, green and sustainability, and modular design so travelers can design the room space as they wish to use it. All of these brands belong to Sheraton; however, each individual hotel is branded and targeted to a customer segment who wants to get a specific job done.

A few years ago, I had the opportunity to interview Clayton Christensen following the release of his successful book, *The Innovators Solution*. He shared an interesting story about the way a company applied this concept to get a much better understanding of the job consumers hired their product to do for them. Here is an excerpt from the interview.

Clayton Christensen on Market Segmentation

Christensen: ...How do you know if customers will buy the product or not? The answer to that is you have to segment markets differently. Companies today segment markets by the attributes of products, or by the attributes of customers. But rather, you need to segment markets by the jobs customers are trying to get done for themselves when they buy a product.

Reece: Give me an example of this.

Christensen: A major fast food chain was trying to accelerate the sales of its milkshake, so they kept trying to improve the taste of the milkshake by making it tastier, creamier, and so on. They interviewed customers in the demographic segment that were more likely to buy the product and tried to understand what they wanted, but it didn't make any difference in sales. And finally, the market researcher from our organization just stood in the restaurant for 18 hours and watched people to observe what they were trying to do when they bought a milkshake. What were they trying to accomplish for themselves, or what job did they need to get done? It turned out the milkshakes were bought for a couple of different jobs. The main one was that people wanted something to keep them busy during a long, boring commute to work. That was the purpose for which they bought the product. And if you understand what these jobs are, then making a product that does the job well vastly increases the probability they will buy

the product. The reason most products fail is that companies segment their markets in ways that are irrelevant to the purposes for which customers buy the product.

Reece: How did this change the way the company marketed their product? Was it brand message? Because you could argue that a cup of hot coffee would keep them busy in their car for a long time too. Although coffee is usually purchased because it's caffeinated.

Christensen: That's right. Once you understand what the job is, it means the competition is not a Burger King milk shake; it's the other products they might hire to get the same job done. People are not hungry yet, but they will be by 10:00, so they need something that will sit in their stomach for a while. So they compete against coffee, donuts, bagels, bananas, and Snickers bars.

Reece: What did this company do to change their strategy?

Christensen: Once you know the job, you can figure out how competitors do that job well. Then you can ask, "How can I improve my product so it does the job perfectly, and what entails making it even more viscous?" Well, you can stir little chunks of fruit in it to make it even more viscous. Not because it makes it healthier (people aren't hiring the milkshake to become healthy), but because it just makes the commute more interesting. Now you bring the dispensing machine out in front of the counter and let people just swipe a card through so they can get it and go. It's all of those kinds of things that once you understand the job, you make it easier and simpler for them to do the whole job more effectively. Then you know the customer will value it and gain share against the real competition.

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Why Is Your Product or Service Hired?

In the "Why People Buy" exercise (in Chapter 20, "Why Do Customers Buy?"), you created a working hypothesis about why your customers buy from you, and converted the attributes into benefits. As you look at these benefits, how would they translate to the specific job your customer is trying to do? Be as precise as you can and answer the following questions:

- Do my solutions provide what the customer wants?
- Do my products and services add more than what the customer wants?

- Does it do the best job in the market considering what customers want?
- How does my marketing communicate the outcome customers are looking for?
- What other ways can the customer get the job done?
- Should changes be made to my product, service, or marketing communications?

Think broadly about this last question because you will use this information later in the chapter to define substitute solutions in the competitive analysis. In Table 23.1 summarize the benefits that your product or service delivers. Then, define what job you believe your customers are trying to get done. In the third column, define substitutes and observations.

Table 23.1 Why Is Your Product or Service Hired? What Is the Job Customers Want to Get Done?

Customer Benefits	What Job Does the Customer Want to Get Done	Substitute Alternatives/ Observations

If this segmentation method stimulates questions (and it should!), you should add them to your primary research plan to increase your understanding of what customers want and what drives them to buy. Remember, your focused attention and efforts on this subject now will not only save you time later, but could potentially save you tens of thousands of marketing dollars that might be wasted communicating the wrong message.

Zeroing in on Consumer Target Markets

If your market is consumers, consider using a segmentation tool like PRIZM (Potential Rating Index by Zip Codes), a clustering tool developed by Claritas Inc. Consumer groups are broken into 39 different sectors within five different categories, comprised of education and affluence, family life cycle, urbanization, race and ethnicity, and mobility. The sector clusters are names of fun and descriptive groups such as The Cosmopolitans, Blue Blood Estates, and Hometown Retired. Each of the clusters is segmented by zip code so you can easily target like-minded individuals.

As you become more experienced in understanding your target market segments, your goal should be to continuously refine how this is applied to target customer segments and marketing programs. A company that does this really well is Globus family of brands, an international travel organization that has been in business since 1928. In an initiative launched to improve their understanding of how and why diverse groups of customers purchased trip packages, Globus discovered very unique qualities and preferences among people who purchased travel packages.

Scott Nisbet, COO of Globus, was Executive Director of Customer Acquisition and Retention at the time the segmentation project was initiated. He said the ability to creatively and specifically define customer segments enabled them to create new customer segmentation strategies and customize messaging that was more precisely directed toward the needs of each group. For example, a traveler who craves adventure in exotic locations would never appreciate a well-organized trip around the UK and Scotland. Likewise, a traveler who appreciated the group interaction and an informative guide would be a fish out of water in the jungles of Ecuador. If a customer prefers guided travel, this group of customers fit into a segment they called “Hold My Hand.”

On refining its understanding of customer psychographics and travel styles over several years, Globus developed new target market segmentation descriptions. The company now overlays three different databases, each with specific segmentation criteria. They use segmentation developed by a company called Cohort that is comprised of demographic and psychographic data. Through database analysis, Cohort identified cohesive segments of U.S. households. The households are grouped into 30 cohorts based on overall similarity across 7 demographic and 40 behavioral characteristics (see Burt and Marilyn and Alex and Judith in Figure 24.1, who are creatively named after typical

names in the groups of survey participants). The groups included 13 married segments, 9 single female segments, and 8 single male segments. Cohorts were appended to the database to further analyze and segment customers so they could surmise if a person would be more interested in a trip to Egypt or Italy.

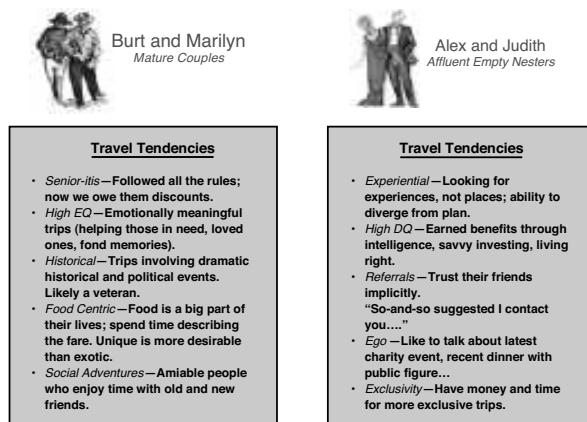


Figure 24.1 Globus customer segmentation example

This data was then overlaid with an Equifax database of demographic data and preferences. For example, if the Equifax database shows the traveler is a dog owner, this person is less likely to take a trip than a someone who does not own a dog. Several data points like this serve as indicators of who is more or less likely to travel.

The third database integrated into segmentation is the one million customers in the Globus customer database, which contains profiles of customer preferences gathered over many years. The information was collected through surveys after every customer trip. It defines how likely a customer is to travel again with Globus (see Figure 24.2), as well as when and where they want to go. Segments define the number of times a person has traveled with Globus and the likeliness of the customer wanting to travel with them again. Travelers in the Platinum segment have traveled with Globus four or more times

and will likely travel with the company again. Gold travelers have traveled with Globus two or three times and are likely to travel with the company again. Shooting Stars are defined as travelers who have traveled with Globus only once but are very likely to travel with Globus again based on their positive first experience; therefore, this segment requires special nurturing to increase travel over time. The bottom tier is “Tin” because these people have traveled with Globus once but are not likely to again.

As you can see in Figure 24.2, the result of the company’s ongoing segmentation efforts is a very specific and targeted list of customers to whom Globus can direct specific marketing campaigns. Each campaign describes exactly the kind of trip the customer would be interested in taking. Globus direct mail campaigns do not result in paltry industry averages of one to two percent return on investment—they average 14 percent.

		Number of Times Traveled with Globus			
		6 or More	4 or 5	2 or 3	1
Likely to Travel Again	Very Likely	Platinum			Shooting Stars
	Likely	Gold			
	Neither	Silver			
	Unlikely	Bronze			Tin
	Very Unlikely				

Figure 24.2 Globus family of brands loyalty tiers

Businesses continue to find ways to segment their products to capture new, more precisely defined target markets that have more precisely defined needs. This is part of a growing trend of micro-niching that is enabled by the ability to capture information about customers using sophisticated software programs, bar codes, and RFID technology. By cross referencing where people shop, when people shop, what people buy, and how products are used, more information can be learned about customers, allowing you to hone marketing strategies and programs.

**Marketing Tip for Mid-size and Large Companies**

Take your existing target market profile and evaluate if your assumptions and descriptions are accurate. Pay close attention to how you can make them more specific or refine the description based upon the results of the “A, B, C, and Deadbeat Customer” exercise from Chapter 14, “Micro Perspective: Focus on High-Value Customers.”

Also look across business units to see how markets are segmented and target markets are defined. If markets are defined as large, medium, and small businesses, is this too broad to effectively target market programs? Are target market segments organized around products instead of customers? If this is the case, your company is probably missing opportunities to expand the account. Another common occurrence of targeting based on products instead of customers is several salespeople from the same company may be calling on the same customer. Not good.

Look for new ways to fine tune target market profiles based on the information in this chapter, with an eye on opportunities to cross-sell products and services across the organization.

You now have several different methods you can use to define your target market. Summarize this information into your marketing plan so that it is specific for each of your products and solutions. Note the information and questions you need to ask customers directly so this can be used in the primary research plan.

Forecasting Demand

A marketing plan must include a forecast of the market opportunity size, which is the estimated number of potential buyers of your products and services. From this, the addressable market size is estimated by analyzing who is available to purchase the product, has the means to do so, and has access to your products. This number will be a more conservative subset of the market size. From this, the company must decide what portion of the market it will penetrate. For example, if a new snack product will be launched by a company, it probably won't launch in all markets at once. The company would select a few test markets to roll out first. The target market number would be projected from the addressable market.

New markets are more difficult to size and forecast because so little information is available about the industry. Therefore, the best method to size an emerging market is usually primary research combined with available facts found through secondary research.

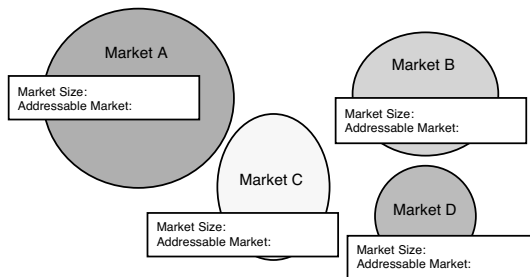


Figure 25.1 Market forecast

After you research the market opportunity size for your product or service, you will need to narrow the number to those qualified to purchase (interest, income, and access), then narrow that number to the target market (see Figure 25.2). Further refinement of buying criteria as described in the next section will help you arrive at a realistic target market size.



Figure 25.2 *Estimating market demand*

Forecasting Believable and Realistic Demand (Not What You Think a VC Wants to See)

One mistake companies often make is overestimating market demand, or confusing the definition of market sizes. I remember being in a strategic planning meeting where a salesperson was making a case for how big the market was for a particular industry and why we should pursue it. The product was training services in the healthcare market, which he claimed to be a \$70 billion market. So that he wouldn't shoot himself in the foot by being saddled with a huge quota based upon an unrealistic number, I explained that market demand could not accurately be projected that way. Instead, the company needed to look at the industry size, narrow the opportunity to the market we served (nurses), narrow further by estimating the total amount allocated to training in this segment, and then narrow the size considering the type of training we were delivering and how it would be delivered (online versus traditional assessments and instructor-led training). The market was a tiny fraction of the original numbers he claimed, but a realistic market size was determined so a sales forecast could be developed.

The example illustrated above was an everyday occurrence during the early 2000s. Many business plans were funded based on poor and unrealistic projections of market demand. Over-eager entrepreneurs mistakenly cited total market opportunity numbers (or the number of eyeballs they could drive to a website), and assigned an arbitrary percentage of market share to estimate demand. It's no wonder so many of these businesses are no longer around.

Let's look at another example. Let's say a company wants to introduce a Chardonnay wine. They would start by looking at the market size population where the product will be introduced, and then narrow to the average amount of discretionary income spent on food and beverage, the amount spent on beverages, the amount spent on alcoholic beverages, the amount spent on wine, then the amount spent on white wine. If the marketer thought she could pull from several categories of white wine drinkers (Chardonnay, Pinot Grigio, Chenin Blanc, Sauvignon Blanc, and so on), she would select this total market size. If she was looking for a conservative estimate, she may forecast demand solely on the population of Chardonnay drinkers in a market.

Forecasting demand is a science, but there is also some art involved. Additional considerations in the forecast include the amount of marketing budget allocated to drive demand, the number of salespeople who are able to sell into a market, and of course, what the company is able to produce. If you sell a technology product or manufacturing part, you will also need to account for the installed base. Competitor market share is also essential to take into consideration, especially if the competition has a very loyal customer base.

Another way to size the market is by the job that needs to get done. If you choose to segment and measure your market this way, you will likely find that the market size is bigger than you thought. By factoring in the complementary and substitute products that can get the job done, you will get a new perspective on market size.

Industry growth rates are yet another consideration that you may wish to factor into your equation. If the healthcare industry, for example, is growing at the rate of 20 percent annually, you can factor this into your estimates and compare your company growth rates to industry averages to see if you are growing at the same rate as other companies in your industry.

Your industry association(s), or associations of your target markets, will be an excellent resource to you as several industries track this type of information for members. For consumer markets, Nielsen Media Research monitors sales on a per-product basis to aid companies in market sizing on an industry level by competitor. Industry information can be found using the North American Industry Classification System (NAICS). Federal agencies classify businesses in order to collect, analyze, and publish statistics related to the U.S. business economy.

If you are launching a product in an entirely new market space, you may need to look at adjacent industries and also research reports compiled by futurist firms that specialize in estimating demand. As mentioned earlier, you can also use primary research to forecast demand.

Competition: Keep Your Friends Close and Your Enemies Closer

Competitive research is an important part of your marketing plan. You need to understand the strategies of your most direct competitors, as well as those of your indirect competitors. As you develop this section of your marketing plan, you should become aware of three types of competitors:

1. **Direct competitors who sell the same products or services that you do**
2. **Indirect competitors**

These are companies that do not compete head-to-head with your firm, but nonetheless compete against your business because they offer a similar product or service. For example, a mid-size consulting firm that provides a specialized type of consulting may compete with a large multinational firm that provides similar consulting, but derives a larger percentage of their business from global clients in conjunction with other consulting services they provide.

3. **Competitors who supply a substitute product or service**

These are alternative choices a person considers as a way to meet their needs. The solution provides the customer with the same or similar result, but does so in a different way. If you want to watch a movie, you have many choices. You can record a movie and use TiVo to watch it at your convenience. Or you can order a movie from your cable or satellite system and watch it on demand as you like. Another choice is to go to the movie theater. All of these options are forms of substitute products. If the goal is “entertainment,” then the list of substitute products grows to sporting events, theater, opera, and a myriad of other choices.

A B2B example is using mediation services instead of an attorney for certain types of legal mitigation. A person may choose to use a financial advisory firm instead of a banking representative or an investment strategist for long-term retirement planning. Another example is the choice to work with a CPA on a tax return instead of using a software program, or just doing it with pen and paper.

4. Competitors who compete for the same budget or wallet share

Who is competing for the same budget as you? You may not have thought about this kind of “competition” before, but it’s important to consider. Companies have many projects under consideration at the same time and different departments compete for the same budget. So, your “competitor” may be another project within a company. If you have ever been blindsided by a lost sale just as you thought you were going to win a deal, you know how frustrating it can be. The only way to try to potentially alleviate this up front is by asking and drilling into buying criteria and conditions. A similar form of competition in this area is the decision for companies to make versus buy. Instead of outsourcing a capability, the company may decide to do it internally.

Observe and Learn

Throughout the marketing planning cycle, it is valuable to track a few of the top competitors in your industry. There are many reasons for this. It will help you gain valuable insight about innovative strategies they are deploying across various aspects of their business such as new products and services, growth into new markets, or sales and marketing strategies. You will also learn about their customer base and potentially discover new opportunities to win market share.

Whatever size of business you have, and no matter how new or mature your market is, you will see value in tracking your competitive market. This will come from not only tracking direct competitors, but indirect competitors, companies that provide substitute solutions, and innovative new companies in your industry or adjacent industries.

Tracking different types of competitors will help you think more creatively and strategically about marketing and sales strategies and create innovative solutions to business problems.

If you are one of the few people who say, “But I don’t have any competition,” think again. It’s a global marketplace, and someone out there is making and selling something like yours, or at the very least a substitute like yours. During this step in the process, it’s your job to find out who it is. Think broadly about who is fulfilling the customer need today, and how. Refer back to the “Why Is Your Product or Service Hired” exercise you did in Chapter 23, “Market Segmentation for the Twenty-First Century,” which identified alternative ways for a customer to get a job done that is similar to your solutions. If you have the opposite problem and have dozens of competitors, your job is to select the top three or four companies to track during the planning process. If you try to track too many, it becomes a cumbersome process, and you’ll get bogged down in this step.

Marquis Banking Partners had a difficult time finding a competitor who offered a similar full range of services to what they did. In this case, Marquis chose to track a national staffing firm, Bank Temps, which provides interim staffing for positions like tellers, even though Marquis focuses on C-level interim staffing for banks. One of Marquis' goals is to broaden the reach within their existing customer base, so tracking a firm like this would be advantageous to learn about strategies to target and sell interim staffing to bank directors and other decision makers within a bank.

In Table 26.1, "Competitive Tracking Information," select three competitors and write their names in the boxes labeled Competitor A, B, and C. The vertical axis lists several topics that you can research for each competitor. Every company is unique, so customize the topic areas most relevant for your business. For example, a small consulting company would not see much value from trying to ascertain market share, but this is a critical data point for large companies. You will use the same three competitors as a point of reference throughout the planning process, and the information you gather now will be particularly valuable as you develop marketing strategies and tactics.

Table 26.1 Competitive Tracking Information

	Your Company	Competitor A	Competitor B	Competitor C
Annual Sales Revenue				
• This year				
• Last year				
Market Share Growth Rate				
Number of Employees				
Geographic Coverage				
Target Market				
• Primary				
• Secondary				
Clients				
Products and Services				
• Uniqueness				
Distribution Channels				
Major Suppliers				
Pricing				
Marketing Strategy				
Sales Strategy				
Other				
Observations				

Summarize this information and your observations in the marketing plan template so you can use it when you develop strategies.

It's a good idea to transfer this table into a spreadsheet or other document that will help you track this information not just once, but on an ongoing basis. In the marketing plan template, there is a place to include the competitive chart as well as a summary of the key findings on each competitor (which I discuss later in this chapter). Another way to include competitive information in your plan is to write a narrative of the competitive environment. Choose whatever style is best for you, or use both methods for a snapshot view and a more thorough briefing.



Real-Time Marketing Tip

To accomplish two goals, (1) keeping competitive information updated on a regular and seamless basis, and (2) fostering a collaborative approach to marketing planning, consider using this process:

Collection: Create folders in a shared workspace so that when information such as articles, earnings release, and press releases are discovered, they can be stored in separate folders within the competitive folder. That way, all the competitive information is stored in one place.

Collaboration: This is one section of the marketing plan where it is easy to spread responsibilities across a team of people. Assign a competitor to different individuals on your planning team. Engage a cross-functional team of people from customer service, sales, operations, and marketing to collect and assimilate information for each competitor. Each person or team can also be responsible for communicating updates in monthly sales meetings and/or quarterly reviews.

By assigning competitors to different individuals, it spreads the workload, it educates more people about the competitive environment, and it is much easier to adjust strategies to respond to changing market conditions. This process also keeps the marketing plan updated in real-time.

Competitive Information Sources

The Competitive Research Guide is a comprehensive list of resources that helps you discover where to look for certain types of competitive information. It can be found in the resources section of www.MarketSmarter.com.

Anticipate the Unexpected: Research Macro-Environmental Factors

The macro environment is comprised of events that are outside your direct control that nonetheless can impact and influence your business success. The recent economic and political activities have presented us with lots of surprises. Some of these we can see coming and others are much harder to predict. The goal of the following exercise is to look ahead, notice trends, and create contingency plans to counter potential issues. This proactive work can also help you discover new growth opportunities before your competitors do.

Macro-Environmental Factors

Review the following six macro-environmental categories and consider how these factors impact your business and industry. The categories are artificially distinguished from one another in the sense that it is not necessarily possible to differentiate political/legal issues from economic ones. To assist you in asking the right questions about your business, there are examples within each category.

Political/Legal

Political and legal impacts on business include legislation, government intervention, changing government agency enforcement, and political activity.

Example question:

How will the proposed congressional bill affect the budgets available for my product in primary education? What program budgets have been increased and what is the timing for when the programs will be funded?

Demographic

Basic demographic information defines key target market criteria for most companies.

Example question:

The existing target market of donors/subscribers for our chamber orchestra is adults 50–70 years old. We need to foster a new market of followers in the Gen Y demographic who will become dedicated, loyal customers. What is their level of interest in this type of music? Where are the best places to reach them with advertising and marketing? How much does this segment donate to groups like ours?

Economic

The economy affects businesses every day. Inflation swings, the stock market, business cycles, savings rates, and debt burdens all take their turn impacting business.

Example question:

How will the changing bank lending practices affect my real estate business with corporate clients in the next six months? As interest rates increase, what percentage of new home buyers be able to secure a mortgage? What obstacles will they face?

Ecological/Professional

The global climate and move toward green, environmentally safe products impact consumer and business buying decisions. The huge interest in this topic is rapidly changing the competitive landscape as new companies rush to take advantage of this growing trend.

Example question:

If the lettuce crop freezes in California again, what alternative sourcing is available in Florida or Mexico? What price increase can we expect this year and should we absorb the costs or pass them along to consumers? What should our contingency plan be?

Example question:

As banks are required to train employees in regulatory issues quarterly rather than yearly, how can I adjust my consulting services to capture this growing demand?

Technological

Rapid technology changes influence all industries. How will advances in telecommunications, software, operating platforms, science, biomedical, and other industry-specific influences impact your business?

Example question:

The newest version of X software will be released in six months, affecting the functionality and reliability of our software, which integrates with this software. How will this affect our customers? How can we predict additional changes or protect our software so we are not affected by future surprises?

Cultural and Social

People relate to each other in ways that can be categorized by lifestyle and preference descriptors. Behaviors are formed around these values and beliefs. Trends indicate changes in cultural and social values. For example, flexible work schedules, telecommuting, virtual corporations, environmental consciousness, and green manufacturing are all recent trends. The earlier you perceive a trend, the more opportunity you have to be the first to capitalize on related business opportunities. How will these trends and others impact your business?

Example question:

As the price of gasoline rises, are more companies beginning to offer virtual offices as a benefit to keep employees? How do companies manage their employees who work at home part time and what tools are needed so they can collaborate with others?



Marketing Tip: Expect the Unexpected

In addition to creating contingency plans for potential negative influences, your research in macro-environmental factors will help you become more prepared to take advantage of opportunities when the moment arises so that you can seize the opportunity instead of your competitors. Unique situations that you cannot control, such as the economy and legal regulations, will always arise. While some businesses will only see the downside of these effects, you can look for the opportunity in every situation and use it as a catalyst for growth.

Seize Advantage in a Downturn

Tyler McCarty's business, Wirth Business Credit, was focused on providing financial services such as leasing for companies buying capital equipment, like printing, machinery, or farm equipment. When the financial crisis resulted in tighter bank lending to businesses, McCarty realized his company was in a unique position to help several new types of businesses that could no longer depend on banks for financing.

Additionally, he saw the opportunity to be a resource to banks. The last thing a banker wants to tell his long-time customer is that he can't help him. McCarty became a valuable resource to banks by giving them an alternative solution for business lending. Bankers could refer customers to McCarty, which helped them preserve valuable customer relationships. It was a perfect win/win situation for everyone—bankers, customers, and McCarty.

Summarize the Secondary Research Plan

At the beginning of this section, you began a list of the possible research topics to consider for your research plan. Now that have completed all the exercises, it's time to define your market research plan.

Review the list of topics at the beginning of this section, and the list of questions and issues you have made throughout your work in this section. Prioritize the research and review the Research Resources Guide to determine the best places to search for each topic. There are many excellent resources listed in this guide that will help you find information on many topics. One of the best is usually your industry association. Others include articles, subscription databases such as Lexus-Nexus or Dun and Bradstreet, government reports, and analyst reports. Remember that it is less expensive and usually faster to do secondary research than it is to do primary research so consult with this guide to discover new sources of information. It can be downloaded from the *Real-Time Marketing for Business Growth* book resource section at www.MarketSmarter.com.

It's easy to get lost in this part of the process if you have an extensive list of topics to research, so remember to focus on the topics that are most pertinent to your business goals. The objective during this phase of the process is to research the most important topics—the topics that will help you make decisions and develop strategies. Also keep in mind that business research is an ongoing process, so it won't start and end here.

Get Smart: Talk to Your Customers

Research studies have proven that an organization can only learn about 30 percent of what customers need, want, and expect through normal business interaction. The other 70 percent must be revealed by targeted research, ongoing communication, and constructive feedback.

Primary research typically focuses on specific information you want to directly ask customers, or potential customers, in order to help you understand buyer needs and preferences. This information will be very valuable as you evaluate a business idea, new product, or service concept, channel buying preferences, assess media and marketing likes and dislikes, or come across other issues you will use to refine your strategies.

Primary research can also be used to refine messaging and communications and provide valuable insight about the ways a product can be positioned and sold. Several years ago, Arm and Hammer watched as baking soda lost market share as a prime ingredient in baking. They conducted research that analyzed their customers' tastes and lifestyle. They learned that women had less time and inclination to bake from scratch. Arm and Hammer repositioned baking soda as a cleanser and refrigerator deodorizer. A year later, 33 million refrigerators in the U.S. had baking soda in them.

Several methods are used to conduct primary research, including focus groups, interviews, surveys, and observational studies. If you have not done primary research before, you may want to use professional researchers who can help you design, administer, and compile results. If you wish to try it on your own, it's a process you can learn, and there are many technology solutions to streamline the process for you to do so.

If you want to use an online survey, it's best to stick to quantitative questions. Responses to open-ended questions are often brief and ambiguous, and answers can be misleading. Qualitative questions are excellent for interviews and focus groups because you can dig deeper into responses and increase your understanding of the issues. See Table 28.1 for more information about the use and application of qualitative and quantitative research methods.¹

Table 29.1 Primary Research Methods

	Description	Typical Uses	Methods	Examples
Qualitative	<p>Exploratory and open-ended</p> <p>Subjective in nature</p> <p>Not necessarily projectable</p> <p>Effective early in project</p>	<p>When trying to answer:</p> <p>Why?</p> <p>Who?</p> <p>What?</p> <p>How?</p> <p>Where?</p> <p>When?</p>	<p>Focus groups</p> <p>Interviews</p> <p>Customer visits</p> <p>Pilots</p>	<p>Identify gaps in current product features</p> <p>Reasons for customer attrition</p> <p>Learn how product is used</p>
Quantitative	<p>Uses structured questions where response options are predetermined</p> <p>Respondents are representative of the target market</p> <p>Results are projectable</p>	<p>When results need to be objective, quantitative, and statistically valid across the population</p> <p>% population</p> <p>Price points</p> <p>Ranking</p> <p>Rating</p>	<p>Surveys (phone, online, mail, in person)</p> <p>Choice models</p>	<p>Interest level in new product idea</p> <p>Buyer preferences</p> <p>Pricing</p> <p>Determine which market uses a product more, or how frequently</p>

Source: Sharon Brant

Ken Blanchard, well known co-author of the *One Minute Manager* series, is famous for saying, “Feedback is the Breakfast of Champions.” This is the goal of primary research: To get feedback from the people who use your products and services and are therefore in the best position to tell you what they *really* think. Your job is to ask, listen, and respond to the feedback. Notice I didn’t say “react.” If a customer gives you some tough feedback, look at it as a gift. You may not agree with the comments, but it would be wise to step back and consider the comments and suggestions carefully in order to better understand the needs of your customers, and hopefully gain new insight about how you can improve what you offer to customers.

If primary research is new to you, the first few projects present you with a learning curve, but you will quickly learn that Blanchard’s quote has a new, richer meaning to you. Feedback is indeed a gift, and I can guarantee that once you begin to implement your customer strategies, you will find that ongoing feedback becomes a healthy addiction. You will look for new and varied ways to learn more about your customers’ preferences. As information is accumulated in your database and you can retrieve and study it, you will be able to better anticipate and respond to changes in purchase needs and behaviors.

Developing Your Primary Research Plan

A research process is comprised of five major steps:

Define the Problem and Objectives: Focus on what you really need and want to know that will make a difference in your go-to-market strategy. Possible topics are new product/service offerings or enhancements, pricing, media preferences, purchase decision drivers, buying habits, and many other topics.

Develop a Plan: Define the research method to be used and the questions you want to ask. Choose the tool(s) you will use to implement the research (online survey, phone interviews, mall intercept interviews, focus groups, in-person interviews, and so on). Determine how much the research will cost.

Execute: Determine how long it will take and how much it would cost to administer and collect the data.

Analyze Results: Collect the data so it can be presented to decision makers who can act on the data. What did you learn? What recommendations will you make?

Decide and Take Action: Make decisions based on the research. What actions will you take based upon what you learned? Concisely summarize the information and enter the results and decisions into your marketing plan. Create a plan for integrating the results into your plan.

Using these five steps, create a primary research plan. Review the results of the exercises you have completed throughout this section. Your research may focus on new concept testing and market sizing, or you may choose to learn about customer needs and preferences using a voice of the customer (VOC) method. If you choose VOC research, consider measuring customer satisfaction (delight) of existing products and services, understanding customer needs, and why customers buy. The last two areas of research will tell you if customer needs are met or not and give you insight into what drives purchasing decisions, which can be used in messaging, positioning, and marketing programs.

Tips for Creating a Customer Survey

1. Define the purpose of the primary research. What do you want to learn from it?
2. Who is your audience? Is it current customers and/or potential customers? Decision makers, influencers, and/or users?

3. Keep it short, simple and easy to interpret. A common mistake is unclear directions. If you ask a person to rank their preferences in terms of importance on a scale of one to five, make sure you tell them which is the most important: one or five. Another common mistake is asking a person to circle all potential attributes that are important to them rather asking them to RANK them. You need a ranking of prioritized items to draw good conclusions.
4. Keep the questionnaire to one or two pages, and 10–12 questions.
5. Make sure that you send the survey out to a large-enough sample size to be statistically valid based on the size of your target market.
6. Qualitative questions used in VOC research invites customers to elaborate on answers, and you will get a more precise understanding of customer needs. For surveys, quantitative data is best because qualitative questions may be harder to interpret.
7. Be sure to ask the “Ultimate Question:” “Based upon your experience with our company, would you recommend (your business name) to others?”
8. Set a short timeframe for customers to fill out the questionnaire and return it.
9. Consider offering an incentive for filling out the survey.
10. Share the results with your customers.

This last point is important. If your market is a group of influential C-Level executives, you may wish to summarize the anonymous responses to the survey and distribute them to participants. If people are taking time out of their busy schedule to share their perspective with you, it’s important that they know it was worthwhile and valued. Send a note summarizing what you learned and the action you plan to take.

Online Survey Tools

Internet-based survey tools have made it easy for anyone to design and launch their own questionnaire to customers and prospective customers. There are several reasons to consider using online tools versus more traditional survey instruments. Speed and lower cost are among the top two reasons people prefer to go online. Here are others:

- Surveys can be delivered in hours versus days, allowing you to respond much faster.
- Internet-based surveys generally cost 20 to 50 percent less than conventional surveys, especially if postage is involved.
- Online surveys can generate up to a 50 percent higher response rate.

- A broader audience can be reached on the Internet; however, not all target markets can be reached via the Internet.
- Interactive graphics can show products to customers, and audio can be incorporated into a survey.
- Many customers today prefer to respond online versus mailing in a survey or responding to a phone call.
- Several reports state that people tend to be more honest online than they would be otherwise.

One of the most important aspects of your research is asking the right questions. You can hire a marketing consultant who specializes in research to develop, administer, and analyze the research for you, or you can learn to do it yourself. Many books and articles have been written on the topic. If you study the basic research protocol guidelines, you can learn the process. Additional information and resources can be found on the MarketSmarter Web site.

Zoomerang was one of the first Internet survey tools, and you can test the service with a free 30-day trial. Zoomerang also maintains a panel of over 3 million consumers that can be used (for a fee) to field your survey if you don't have a customer base to select from. SurveyMonkey is another popular tool. It allows you to choose from several different types of service plans and select from several styles of questions, template designs, and reporting tools as well. Learning from your customers has never been easier—so no more excuses!



Marketing Tip

"Marketers need to get back to listening and engaging customers, everywhere, all the time. Marketing is a continuous process of organizational learning by continuously interacting with customers and the marketplace in order to learn, adapt, and respond creatively and competitively."

—Regis McKenna

Social Media and Online Tools Enable Real-Time Research

Every company wanting to keep pace with change faces the challenge of staying current with the massive amounts of data available. Several companies have emerged to answer the need for more information, and to filter that information so you can find just what you need when you need it. Search engines, research aggregators, Internet resources, and a vast number of innovative new media tools can help you research and find information so you're never behind the learning curve.

News Aggregators

As the Internet continues to grow by millions of new users a year, and thousands of new Web sites are created each day, you probably have the same problem most people suffer from: information overload. Many new media services and tools have risen to the challenge to help with this problem. News aggregators will help you filter large amounts of web-based content by delivering information that is relevant and timely right to your desktop. Instead of remembering to constantly check Web sites, blogs, news wires, and podcasts, or subscribing to content that clutters your inbox, you can subscribe to content feeds and news aggregators that track and organize information for you.

More than 2,000 different news feed tools have been created that distribute content from a huge array of sources. Simply subscribe to the content you want from multiple Web sites and have it delivered to a central news aggregator to read when and where you want. This allows you to scan headlines in one place and directly access content that interests you with a single click.

RSS creates a win/win situation for both the consumer of information and the publisher. Publishers benefit from the ability to syndicate their content very quickly and send it to people who are truly interested in it. Readers benefit from subscribing to content that is delivered directly to them, and they can receive automatic updates from their favorite Web sites that can be read where and when they choose.

Unlike email subscriptions, it's easy to unsubscribe to feeds by simply removing the feed from the aggregator. Another important benefit is that users of news aggregators do not supply their email address, which mitigates any risk from viruses, spam, and phishing.

Using Social Media for Real-Time Research

Many people think of social media as a form of implementation to create leads and build a brand. It does indeed do these things, and it's also a fabulous tool for conducting research—in real-time. Because you have gone through this section, you are now aware of several areas you would like to research on an ongoing basis that would be beneficial to your business. There are several social media, networking, and bookmarking sites that will speed this process for you. Here are just a few ways you can use social media to increase your marketing intelligence:

- Most sites have robust search capabilities (Twitter search, Facebook search, and so on). Add key words to track topics, such as the following:
 - Competitors
 - What is being said about your company and key executives
 - Trends in your industry
 - Products and services in your industry
 - Flag key conferences for information and presentations
 - Get feedback from people in your network
 - Exchange ideas with others in your network
 - Discover new resources

Social Networking and Bookmarking

Twitter is a social networking site where you can send and receive information with people whom you choose to follow, or who follow you. Like social bookmarking sites, you can share information with business associates to stay up-to-date on the topics most relevant to you. It's also a valuable tool for research projects because you can tell people what you are working on and ask them to share ideas. If you follow people who share similar interests, you will begin to discover hundreds of resources with interesting and timely information you would not otherwise find. Several other tools are listed in the social media tools strategy and planning section in Section V, "Implement."

If you are just getting started on Twitter, I recommend checking out several resources that will help you navigate the “How Tos” such as the Twitter Guide Book on Mashable or the growing number of resources available on social media.

And of course, don’t forget that **Google** has great search capabilities. Customize your own search terms with keywords, names, companies, and other topics. Google will send you email messages right to your inbox as often as you like.

LinkedIn is a fabulous social networking service for business professionals to connect and network with each other. Many people use the service for finding new jobs and careers, and others use it for research purposes when they want to hire someone with specific skills, locate someone in their network who works for a particular company, or connect with others who share similar interests. Sign up for membership in the thousands of professional and association groups that are in your industry, or with whom you are affiliated. It’s a great way to communicate, share, and get ideas. Use LinkedIn Answers to pose a question to your connections and get feedback.

Delicious and **Stumble** are just two of the most popular social bookmarking sites to tag, manage, and consolidate Web sites and resources. Sites like this give you a heads up on what other people are interested in knowing because the most popular Web sites are sorted by topic.

Tools and Gadgets

You can use social media sites for research and there are also several tools that can help you streamline the process of real-time customer feedback.

WuFoo is a service that will let you create any kind of survey or form and embed it on your Web site or blog. You can use an existing survey or create a new one with multiple choice questions, open-ended questions, and quick polls. The report feature will give you real-time results so you can modify the feedback form as needed.

PollDaddy has a polling feature similar to WuFoo, and a special function for Twitter polls. Simply create the question, log in to Twitter, and the question is automatically sent to all your followers.

TwtPoll is similar to PollDaddy and includes an option that allows the poll recipients to ReTweet your poll questions to their networks, giving your research a much wider audience.

Blogs

If you like blogs, check out **Technorati**, the number-one blog index. Using either simple keyword and blog directory searches, or advanced tagged searches, you can easily access blogs about your company, industry, or any other subject of interest. Another useful Technorati tool is its “watchlist” option, where you can save your searches in RSS format and thus follow a particular blogger or story. If you have a company blog, you can tag it for certain searches, such as “Lifestyle,” or “Business,” to ensure higher hits. Fundamentally, Technorati allows you to read what “real” people are thinking about your company or industry, and what they’re disseminating on the Web.¹

Alltop is the online magazine rack of the Internet. The site is an eclectic collection of some of the most interesting stories, blogs, and Web sites you may never find on your own. Alltop’s goal is to aggregate information from thousands of resources into individual Web pages, making searching a whole lot easier. As Alltop says, it’s “aggregation without the aggravation.” If you are researching market trends, this is an Internet resource you definitely want to visit. And don’t forget to check out the Holy Kaw section.

Mashable is the largest blog focused on social media news and Web 2.0. It’s one of the best resources for discovering what’s new, which is incredibly valuable since there is something new every day. You can also read reviews on new Web services, Web sites, and blogs. Check out the “How To” section for useful social media resource guides.

Analysts Track Trends and Make Sense of Them

During this research process, one of your goals should be to identify resources that can regularly keep you updated on the latest news and trends in your industry, what your competitors are doing, and the changing buying habits of buyers and decision makers. A few of my favorite sites are the analyst firms such as Forrester, Gartner, IDC, Data Monitor, Deloitte, and McKinsey who regularly publish in-depth reports on certain topics. The firms employ analysts who are experts on specific topics and several publish blogs and studies that will keep you informed of the latest changes in your industry. Subscribe to their newsletters and the information is automatically delivered to you.

Some research reports from these firms are expensive; however, if you should find just the right information you need, it is less expensive than hiring a consultant or making a bad decision based on wrong or incomplete information. Just remember a MasterCard analogy: The price of a research report: \$2,500. The price of just the right research to launch your new business: Priceless.

All of these tools can be used for the purpose of research while also increasing the effectiveness of your marketing and communications strategies. Social media as a strategy and tactic will be covered extensively in Section V.

The bottom line: Use social media and online tools to aid your research. It's a smart way to save time, stay informed about topics that are important to you, stay connected with business associates, and expand your network. Add mobility tools, and you can mix, mash, browse, blog, text, and tweet your way to a real-time marketing plan.



Marketing Tip

Stay Smart and Current: Simple Ways to Integrate Real-Time Research

- Create folders (paper based and/or computer based) with the headings or research topic areas of your marketing plan. For example, competition, target markets, pricing, trends, new markets, CRM, strategy ideas, and so on.
- As you come across research information on Web sites, articles, and blogs, cut and paste the information, or make a copy of it, and put it into the relevant folder.
- Use news aggregators, social media search functions, and online Internet resource aggregators to find and deliver relevant information to you.
- Summarize the relevancy of an article in a "working draft copy" for the next release of your marketing plan.
- Post the marketing plan folder and the topic-specific folders on your Intranet or in shared folders on sites like LilyPad or Groupsites so key stakeholders can easily add information as they come across it.
- To add even more accountability and ownership to the plan, assign different topics to stakeholders and have them report on their findings once a quarter in strategy review meetings. This way, important information can be acted on immediately.
- Use these techniques to create a dynamic marketing process that fosters a team-based approach to marketing planning across the marketing and sales teams.

If you follow these suggestions, it will keep your planning information organized and updated, and also easily access and shared with other people to encourage continuous learning. When it's time to update sections of the plan, you will have a lot of the heavy lifting already done.

P • R • A • I • S • E™ Marketing Process

Research



Summary: Section II

- ✓ Summarize market segmentation and target markets in your marketing plan.
- ✓ Create an action plan for how you will drive more profitability and revenue. How can you transition “B” and “C” customers to become “A” customers?
- ✓ Summarize findings on customer retention, customer loyalty, and CLV.
- ✓ Create a working hypothesis for why your customers buy from you.
- ✓ Define and scope your secondary research plan.
- ✓ Create a primary research plan for information you need to get directly from customers to validate assumptions.
- ✓ Determine what competitors you will track through the planning process and complete the Competitive Tracking Form.
- ✓ Develop macro-environment questions that will be answered through research.
- ✓ Evaluate how social media tools will help you get research done more efficiently.
- ✓ Research is a process. Set up a system for collecting and organizing information.
- ✓ Summarize findings into Section II of the marketing plan template so you complete the Market, Company, Customer, and Competitive Analysis sections.

Section III

Analyze: Growth and Profit Potential

“We are drowning in information, while starving for wisdom. The world henceforth will be run by synthesizers, people able to put together the right information at the right time, think critically about it, and make important choices wisely.”
—Edward O. Wilson

The outcome of doing the research outlined in the last section, as well as the research you discover throughout this process, is a new perspective on your market opportunity. You should now understand your target market, factors that influence buyer behavior, and market drivers that impact your business.

With this knowledge, you will now analyze this information with several other subjects before you develop marketing strategies. You will analyze your pricing strategy relative to competitors and consumer buying criterion. An analysis of revenue and profitability by product and/or services will enable you to make better decisions based on the target profit levels you would like to achieve. You will also evaluate new distribution channels that give you access to your target market, as well as new buyers. Perhaps the most important part of this chapter is the new perspective and business growth you can achieve from disruptive innovation. The analysis phase of the process allows you to:

- Analyze your pricing strategy and find new opportunities for increased profitability.
- Identify complementary products to expand revenue and new market growth.
- Evaluate substitute products to determine how they may be a threat—or a new opportunity to capture new customers.
- Analyze the best distribution channels to reach your customers.
- Evaluate the profitability of your products and services.
- Develop new growth opportunities by creating greater differentiation and value for your solutions.

Each topic in this section builds upon the next so when you finish this section, you will have completed all the foundational work to create effective marketing strategies and tactics.

Business Expansion: Vulnerable or Poised for Growth?

In your research, you may have discovered unmet service needs or discovered new product ideas. Now you will analyze your products, services, and target markets to find new ways to expand your business. You will also examine expansion risks.

Two basic issues must be considered when evaluating expansion of products or markets: costs and complexity. Let's look at three different scenarios. Many businesses start by selling one product to one market, and they ask, "Where do I go next?" Note that if this describes your situation, you are in a pretty vulnerable position should there be a major change in either area.

You can expand by adding more products. If you sell several products to one market, you may increase your costs in production but you save marketing costs by offering multiple solutions to a single market. Not only are you not as vulnerable as in the first scenario, you will see profitable growth from selling multiple products and services to your existing customers.

Another option is to expand by selling your product or service into new markets. In this scenario of selling one product into three markets, you may triple your marketing costs while realizing some cost efficiencies in production.

To further extend this example, assuming you have three products and three markets, you potentially multiply your costs to both areas. Marketing costs such as product development, packaging, distribution, advertising, and promotion will increase. As you add additional products, it potentially impacts not only production costs, but the number of people you employ and perhaps the size of your facility. The point of analyzing marketing and production together is to understand growth opportunities on both sides of the equation and to make mindful decisions about expansion.

Complementary Products and Services

Growth opportunities come from selling new products to your existing markets and identifying new underserved markets where you can sell your products and services. I'm sure your research revealed several new ideas in these areas. Now you need to analyze the potential for each new solution. If you have not already researched the market size and opportunity, you will need to do so. Evaluate the target market, the benefits potential buyers would receive, the price, possible distribution channels, and marketing strategies. Your analysis should include how many current customers may potentially buy the solution and the number of competitors who sell competing solutions.

Large companies typically run their new ideas through a product development process consisting of a number of phases and gates. I have seen this process take so long (even in companies that profess to be industry-leading innovators) that by the time the product is ready to ship, it's no longer viable. Either the laborious process causes early evangelists to lose interest and the project is forgotten, or nibble companies hungry for growth come from behind to capture the market.



Marketing Tip: Real-Time Product Development

A better way to test a new idea is to use the real-time research process that was outlined in Section II, "Research." Assemble a group of customers or prospects in your target market and test various concepts with them. If you keep them involved throughout the development cycle you receive valuable feedback on topics ranging from features and functionality to product design and marketing.

Markets are changing too fast to get bogged down in old product development and product management processes. Guy Kawasaki once said, "If the software industry were honest, they would admit the algorithm is ship, then test." He offers two tips on product development:

1. **Don't Worry, Be Crappy.** Ship before you believe the product is perfect.
2. **Churn Baby Churn.** Build in a process to revise your product after it has shipped. Ship the product quickly, get feedback, modify the product, send it back to the consumer, and keep making improvements.

Substitute Products and Services

The explosion of new products and services during the last decade has created entirely new industries, as well as huge demand for products that didn't even exist a year ago. Industry lines are blurred. Is a mobile phone in the telecom, mobility, or application industry? The answer is "yes." And as new platforms and applications enable new capabilities, the mobile phone will touch dozens of industries including education (to deliver training and education on-demand), banking (swipe your phone to pay for coffee), and many other industries.

The future of new companies, even those like Digg and Facebook that are immediately successful by creating millions of users and vast business wealth, have yet to be defined. Is Digg a search engine, publisher, social networking platform, syndicator, software application, or...? We'll see. The great news for growth-hungry companies is that new markets expand the number of buyers.

A consistent theme throughout this book is reinventing old marketing processes to adapt to a constantly changing global marketplace. In the next several exercises, you are going to test your thinking about the market size and buyers for your solutions. In some cases, this will reveal that you have more "competition" than you thought you did. On the other hand, you may discover new buyers and new markets for your solutions that you never even considered.

Let's begin with a quick recap of what you learned in Chapter 23, "Market Segmentation for the Twenty-First Century," in Section II. When customers have a need or a specific job to do, they hire a product to do it for them. Your task was to consider all the possible alternatives a customer would consider when making that buying decision. These alternatives are called substitute products and services.

For example, if the job is to acquire specific legal services, you can choose to hire a lawyer or mediator. If the job is entertainment, there are lots of ways to do it. Going to the theater, ballet, cinema, restaurant, or video store are just some of the ways a customer could hire a product to do the job for them. Customers going from point A to point B have lots of choices. They can drive, fly, take a train, a bus, or even a boat to commute to work. Your job is to figure out the reasons why people make various choices when they need to get a job done.

Your earlier work in Chapter 20, “Why Do Customers Buy?” will help you with the next exercise. You identified why people buy, the benefits they value, and hopefully validated your assumptions by asking customers when you implemented your primary research. In Chapter 26, “Competition: Keep Your Friends Close and Your Enemies Closer,” you were asked to identify substitutes for your solutions. We’ll now use that information to analyze potential growth opportunities.

In the Table 31.1, summarize the products and services that can be substituted for your solutions, because they produce approximately the same benefit or outcome.

Table 31.1 Substitute Products and Services

	Product or Service A	Product or Service B	Product or Service C	Product or Service D
Job It Accomplishes				
Who Buys It				
How Else Can the Buyer Do the Job?				
Price Range				
Observations				

This exercise should expand the boundary lines for how you currently think about your competitive market space. When companies break out of what they perceive as industry constraints, they no longer compete against other like-minded businesses. They gain new insight and perspective, which can present new opportunities and buyers.

Disrupt and Innovate

Now you will shift your thinking completely outside the box to consider ways you can become a market leader. The exercise in the previous chapter, “Substitute Products and Services,” got you thinking about natural extensions in your current market. The next exercise will ask you to change the way you think about your business so that you can create new value for your customers. This is done through radical rethinking outside of typical industry solutions and competitive offerings to consider what customers really want.

Philip Kotler says marketing is about knowing “where your customer is going and [being] one step ahead to offer it to them.” Seth Godin, author of several marketing books including *The Purple Cow* and *Permission Marketing*, refers to the process of creating something remarkable as the creation of a “Purple Cow.” Renee Monbourge and Kim Chan, authors of *Blue Ocean Strategy*, call it finding your Blue Ocean. In my workshops, I call it “Finding New Business Value.” Whatever you want to call it, it’s the process of creating increased **customer value** and **business value** by offering a solution to customers that results in market differentiation. The result is different from current industry standards, competitor’s standards, and perhaps typical business models. It may also be different because it offers customers a unique *experience*.

At the heart of the value creation process is a focus on what the customer wants. Disruptive innovation rarely comes from looking at how to take costs out of the organization. Remember what Peter Drucker said: “The most important aspects of business are marketing and innovation.” If marketing is about fulfilling customer needs and innovation is the application of new ideas, then you must start with what the customer wants and innovate from this point.

Let’s look at a few examples of companies that have created new business value in their industries. Netflix is an example of a company that changed the way people rent movies. If people don’t want the hassle of driving to a neighborhood video store, movies can be rented by ordering them online. The industry game changer is the Netflix

expansive distribution system that allows customers to receive the movie, usually the next day after ordering it. Also, Netflix is easy to get: A new customer simply fills out a profile of their movie preferences and selects a monthly subscription plan that fits their frequency and price preferences. And like Amazon, the system learns more about users' preferences every time they shop and makes movie recommendations based upon previous customer selections. Add to this the ease of shopping online, free shipping, no hassle returns and delivery, no late fees, and the ability to cancel a subscription at any time, and Netflix was able to create new business value in an industry in which "copycat" companies compete for the same customer base with basically the same products and services. Now that Netflix has added new services like movies on demand, this service will create even more disruption in the cable and television industry.

When companies break out of what they perceive as industry constraints, they no longer compete against other businesses. They enter into new uncontested market space where they no longer compete on the basis of price. What is surprising is the simplicity in which they do it. The result is greater business focus, more customer value, and often the ability to offer lower prices. To learn more about this concept, I highly recommend reading *Blue Ocean Strategy*, by Renee Monbouge and Kim Chan, who have studied this concept extensively.¹

Whether you are starting a company in a new industry or if you are already in a mature, established industry, it is valuable to look for new models and concepts used in completely different industries that can be applied to your business. Southwest Airlines discovered their competitive advantage by going outside their industry to study airline efficiency and find ways to speed up ground turnaround time. They studied Indy 500 pit crews and were able to use these benchmarks to improve their on-ground turnaround time and set a new industry standard. Competitive advantage comes from being the first to do something old in a new way.

Many airlines have attempted to copy the 15-minute turnaround time established by Southwest, yet Southwest Airlines remains the industry leader because they deploy other strategies that are much harder to copy. No other airline has created the same warm and friendly environment that Southwest has been able to establish with their customers. United tried to compete by starting TED, a low-cost subsidiary that aimed to compete with Southwest, but failed to achieve this goal. Why? One of the big reasons is that the culture never changed. The same surly stewardesses that served on United Airline flights

also worked for TED. From the customers' perspective, there isn't a noticeable difference between a TED flight and a United flight. But there *is* a difference when comparing a TED flight to a Southwest Airlines flight. Southwest fares are always low, and they continue to let you make flight changes and check your baggage for no additional fee. They even give you snacks for free. Good luck even finding so much as a bag of peanuts on a TED flight.

Finding New Value

In the next two exercises, you will be examining your business model to gain a new perspective. In the first exercise, you will evaluate common characteristics in the industry in which you compete and look for ways to eliminate the things customers really don't care about. Then, in Chapter 33, "Finding New Value: Part Deux," you will look closely at the benefits customers want and need when they hire a product to get a specific job done. How can you respond to offer a solution completely focused on these benefits? Is there a way to deliver a solution with greater service but at a lower cost because the solution has been simplified? What ways can you create value that no one in your industry has thought of yet? The outcome of this should help you simplify your business model, and bring greater customer focus to your solutions.

Finding New Value: Part I

Discovering new value in your business requires questioning assumptions about common industry practices (see Figure 32.1).

Finding New Value

Discovering new value in your business requires questioning assumptions about common industry practices.

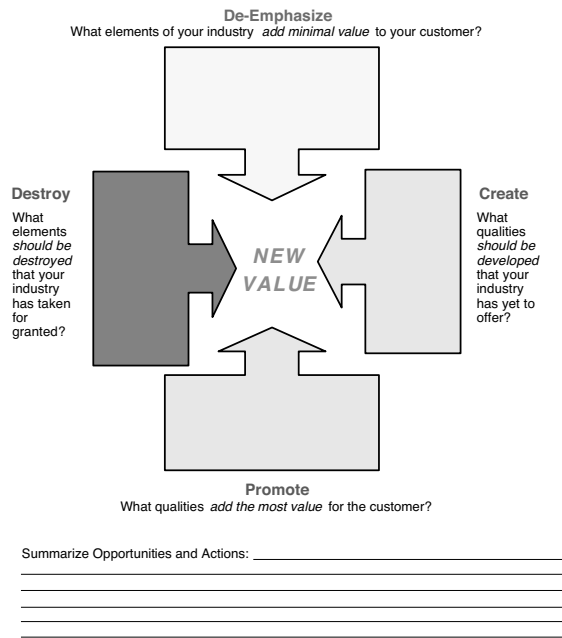


Figure 32.1 Finding new value

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Finding New Value: Part Deux

You now have an idea of the areas prevalent in your industry that are irrelevant or add minimal value. You have also identified the areas where you can create and promote value to customers, and do it in ways that no one else in your industry has yet discovered.

In this chapter, you will map four new areas against the job customers hire your product or service to do for them. You will explore broadening your audience of buyers, adding new experiences, leveraging trends, and looking for new ways to deliver the solution to buyers. The goal of this exercise is to find new ways to study what customers want. The difference between this and what competitors provide is the opportunity to provide new value and compete in an uncontested market. Or the opportunity may have nothing to do with competitors: Perhaps no one is fulfilling an unmet customer need.

Broaden the Buyers

Expand and redefine how you think about the buyers for your product or service. Begin by thinking about current buyers, and then consider all the people who influence the buying decision. In business markets, what people (roles) in what departments influence buying decisions? How much interaction does your company have with these influencers? Do industry experts and gurus influence buying decisions? Do trade and industry associations influence buyers? What about distribution channels?

In consumer markets, women influence 85 percent of all buying decisions. But what other family members contribute to purchasing decisions? What factor do children play in influencing purchases simply by accompanying mom or dad when they make a purchase? Is there an experience you can add so children actually remind their parents to do a rather mundane task like grocery shopping, banking, or shopping at *your* store just because they like to go there? Some businesses create an area to keep kids busy while parents shop, but could you go beyond this concept to create an *experience* for dad and son to have fun and bond? Also consider the role the community plays in influencing events and consumer behavior.

As you think about what your solution has to offer, who is buying it, and who influences purchasing decisions, are there buyers you have not yet considered? Do sales and marketing programs consider all buyers and influencers?

This concept can also be applied to a different product development approach. How will different buyers respond if you make it easy for them to understand how your solution applies to a variety of jobs? Arm and Hammer made it easy for consumers to think about using the product as a carpet deodorizer (Arm and Hammer Vacuum Free carpet deodorizer); a kitty litter deodorizer (Arm and Hammer Super Scoop); a detergent to clean and freshen clothes (Arm and Hammer laundry detergent); and a toothpaste to make mouths feel clean (Arm and Hammer Complete Care toothpaste).¹ Arm and Hammer didn't burden customers with thinking about how to use the product in different ways. *They made it easy by creating new products targeted to different uses, and attracted new buyers.*

Create Customer Experiences

Logic can sway some purchases, but emotions are the real driver of buyer behavior. When you think about the job that buyers hire your product or service to do, what experiences can add value and excitement? A better customer experience can result in new ways to differentiate your business and attract new buyers. They can also lead to increased revenue and profits because buyers will pay for an experience that provides them with more value.

What is interesting, however, is that often when a business decides to get rid of the things customers really don't value, it simplifies its offering and the price of their product or service actually becomes lower. When businesses can offer customers a better experience at the same or lower cost than competitive choices, they find new value in an uncontested market place. This is how disruptive innovations are created.

Landmark Theaters has changed the experience of going to a movie theater. Moviegoers can order tickets online and reserve a first-class seat. This lets the buyer walk right into the theater (no waiting in line or risk of driving to a sold-out show), and sit in a large, luxurious leather recliner to watch the movie. And forget paying a ridiculous sum of money for a bucket of popcorn (it's free at Landmark) or the basic high-calorie candy and soda. Choose from a whole menu of good foods like quiche, a chicken baguette sandwich, and delicious desserts. Order a glass of wine, a beer, a cappuccino, or an exotic tea. And it doesn't stop there. You can enjoy the food from the café and wine bar in the lobby, or you can have your own personal waiter bring it to your seat. Now you can enjoy a dinner and movie date—in one single experience.

Many predicted that cinemas would be in trouble due to substitute offerings like video stores, Netflix, pay-per-view, and on-demand movies. If you're like me, you have to look at the simplicity of what Landmark has done and ask: *"Why did it take so long for someone to think of this?"*

Retailers like REI added experience to several of their flagship stores years ago. In addition to shopping, consumers can rock climb on the indoor wall or try out a kayak in the small river outside the store. Why don't other retailers do things like this...or something more?

When I was in Paris with my daughter recently, I thought she would enjoy visiting the Louis Vuitton store in the eighth arrondissement. The breathtaking storefront features a huge Louis Vuitton bag that can be seen for blocks away. It's an attraction for first-time shoppers, but I wonder how many repeat visitors they have? Once inside, the experience is anticlimactic. It's just a regular store with Louis Vuitton bags. I observed the number of people filing in and out of the store as the clerks and security guards passively stood by with an air of indifference. There was nothing inviting about the store except the rather unusual architectural building. Shoppers must think, "Okay. Been there, done that." But what if the shopper had a real experience while shopping?

Perhaps a small section of the store could be devoted to the history of Louis Vuitton. Louis Vuitton aficionados might be thrilled to walk through displays featuring vintage bags and interesting facts about how he influenced fashion. Assuming the shoppers are high-end (bags are \$200–\$6,000—so it's a safe assumption), why not pamper them in special ways? The store could feature a wine bar, which is a natural in Paris (not to mention one might cast away all doubt about spending \$2,000 on a bag after a glass of wine) or create other ways to pamper discriminating shoppers. And I'm sure businesses in the area could offer dozens of ideas for complementary products or services. Paris is my favorite city in the world because I love the people, the style, the food and wine, the architecture, and the history. In this example, how can a fabulous Parisian lifestyle be integrated into the store environment to enhance the brand and customer experience?

Tap into Trends

Instead of adapting to trends, create and influence them. In the previous chapter, "Disrupt and Innovate," you researched macro-environmental issues that were shaping your industry. How can you take these trends and use them to your advantage? How can you tap into trends like the abundance of information, the ease of communication through social networks, the ability to reach an expansive number of people globally, use

tools like blogs and social networks, support the Green movement, alleviate growing consumer skepticism, or enable individual preference through mass customization? All of these trends can be leveraged to create new business success.

The iPhone changed consumer experiences and expectations of mobile devices. The creation of the iPhone set off a huge wave of entrepreneurs rushing to create mobile applications resulting in dozens of I-can't-live-without-it tools. More than 100,000 people visited the iTunes Application store in its first weekend alone. Linux created a similar stir with open source computing. New technologies give birth to all kinds of new businesses that in turn inspire other new markets and businesses.

When Ted Turner created a new way of delivering television, he launched an entirely new industry. The industry responded by creating new types of programming we have now come to expect, like HBO. The outcome of HBO series like *The Sopranos* and *Sex in the City* influenced television, entertainment, and fashion industries.

Today's equivalent to Ted Turner might be Kevin Rose, founder of Digg, the new Internet company that has created 30 million raving fans since its launch in late 2004. Company valuation is estimated between \$60 million and \$300 million. The power of this company and Internet tool is unknown because it's so new, but like Google and the iPhone, with this much interest and a huge user base, the future will be written by customers. And this in turn will give birth to a new wave of businesses and trends.

Work with your team to create a list of trends. What trends are influencing your customers? How have they impacted what customers want or expect? What trends are changing the way your business, or others like it in your industry, are doing business? Objectively look at the gap between these two areas and identify opportunities for change, growth, or expansion.

Distinctive Delivery

The Internet has created disintermediation between businesses, channels, and consumers. As customer needs and preferences change, they also look for new channels to access and buy products. For example, if the job a customer wants to get done is learning new knowledge, he can access education and training in several ways including books, CDs, seminars, university courses, online resources and articles, consultants, and third-party providers. Depending upon the level of value and price, people buy from these sources for lots of different reasons.

Several years ago, if a business person wanted luxury air transportation, the only way she could get this was to reserve a first-class or business-class seat. The only other

option appeared to be buying a corporate jet, but this option is cost prohibitive for most businesses. NetJets examined this market need and how they could deliver a similar outcome to customers who wanted premium air travel service. NetJets invented fractional jet ownership, which allows business executives to use a private jet for a certain number of hours a month. The company offers a simple, affordable solution to business travelers who desire fast, personalized, no-hassle transportation at a reasonable price.

Netflix did the same thing in the entertainment business, disintermediating video stores to sell direct to consumers. The result is entertainment delivered to your doorstep or personal computer. Amazon took a similar approach by selling books, music, and more directly to consumers, and forever changed the way consumers buy books and now many other items. Online retail marketplaces like Amazon Marketplace and eBay allow small businesses access to millions of consumers.

As you examine the job that your customers want done, and the methods of access to get it done, think about whether you deliver it in the best possible way. In what ways can you provide ease of access, or perhaps greater access to your solutions? Examine your current channels and consider other ways you can get your product in the hands of buyers using new distribution channels. Sometimes this is a change in delivery methods or channels, but it can also mean a change to your products and services. Look at the benefits your customers want and figure out different ways to give it to them. Do you need to simplify your solution or add more benefits? Maybe you need to add complementary products that will give you access to new distribution channels, and therefore, new buyers.

Match what customers want to the way they buy and access it. Do buyers want the solution to be:

- | | |
|---|--|
| • Fast or slow | • Practical or luxurious |
| • Basic or robust | • Low price or high |
| • Serious or fun | • Available instantly online or through brick and mortar |
| • Independent or collaborative | • One-stop shopping or a highly specialized business |
| • Available everywhere or a selective few | |

These are just a few attributes to consider as you look for new ways to create value. As you have progressed through this marketing process, you should now understand what your customers want. Ask yourself, “How is my solution different from what competitors provide?” Is there a gap of unmet customer needs? Or perhaps you are thinking, “It has nothing to do with competitors.” Maybe no one is fulfilling the need—and therein lies the opportunity.

Imagine and Innovate

Let's look at an example of how these four concepts could be applied to a rather ordinary transportation service: Trains. What if the rail transportation in the U.S. could be completely reinvented? If the goal is to get people from point A to point B in a reasonable time, like Europe and Asia do with high-speed trains, there is a vast array of creative ways in which to do this. A company (it probably won't be the railroads) could deliver a unique experience by adding capabilities and attributes like wireless and conferencing capabilities, meeting rooms, or a theater. This would allow business travelers to enjoy affordable luxury to work and be productive between cities. Imagine the joy of a commuter who travels weekly between L.A. and San Francisco when she discovers that she has other choices!

Just think of the endless possibilities in consumer trains that carry families from one place to the next. Why not have cars with movie theaters, or other forms of entertainment? A family could actually spend time together without the hassle of stuffing everyone into a car, spending an exorbitant amount of money on plane tickets, or tolerating the hassle and impersonal experience of air travel. What are the possibilities of a "green service?" Imagine a mode of transportation that doesn't burn gas or coal, doesn't pollute the environment—maybe it even gives energy back to the environment somehow. Some smart entrepreneur will figure it out.

The next exercise is designed to build upon what you have learned so far during this process. It is designed to help you discover and summarize how you will differentiate your business by creating better customer experiences resulting in deeper relationships with them. This is what will add value to your business. It isn't about building a better product. Marketing is about delightfully satisfying the wants and needs of your customers, and if you can figure out innovative new ways to do this, you will be far ahead of most companies that still operate with a product mentality.

In the last exercise, "Finding New Value: Part I," you analyzed how you can eliminate the things most competitors in your industry offer that your customers just don't value. This may simplify your offerings and make your business more efficient. Now you will expand on the concepts you applied in the "Promote" and "Create" categories.

Finding New Value: Part II

Creatively explore and analyze new approaches to reach a broader market of buyers, create unique customer experiences, leverage growing trends, and find new methods of delivering your solutions.

Buyers



How you can broaden the buyers you sell to, or gain a better understanding of others who influence the buying decision? If you made a change to customer experience or delivery, would this change the number of people you could sell your solutions to?

Experience



What experiences can you add to create new value for your customers? What experiences would people value enough to pay more for? How can these experiences create market differentiation so you no longer compete on price, or you attract new customers?

Trends



What trends are evolving that you can leverage in new and valuable ways to improve customer value and access to more buyers and influencers? What trends impact buyers, customer experience, and delivery?

Distinction



What new channels and attributes can you add to reach new buyers in new markets? How can improvements in efficiency, quality, timing, availability, and other factors improve customer access and preference for your solutions?

Summary:

Brainstorm each of these areas with your team to create a list of ideas in each category that are unique and create differentiation. Summarize the recommendations and next steps, then experiment and test the ideas with your customers.

Pricing Strategy and Objectives

The way in which a company positions and prices its products and services may be the most visible evidence of how a company values its brand. A company that seeks product or service leadership is less concerned with pricing than it is with innovation.

A company's pricing strategy is an important and complicated decision. To make matters worse, there are dozens of different pricing methods companies use. I want to simplify the process as much as possible and present you with a process that will be used to help you develop a pricing strategy aligned with your business strategy. The first goal is to understand your objectives. There are four main pricing objectives that work for most businesses:

- **Profit Maximization:** Companies that successfully differentiate their brand from others in their category can maximize prices to what the market will bear. The target market may be smaller than if you were pursuing a different objective, but higher profits will provide your company with more strategic options. The cosmetics industry provides several examples of profit maximization. The cost to produce some cosmetics is minimal, and even after adding the cost of expensive packaging and marketing, the profit is substantial.
- **Market Leadership:** Companies perceived to have the highest level of product or service quality, service excellence, and/or luxury create a very loyal base of customers. Unique brand positioning and effective marketing strategies reinforce their leadership position. Brands such as SubZero and Viking continue to grow and avoid the competitive pricing wars prevalent with other competitors in the appliance market.
- **Market Share Penetration:** If you are introducing a new product and your goal is to get the product into as many users' hands as possible, your objective should be to price your product as low as possible to gain new customers and win market share, or to steal market share from existing competitors. This strategy is effective if the market is price sensitive to products in your category, or if there are many substitute products available.
- **Survival Pricing:** Products or services are priced at or below cost to get rid of excess inventory or respond to competitive pressure. Companies may need to adopt this strategy to avoid losing customers or going out of business. This is a short-term strategy that should only be applied in extreme cases. The business must learn how to add value and differentiate from the competition, and to up-sell customers to more profitable products and services.

Section Three: Analyze 121

You will notice that “low price leader” is not on the list. I don’t believe this is a good strategy for any business except big companies like Wal-Mart that can actually deliver on the promise. Besides, who wants to operate a business based on having the lowest price? Where’s the fun in that strategy? First, it’s a difficult claim to make and you’ll always be looking over your shoulder to substantiate the claim. Second, there are so many alternatives to differentiate and add value to your solutions, resulting in profitable growth for your business.

Companies approach pricing strategy in various ways. One approach that works for many businesses is market-based pricing using target margin as the pricing floor. This will allow everyone (executives, finance, marketing) to sleep at night without worrying about damage to the bottom line or to brand equity. It will also provide more discipline for the sales force. If prices fluctuate, it may encourage bad behavior from sales people who offer customers a low price just to close a deal. It can also train customers to expect and demand price concessions.

Keep in mind that once the general price is set, consideration must be given to modifying the base cost to geographical regions, sales channels, and the different types of customers who purchase (large volume purchasers versus occasional buyers). Contract terms, guarantees, and other factors also weigh in to pricing decisions.

The relationship between price and quality isn’t as predictable as it once was. Consumers favor low prices on commodity goods and in situations where it is difficult to ascertain the value for paying a slightly higher price. At the same time, consumers value quality, convenience and service on some items and they don’t mind paying a premium when they perceive equitable value in return. These are just a few of the things that will impact price. Others are product awareness, marketing effectiveness, product positioning, and brand.

Mapping Customer Value to Pricing Strategy

To help you create your pricing strategy, or evaluate if your current strategies are aligned with your objectives, you will create a Pricing Map for your business. The steps are outlined below and this is followed by an example of a completed Pricing Map for the training industry. The goal of this exercise is to evaluate your products and services against competitors and substitutes, as well as to the perceived value and budget of your customers.

Pricing Map Directions

The pricing map illustrates the relationship between commodity and specialty products on the vertical axis, relative to price on the horizontal axis. In some B2B examples, the description of the vertical axis can change to decision maker target markets and the horizontal axis represents the budget ranges, or price. Select the best criteria for the vertical and horizontal axis that is most relevant to your business.

A diagonal line runs through several semicircles. The diagonal line assumes a direct relationship between perceived value and price. Each of the semicircles represents similar competitive products corresponding to a price point. The semicircle also represents substitute products of similar products in a budget/price range that provide the same perceived benefits. Substitute products and services are generally at the lower level along the price axis as they tend to be less expensive (for example, renting a movie versus going to the theater).

Some companies sell products or services at all price points up and down the line, maximizing their growth across products and markets. Other companies only sell products or services to one market. As you analyze the data from the research you collected on market opportunity and buyer needs within various target markets, you can evaluate market expansion opportunities.

What differentiates companies who sell at the high end of the pricing map versus those who sell at the lower end? They have created a perception of value by adding unique services, personalized service, higher quality, faster turnaround, or some other special aspect that elevates their brand above competitors. Market leaders can command a higher price because they have proven a direct relationship between quality and price.

When you have completed the pricing model, evaluate your current pricing structure relative to the entire choices available to your target market. The highest-priced product in the market sets the price ceiling and your break-even point sets the floor. ("Break-even" is the point where total revenues equal total costs.) Demand is what consumers are able and willing to buy at a certain price. Most businesses will set prices somewhere in the middle of the two spectrums. A low price may be charged for a specific item or service at break-even if the goal is to get new customers in the door that have the potential to buy additional items or services.

If your goal is to be the lowest priced in the market, I would urge you to rethink your strategy. As discussed earlier, unless you are Wal-Mart, offering the lowest prices is not a sustainable strategy in the long run. It is, however, clearly acceptable to give discounts for large volume purchases, early payment discounts, or other price incentives to purchase. But discounts should be the exception, not the rule. A justifiable discount should

reward the customer for having saved you time or costs, so you both win. In short, there is a reason for the discount; it is not arbitrary.

Consider this: Have you ever lowered your price for a customer because you perceived it was necessary to win a sale? If you provided the same value and benefits when you charged the same customer more for the next sale, you may have ended up losing the customer. The price difference only served to confuse the customer, resulting in a short-term gain and a long-term loss.

Some businesses believe that an economic downturn is justification for lowering prices. I strongly caution you to think about the consequences of doing this. Research from past recessions confirms that it takes six years for businesses to return to normal pricing after making price cuts. Ouch. A recession is bad enough without prolonging the pain even further.

Training Industry Example

Figure 34.1 illustrates a Pricing Map example for the training industry. It demonstrates the Pricing Map concept so you can apply similar thinking to competitive and substitute products or services in your industry.

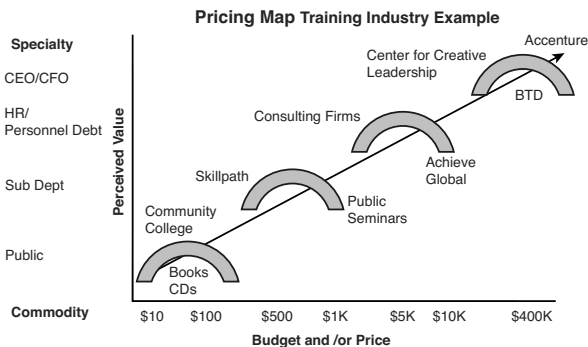


Figure 34.1 Pricing model for the training industry

The training industry provides a good B2B example of buyer groups that make purchase decisions based upon value and budget. Beginning at the top of the vertical line

and moving down to the left corner, you can see that the CEO/CFO would consider purchasing a highly customized training program that typically has a high price tag, while a human resources department typically has a budget for purchasing training services or products for the organization. Specific departments and/or business units have discretionary dollars to purchase skill-specific training through public seminars, custom training, or products like audio, video, and online training solutions. Large companies may also develop their own internal training using the expertise of its staff.

The lower end of the diagram represents substitute products like books, CDs, and community college courses. All of these sources provide training at the commodity price level which is a substitute for higher-priced training options. In each instance, the price range changed *and* the target market may have changed based upon what the buyer perceived as the best value for his or her budget.

Some companies sell training products at several price points, to several different buyers, meaning they have expanded their product line and their markets. In other situations, a company may sell only specialty products or services to one market. An analysis of the entire market offerings will highlight potential areas where you can expand your business, or it may shed light on competitive alternatives you have not yet considered. Keep in mind that the customer is looking for a solution to get a job done, and will base buying decisions on price, value, brand, and other considerations.

If your goal is to maximize profits, what price point best supports that goal? If you wish to compete at the top end of the scale, what attributes create differentiation? Relationship building activities add value, but they can also add costs. However, customers will pay a higher price for a product or service that is differentiated and provides value.

Develop your own pricing map using the blank pricing map worksheet in the *Real-Time Marketing* book resources section at www.MarketSmarter.com.

Analyze Price and Profitability by Product and Service

Working with companies both large and small over the years, I have noticed that a lot of time and attention is invested in developing marketing strategies without fully understanding the internal costs and profitability of the products or services being sold. It's surprising—shocking, actually—that so few business professionals understand their costs and margins. In Section VI, “Execute and Evaluate,” we will explore new, more efficient methods of budgeting and forecasting that are cross functional across operations, finance, marketing, and sales. For now, let's make sure we have at least the basics in place.

The purpose of the exercise is to help you understand how you can increase profitability across your product and service lines. This evaluation must be done before you develop your pricing strategy. If you are a marketer who breaks out in hives at the very word of “finance” or “budget,” don't worry. The process you are about to learn is made just for you. It's simple and easy to understand. Please note that the next form and several others are available for you to use in the *Real-Time Marketing for Business Growth* book resources section at www.MarketSmarter.com. The exercises and forms are designed to work together to allow you to “plug and play” different variables to analyze price and profit points.



Marketing Tip for Large Company

If you are a marketing professional in a large company, your finance team should be able to provide you with the information you need to understand the cost, revenue, and margin on a per-product and service basis. If not, now is a good time to work with others in your company to fully understand this information.

Revenue/Cost Analysis

The revenue/cost analysis worksheet summarizes recent sales history and variables impacting sales. Two simple examples are provided to help you understand a product business (Tony's Surf Shop) and a service business (Larry the Lawyer). The goal of the sales budget is to calculate revenue, profit, and contribution to revenue on a per-product and service basis.

The worksheet will ask for fixed costs and variable costs. Fixed costs are costs that continue regardless of the volume of sales. Rent, salaries, insurance, interest charges, and property taxes are examples of fixed costs. Variable costs are costs that fluctuate based on production and sales volume. In retail business, they may include freight, commissions, shipping, and handling. In manufacturing, the variable costs might include molds, assembly, cleanup, set up, and freight. In service businesses, commissions, consulting, or contractor fees used in providing a service are examples of variable expenses. Some service companies allocate costs as a percentage of the service's revenue contribution to overall revenue. Others choose to allocate costs based on time spent on projects. Work with your accountant or finance team to make a list of the fixed and variable cost items so there is agreement about what costs go where. Explain your objectives to the finance team so they can understand your goal is to make marketing decisions on a per-product and service basis.

If you have a new company that does not yet have a sales history, the budget will be based on projections. Consider using industry standards from your industry association or from Risk Management Association's (RMA) Annual Statement Studies.¹

The following worksheet summarizes the income and costs for both the product and the service businesses. The examples reflect two small businesses and are intentionally simple to explain the concept. The same methodology can be applied to any size of business. If you are a marketer in a large company, your finance team can hopefully provide you with the information you need.

The worksheet provide examples for three products or services. It can be easily modified to suit the needs of your business. You will note that there are letters next to each line item. The letters match those in another worksheet titled Target Profit Analysis. Simply plug the numbers from the line items in the Revenue/Cost Analysis worksheet into the line items with the corresponding letters in the "Target Profit Analysis" worksheet. This will give you an easy way to experiment with changing different variables to see how you can achieve a higher profit. Blank worksheets and examples are in the *Real-Time Marketing for Business Growth* book resource section at www.MarketSmarter.com.

Worksheet

Date:

\$\$\$ Dollars

A. Number of Employees (Full-time equivalents)

B. Quantity Sold

C. Retail Price per Product/Service
(Amount retail purchaser pays)

D. Revenues per Product/Service
(Amount you receive B x C)

E. Overall Gross Revenues

F. Allocated Overhead per Product
(Fixed Cost)

G. Variable Cost per Unit

H. Total Cost of Product/Service

I. Pre-Tax Profit per Product/Service
(Revenue per product less allocated overhead
and direct costs per product [D-H])

J. Percent Contribution to Revenues
per Product/Service [D / E]

Assumptions:

Revenue/Cost Analysis

	Tony's Surf Shop		Larry Lawyer	
	Actual Last Yr	Budgeted Current Yr	Actual Last Yr	Budgeted Current Yr
	1		7	
1) 240 Surfboards			\$ 3,380 Hrs	Document Preparation
2) 268 Wetsuits			\$ 3,900 Hrs	Legal Research
3) 402 Body Boards			\$ 2,080 Hrs	Counseling and Litigation
1) \$ 500			\$ 50/Hr	
2) \$ 150			\$ 75/Hr	
3) \$ 55			\$ 175/Hr	
1) \$120,000			\$ 169,000	
2) \$ 40,200			\$ 292,500	
3) \$ 22,110			\$ 364,000	
\$182,310			\$ 825,500	
1) \$ 37,079			\$ 63,360	
2) \$ 12,360			\$ 95,040	
3) \$ 6,742			\$ 158,400	
1) \$ 250			\$ 18	
2) \$ 90			\$ 42	
3) \$ 35			\$ 85	
1) \$ 97,079			\$ 124,200	
2) \$ 36,480			\$ 258,840	
3) \$ 20,812			\$ 335,200	
1) \$ 22,921			\$ 44,800	
2) \$ 3,720			\$ 33,660	
3) \$ 1,298			\$ 28,800	
1) 66%			20.5%	
2) 22%			35.4%	
3) 12%			44.1%	

Distribution and Channel Sales Strategy

Distribution is the process of getting a product or service to the buyer or end user through a channel. Selecting the right sales channels is one of the most important strategies you will execute because channels give you access to buyers. Channels in consumer, B2B, and manufacturing businesses each have unique distribution characteristics. This chapter will examine the primary issues and considerations of different types of channels and hopefully spark new ideas for channels you have not yet considered.

Choose the Right Channels

Examples of distribution channels include direct sales, agents, brokers, dealers, value added resellers, licensing, franchising, wholesalers, retailers, distributors, catalog/direct mail, telemarketing firms, inside sales (outbound and inbound), and the Internet. A company may use several types of distribution channels to reach buyers in different market segments and geographies.

To choose the right channels for your business, define your objectives and analyze the benefits to be gained through each channel opportunity. The primary considerations include selling costs, revenue generation, geographic needs, expertise and reach of channel partners, and branding. A cost and benefit analysis should be done to evaluate how much it will cost to sell and service the channel, and the benefits and estimated return expected by using each of the channels.

For example, if you sell a software product, you have several channel options, each with its own benefits. You could sell or OEM to a hardware company that sells the product with a hardware component like a computer. You could integrate or bundle the software with other complementary software products. It could be sold through computer specialty stores or to mass market retailers. Another choice is to sell through a catalog retailer that sells products to a particular target market, or you may choose to sell software online directly to consumers.

Evaluation of channel options also includes decisions about who you want to sell and represent your solutions, which affects your brand. You can sell directly to customers using a dedicated sales force, or sell through a value added reseller (VAR), independent

software vendors (ISV), or specialized channels. These are just some of the options for a software product. Each has its unique advantages and disadvantages that should be weighed carefully.

A factor that influences channel strategy is the decision to use a push or a pull strategy, or both. A push strategy is enticing distributors to carry and sell your products to the consumer. In this case, a company may rely heavily on its own sales force and trade promotions (channel incentive) to create demand. Campbell's Soup is an example of a well-known commodity product that is pushed through several channels.

A pull strategy is common among well-known brands, like the iPod. Large amounts of advertising and promotion are invested to create a strong, visible brand to pull the consumer to purchase it. Many companies use a combination of both push and pull strategy to maximize sales. Pharmaceutical companies that market directly to consumers are a good example. Many use broad-reaching television campaigns urging patients to ask their physician for a certain drug and pharmaceutical sales reps market directly to physicians.

Channel Considerations

To determine the best distribution strategies for your products and services, you should analyze the advantages and disadvantages of each channel. The following issues are the prime points of consideration:

Cost: It generally costs less to employ a sales agency or middleman to sell your products than it does to pay salary and commission to your own sales force, or to open a new sales office. However, commissions paid through sales representatives are usually higher.

Revenue: How many sales reps does the channel have? If you have 10 sales reps working for you, this dedicated sales team may be more knowledgeable of your company's offerings, but they don't have the scale of an intermediary with 100 sales reps. You will need to estimate the additional revenue that can be generated through external sales teams.

Geographic Territories: You will likely need different types of distribution for different geographical regions. In small rural locations, it may be more cost effective or even necessary, to employ a firm that covers a rural territory. If you are expanding into foreign markets, it would be wise to distribute through a company that has already established markets and customers in those regions and knows the unique characteristics of each country.

Expertise and Reach: Intermediaries have expertise, specialization, scale, and contacts into well-defined markets. All of these factors enable a company to reach new customers it otherwise could not reach on its own or it would take considerable time and expense to build.

Brand and Position: Brands that have been sold exclusively by a company and choose to expand by selling their products or services through distributors will need to be careful to protect their brand. Brands like David Yurman and Armani sell products through retailers who match their brand image. Companies like Bobby Brown cosmetics use an **exclusive** distribution strategy, such as selling through Neiman Marcus and Nordstrom versus many department stores, which gives them greater control. This not only adds to the prestige of the brand, the distributor will benefit by offering an exclusive product or service, have specialized knowledge of the product, and also enjoy the revenue from being an exclusive sales channel. Companies that seek mass distribution will implement an **intensive** distribution strategy to sell products or services through as many places as possible. A **selective** distribution strategy is used by companies that want to sell between these two extremes.

Tiered Distribution

Companies that sell direct to end users or consumers use a direct sales approach. Examples include the Internet, telemarketing, infomercials, and mail order. Companies that sell through one or more channels have a tiered distribution strategy. For example, a company selling to a retailer that sells to a consumer has a one-tier distribution strategy. If the company sells through a wholesaler or VAR that sells to a retailer that then sells to the end user, it has a two-tier distribution strategy. If the company sells through a distributor that sells to a sales agency that sells to the retailer that in turn sells to the end user, it uses a three-tier distribution strategy. Simply stated, each tier between a company and the customer equals a distribution channel.

The same tiered distribution scenario is applied to B2B and industrial industries, but the types of distribution channels change to manufacturers, manufacturing reps, brokers, industrial distributors, and others.

Integrating Bricks and Clicks

Customers are increasingly looking for integrated solutions to purchase products. They may want to do their shopping online but have the flexibility to return the merchandise at a store, or to have an item that was purchased online serviced at a location convenient to

where they live or work. If your goal is to offer your customers an integrated channel experience, your strategy and processes must be clearly defined and tightly integrated to create consistency in both environments.

Some of the basics of a successfully integrated channel are consistent return policies, discounts, promotional prices, inventory of advertised items, and product availability. There are many real-time inventory needs and complexities that must be considered as channels are integrated. One of the most important must be consistency of brand image and customer service. A call center representing a company must have the same level of care and service that a consumer would expect to find when shopping in a store.

Internet Pure Play

In contrast to the integrated channel strategy described previously, many companies use the Internet exclusively as a channel for selling products and services. Examples of this business model include Amazon, Expedia, and Lending Tree. Clearly the advantage of a pure ecommerce business is the expansive reach to potential customers worldwide, and the cost savings from not having to maintain a brick and mortar presence.

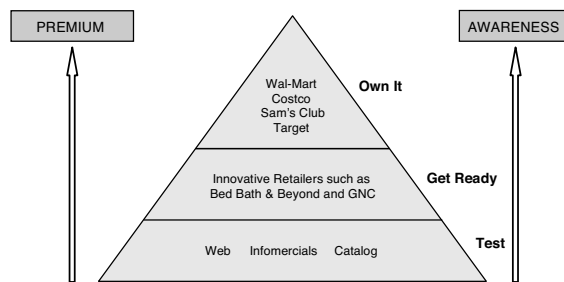
Even traditional brick and mortar businesses are moving to the Internet to take advantage of cost savings. The banking industry is going through significant changes and is offering more choices for consumers who prefer doing online transactions versus the hassle of visiting a location. The average transaction at a full service bank is \$4.07 compared to a phone transaction costing 54 cents, an ATM transaction costing 27 cents, and an online transaction costing just 1 cent. This stark reality has created Internet-only banks that are very price competitive. Cost savings in one area can be passed along to consumers in the form of higher interest rates on savings accounts and investment plans. This creates more stress on traditional banks that cannot compete at the same level and gives Internet-only banks a distinct competitive advantage.

Formula for Success: Real-Time Channel Development

Selecting distribution channels is a combination of art and science. Mass distribution may sound like a desirable strategy, but timing is critical if this is your goal. One mistake that businesses make is choosing this strategy too early in the product life cycle. If your product does not have brand awareness, selling through mass retailers and distributors could prove to be fatal to your business or product line. You need to create market demand for your products first, or you risk low sales and being abandoned by the channels you worked so hard to establish.

Unless you can make a significant investment in marketing and advertising, your strategy should be to build brand awareness through channels that can help you establish your brand. Launch Pad, the innovative company described in Section II, has implemented a distribution strategy and process that has been highly effective for launching products. As you recall, Launch Pad launches unique new consumer products using a process of real-time research gathered in focus groups and testing with potential customers. The process gives them the ability to test product concepts, packaging ideas, messaging, advertising, and so on as they move through the product development and commercialization stages.

As the products transition from development to launch, the company continues to test and carefully measure response as it is sold through progressively larger channels. The objective is to test response to consumer demand in low-cost environments. Products go through a “Pyramid Principle” that moves products up the distribution chain through increasingly larger channels. Figure 37.1 shows how it works.



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Figure 37.1 Launch Pad's Pyramid Principle

Real-Time Channel Development

Products are launched at the bottom tier of the pyramid, primarily direct to consumers, so that the product can be refined as consumer feedback and demand are analyzed. Selling through low-cost channels like the Internet, infomercials, and specialty catalogs is low risk and more flexible than other channels. If the product isn't successful, it is either killed (it's okay to fail fast) or changes are made to one or more of the marketing mix elements (product, price, promotion, and place). Refinements and testing continue until everyone feels it's right to move up the pyramid to the next level of distribution.

In the middle tier of the pyramid, Launch Pad enjoys working with what they call innovative distribution channels like Bed Bath & Beyond. Retailers like this are open and flexible to testing and understand the value of partners working together to make a product successful for both companies. For example, Bed Bath & Beyond will merchandise products using floor space and displays to promote the products, giving Launch Pad feedback as the product is tested through various merchandising displays, price points, and geographical locations.

Building great supplier and customer relationships is one of Launch Pad's critical success factors. Their goal is to make the product successful for their channel partners, so they are responsive to their needs and requests. Launch Pad makes it extremely easy for distributors to do business with them. For example, if the product doesn't sell as well as expected, they give the retailer funds to mark down the product and get rid of the inventory. This alleviates risk for the channel and builds confidence in the ongoing relationship they have with Launch Pad. It's a win-win partnership for both companies.

Launch Pad has a similar relationship with Wal-Mart. As products are tested in various Wal-Mart locations, they give Launch Pad ongoing feedback on customer response and demand generation. Founder Joel Appel says, “Wal-Mart is such a great company to work with. It’s a myth that they are difficult to do business with. They make the right decisions for their company and their customers, and the feedback we get back, good or bad, allows us to make adjustments so the product is ultimately successful for both of us. They drive innovation and solid performance from their suppliers and help us make better products.”

The preceding example illustrates a retail channel strategy, but conceptually it can be applied to other types of businesses. Incremental phased distribution can help any business increase its chances of success.

Several other lessons can be learned from this example:

Build Strong Relationships: Treat your channel partners with the same respect you give to customers and employees.

Ongoing Testing: Never assume you have the optimal scenario figured out. Create a healthy aptitude for ongoing learning and continuous improvement.

Remain Flexible: Flexibility requires that you solicit ongoing feedback about what’s working and what needs to change. Build flexible terms into your agreements.

Analyzing and Selecting Channels

In this chapter, you will map the current and potential channels that can be used to reach your ultimate end user customer. Consider who buys your solutions, as well as the ultimate end user of the solution. How many new channels can you identify?

Every company has unique needs and challenges with respect to selecting the best channels. Channel decisions can be complex, and developing the best strategy to access new markets and buyers is one of the most important marketing decisions you will make. In Table 38.1, consider your buyers and end users. Define the current channels where you sell your solutions; then indicate other possible channels to reach your target segments and target customer. Evaluate the costs and benefits of using different channels to extend your reach to end users.

Table 38.1 Channel Analysis

Product or Service: _____				
	Channel #1	Channel #2	Channel #3	Channel #4
Reach				
Projected Revenue				
Projected Costs				
Geography				
Expertise/Brand or Company Strength				
Other Observations				

Avoid Channel Conflict

Channel conflict is common if there are not clear agreements about mutual objectives and selling terms. The most common sources of channel conflict involve issues related to geographical boundaries, customers, industries served, and pricing. Give considerable thought to the channel issues in advance to alleviate the chance there will be channel conflict down the road. The channel checklist below will guide your decision making in several critical areas.

Dilution and cannibalization are concerns as companies expand. No one knows this better than Starbucks. In July 2008, Starbucks announced that after several years of rapid expansion both domestically and internationally, they would close 600 stores. In January 2009, Starbucks announced it would close another 300 stores. Although a slow economy is certainly to blame, the aggressive growth plan was also a factor. As the number of Starbucks stores swelled with locations in grocery stores, shopping malls, airports, retail stores, and locations within a block or two from an existing Starbucks, the market became oversaturated. Stores begin to suffer from cannibalization and brand dilution. You know you have a problem when jokes start to surface: *Did you hear about the Starbucks opening inside the Starbucks?*

Channel Checklist: Devil's in the Details

Distribution strategy and channel selection is a critical component of your marketing strategy. The next step is making sure you have covered all the details to effectively execute the strategy. There are many issues that must be considered in advance of formalizing and implementing a strategy, and the following checklist will assist you in finalizing the details:

- ✓ **Pricing and Discounts:** Consider how prices and discounts will be given to certain distributors who purchase large quantities, pay in advance, or guarantee selling a specific amount of goods or services. Distributors will want to ensure there is price parity or consistency of discounts and allowances. Some brands set the same price across all channels and rely upon the brand awareness and value added services of the channel to differentiate the product or service.
- ✓ **Geographical rights:** Distributors may want geographic exclusivity or credit for sales based on geographic borders.
- ✓ **Terms and Conditions:** What guarantees will be made on prices or products? What terms will be established for payment, delivery, returns, pricing, and servicing?

- ✓ **Training:** What training and support will the different types of channels need to be effective? What tools will be provided to them? What is the frequency of the training?
- ✓ **Support:** If you have a licensing or franchise channel strategy, you will need to define the company support that will be provided. This might include administrative, advertising, technology, marketing, training, promotion, supplies and equipment, and process and procedures support.
- ✓ **Reporting:** How will you track and measure the effectiveness of each channel? How will you measure the success of a channel relationship? What is the frequency and means by which you will measure performance? How will this information be integrated and communicated with channel partners to increase effectiveness of execution?
- ✓ **Contract Length:** Carefully consider the terms and conditions of your distribution agreements, and conduct periodic reviews to make sure the relationship is a win-win for both the company and the distributor. If a distributor does not live up to commitments that were made at the beginning of the contract term, you should have the mechanisms in place to make changes.
- ✓ **Incentives:** If your plan includes sales promotions to channels, include incentives and commissions in your budget. Keep in mind that your incentives budget may need to grow as the product matures.
- ✓ **Relationship:** Channel relationships need to be nurtured. Your strategy should include a plan for ongoing communication and joint planning, as well as ways you and your team can develop and grow the relationship.

Strategic Alliances and Partnerships

Strategic alliances or strategic partnerships should be approached with the same rigor as a channel relationship in order for the partnership to be mutually successful in the long run. Companies that take a passive role with their alliances, such as putting the partner logo on their web site and creating loose agreements to promote each other's products, do not enjoy nearly the same level of success as businesses that put structure, commitment, and energy toward making the partnership successful.

For example, a company once said they had a “great” strategic alliance with another company because it gave them access to over 1,200 worldwide locations. Further examination revealed there was only a master services contract in place, but nothing else. Did they just expect the service to sell itself and create a new revenue stream? My advice to this company outlined a process and approach that you can use to make your strategic alliances and partnerships more successful. Use the eight steps below as a guideline to develop your plan.

Strategic Alliance and Partnership Success Factors

The following process will help you structure new alliance partnerships, as well as keep the relationships with your existing partners on solid footing. These success factors do more than build good partnerships; they will build revenue streams that will grow steadily over time:

1. When establishing a partnership, hold a strategic planning meeting between the key stakeholders of both firms. This needs to include a cross-functional team of people from product management, marketing, sales, finance, and the executive sponsors.
2. Agree on the joint revenue and benefits each party will receive. Both parties need to have some “skin in the game.”
3. Determine the marketing support that the sales teams will need to be successful. If joint marketing is needed, create a partner marketing plan that outlines all the programs, costs, roles, and responsibilities. The marketing staff from each company can develop the plan and meet as necessary to refine it.

4. Determine the training that is needed for various functional teams, paying special attention to training for the sales force. The sales team usually needs ongoing training, not just a one-time training event.
5. Agree on how each company will support the sales teams in sales calls. If your product or service is technically complex, a joint sales team with a sales and technical expert should meet with customers. This is the best way for each company to learn from each other and it will also create momentum and accountability.
6. Find a “sales evangelist” who is having early success selling the product or service and making significant commissions. Find out what he or she is doing and promote this to the larger sales teams so they can learn how to be more successful and make money from the strategic alliance.
7. Agree on the measures of success up front. Meet as a team at least quarterly to review results and adjust the game plan.
8. Create quick wins. Don’t take on too much too fast; otherwise, the alliance will just be viewed as another “program of the month” that didn’t work. Start small and build momentum and success stories. Both teams should agree on what the early wins will be so there is focused energy toward realizing the goals.

Channel Mapping

The process of visually linking product and service goals to channels and target market segments will help you estimate revenue generation through each of the channels and sales groups for each of your products and services. In Section VI, you will add marketing programs to estimate the number of leads and projected revenue created from channel marketing programs. You will learn a process for defining top-down and bottom-up metrics to measure the effectiveness of not just your channels, but your entire demand chain using a tool called the ROI Optimizer.

P • R • A • I • S • E™ Marketing Process

Analyze



Summary: Section III

- ✓ Analyze new complementary products/services to sell to existing customers.
- ✓ Analyze substitute products and the value customers receive from them. Are they potential threats, or can you change your solutions to more effectively compete?
- ✓ Complete the two “Finding New Value” exercises and summarize the outcomes.
- ✓ Create a Pricing Map to analyze competitive and substitute products. This process may also reveal new opportunities to sell additional solutions or target new buyers.
- ✓ Analyze the revenue, costs, and profit associated with each product and service.
- ✓ Evaluate and select distribution channels using the channel strategy tools.
- ✓ Project revenue through distribution channels to each market segment.
- ✓ Create an initial draft of channel and pricing strategies. Finalize this in the next section when other strategies are defined.
- ✓ Summarize findings and actions in Section III in the marketing plan template.

Section IV

Strategize: Growth Opportunities

“The essence of strategy is in the activities—choosing to perform activities differently or to perform different activities than rivals. Otherwise, a strategy is nothing more than a marketing slogan.”

—Michael Porter

The two arrows in the P•R•A•I•S•E Marketing Process between Implement and Strategize imply a reciprocal relationship between the two elements. They are intended to convey the *continuous process* of strategy development and implementation, measuring results, and developing new strategies based on the outcomes and what you learned.

Strategy *always* comes before implementation. But stop for a moment and think about how businesses typically approach marketing. The goal is often to start producing leads and finding new customers. If a business owner is starting a new business, he or she can't wait to create a logo, brochure, direct mail piece, web site, and so on. What happens is programs are implemented before strategy or a marketing plan is created, and they are often based on a best guess of who will buy the products and services and why they buy. Marketing messages convey the benefits the marketer or business owner believes are important, not necessarily what drives the customer to buy. Often the results fall short in generating leads, sales, or the targeted return on investment.

I imagine that nearly everyone reading this book can relate to this scenario. Consider the reciprocal relationship between “Strategize” and “Implement” as you read this chapter. You will reflect on the past marketing strategies and tactics you have implemented and how to make them more effective and measurable in the future. Most important, you will apply what you have learned from the research and analysis you have completed up to this point in the process to develop new strategies to grow your business and market share.

Renowned management expert Peter Drucker said the best learning in life comes from a very simple process. When you begin something new, write down what you believe will happen. Then write down what really happened. Is there a substantial difference between what your expectations were and what actually happened? If so, what did you learn from the experience?

A similar process will be applied to strategy development. As strategies are executed, you will evaluate the cause and effect of the results. Was your strategy on target? If results are less than expected, was this due to the strategy, strategy execution, unexpected changes in market conditions, or something else? If you have followed this process so far, your strategies will yield much better results than you have experienced in the past. In this section, you will learn how to:

- Create effective positioning and value propositions.
- Understand what makes an effective brand.
- Develop a sales forecast and a sales plan.
- Evaluate competitor strategies to determine your competitive advantage.
- Define specific marketing objectives.
- Analyze several types of marketing strategies to determine the optimal strategic direction for your business.
- Evaluate strategic opportunities based on the competitive landscape.
- Create effective strategies to achieve your business and marketing objectives.

What Is Strategy?

I find it interesting that there are so many different methods and theories about strategy, yet few describe a process for *how* to create them. Michael Porter defines strategies as fitting into three generic categories: (1) cost leadership (competing on the basis of low production and distribution costs), (2) differentiation (superior products or service), and (3) focus (on only a few product or market segments).¹ He says the evidence of strategy in a company is when it “performs different activities from rivals or performs similar activities in different ways.” Michael Treacy and Fred Wiersema, authors of *The Discipline of Market Leaders*, write that companies should focus strategy on one of three value disciplines: Operational Excellence, Product Leadership, or Customer Intimacy.

What all marketers seem to agree on is how to evaluate *what makes a good strategy*. I believe Phillip Kotler summarized it best when he said, “Companies will have a unique strategy when (1) they have defined a clear target market and need, (2) developed a distinctive and winning value proposition for that market, and (3) arranged a distinctive supply network to deliver the value proposition to the target market.”² Nirmalya Kumar has a similar strategic method that he calls the “Three Vs,” which are value target, value proposition, and value network. His concept is explained in an article interview in Chapter 56, “Nurture a Culture of Innovation.”

All of these “strategies to create strategies” are valuable and yet there are other factors that must be considered. It’s easy to get lost in the complexity of strategy, so my goal is to take the “BS” out of strategy development and provide you with a process and the most essential information you need to know to develop successful strategies. Strategy will always be an art, but if you apply science and process it will be far less risky. The information in this section builds on everything you have already learned throughout this book, so the new information is concise, but meaty.

Selecting the right strategies to implement for your business depends on many factors, including product life cycle, market size, number and strength of competitors, and customer characteristics and buying behavior. You will also consider other factors such as: Is the market growing or mature? Is your company a market leader or one of many competitors vying for customer mind share? What resources do we have available for growth? Do our people have the skills needed to execute the strategic plan? All of these factors will influence the strategic direction and pace of growth. Competitive intensity is another

factor. If the market is growing, it is much easier to win market share and market share gains are worth considerably more in a growth cycle than they are in a mature market.

Strategy Process

As you progress through this section, you will note the following:

- Target Market, Competition, and Customer strategies have been discussed in previous chapters; therefore, the new information is provided to help you consider additional factors and refine your strategies in these areas.
- Pricing and Distribution strategies that you drafted in Section III, “Analyze: Growth and Profit Potential,” can now be finalized and integrated with the other strategies you are about to develop.
- Growth and Innovation chapters will give you ideas to help you develop long-term strategies with an eye on differentiation, innovation, and business growth.
- Promotion strategies will be developed after you complete Section V, “Implement.”
- And finally, please note that Chapter 43, “Positioning Strategy,” is the most lengthy in this section as this topic has not been discussed yet; it is a catalyst for strategy development in other areas.

While individual strategy topics are discussed throughout this section, you will notice that many of the strategies you create are not discrete, but integrated. After you have learned about different types of strategies, you will define your sales goals and learn to write marketing objectives that are clear, concise, and measurable. The final step is developing your own strategies to achieve these objectives.

Keep in mind that strategy requires you to make tradeoffs. As you review concepts and examples for different types of strategies throughout this section, you will need to make choices and purposefully limit the size and complexity of your go-to-market strategy. It's just as important to figure out what to *stop* doing as it is to focus on what needs to be done. Prioritize strategies and tactics to achieve the most important goals, both short- and long-term, so that you can realize your long-term objectives.



Marketing Tip

Jim Collins wrote a fabulous article on this topic several years ago called “The Power of Catalytic Mechanisms,” which can be found on his website at www.jimcollins.com. I recommend reading this article at some point during this marketing process, as it will present you with a simple yet innovative decision-making process to evaluate activities against the strategies and goals you wish to achieve.

A Framework and Process for Strategy Development

I have observed that marketers are often frustrated or perplexed by the lack of a process that describes how to develop strategy. On the following pages, you will learn a process that is both streamlined and explained with examples and case studies. Every business is unique, and therefore, many different variables must be considered when developing your own strategies—but the process will work for most businesses. A few adjustments will need to be made depending upon whether you are developing strategies for an existing business, or launching a new business. Here are a few guidelines:

New Businesses:

Begin by developing target market and positioning strategies that will drive all other strategies. A market plan is created to influence the buying behavior of a target audience, so if this strategy is not clear and focused, the rest of your marketing plan will be off target. Positioning is also an important strategic driver because it will determine how your brand is unique.

Existing Businesses:

Begin by creating strategies in the three areas of customers, target markets, and positioning. We have discussed the importance of customer loyalty and its direct correlation to profitability. If you focus on maximizing the value delivered to customers, this will increase retention, loyalty, referrals, profitability, and other positive outcomes.

As you read this section, keep an open mind to strategically explore ideas you may not have considered in the past. Market growth comes from offering increasing levels of differentiation and value to current customers, as well as expanding into new markets. Figure 41.1 illustrates the strategies we will cover in this section.

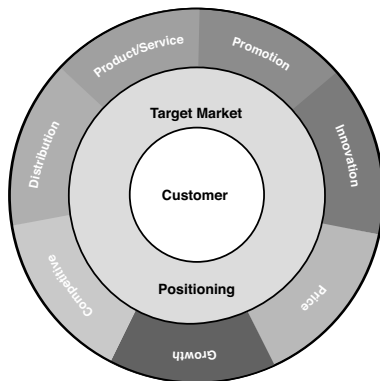


Figure 41.1 *Marketing strategies*

Target Market Strategies

In Section II, “Research,” you defined your primary and secondary target markets and learned why focusing on a specific target market is one of the most important strategies for your business. The information in this chapter will help you refine strategies to reach your target audience.

Rich, Niche Markets

Although mass marketers benefit from higher sales volume than niche marketers, there are many reasons to choose a strategy focused on penetrating niche markets. A company that delivers products or services to a niche market understands the needs of its customers in ways that a mass marketer can never achieve. A deeper understanding of customer needs enables a company to provide better products and services, and add additional value to fulfill these needs. Companies focused on mass markets also find it more difficult to create customer intimacy than niche players. As you learned in earlier chapters, building deeper customer relationships has many advantages, the biggest of which are customer retention, customer loyalty, and referrals. Marketing resources allocated to becoming a bigger player in a small market will also increase brand awareness.

Niches can be defined in several ways. It may be a specific type of customer defined by demographics, psychographics, geography, or industry. It can also represent a channel or a specific type of consumer. Or niche players can target an ideal customer such as a large retailer, government entity, or a manufacturer that will buy large volumes of a specific product. Another way to focus on a niche market is to produce or sell only one product. An example is a company that makes only one part but sells it to multiple car companies, or a specialty store that sells only one type of product, such as high-quality pens.

Niche marketers usually respond more quickly to trends and macro-environmental issues impacting their industry. The pet food industry reached \$17 billion in U.S. sales in 2008 with 60 percent coming from dog food. Until very recently, the majority of dog owners purchased “mass market” dog food for their pets. Brands like Purina, Pedigree, and Iams were market leaders. Small, niche players such as Innova, Wellness, and Prairie

entered the market appealing to pet owners' need for organic or grain-free dog food options for their pets. While these niche players were only a small part of the pet food market, they quickly gained market attention and market share after the pet food recall of 2007. Natural pet food sales topped \$1 billion that year and revenues are expected to more than double by 2012 to \$2.5 billion.

When a company can deliver better products and superior service to a niche market than its competitors, it can usually charge higher prices, therefore realizing higher margins. The only real downside to a niche penetration strategy is the risk of other competitors entering the market, or potentially saturating the market. If you choose to pursue a niche strategy, your plan should identify and prioritize several target markets so you have a contingency plan in place to grow into other niche markets. When a particular niche strategy succeeds in one market, the same strategy can be applied to new niche markets you want to pursue over time. This continuous strategy of penetrating new markets is highly successful for companies.

Mass Market Penetration

The objective of a mass market penetration strategy is to create high-volume sales, capture market share, and build a large customer base. Can anyone remember what life was like without Post-its, the magical cubes of paper that can stick to almost anything without damaging its surface? The invention by 3M, rumored to be a mistake, is now seen on every employee's desk, from entrepreneurs to CEOs of Fortune 500 companies. The product line has been expanded to include note pages as well as easel paper that can be stuck on conference room walls. This is truly one product that has mass market appeal.

To capture market share, the mass marketer will need to spend heavily in advertising and promotion, as well as invest in manufacturing to ramp production and inventory. Marketing, advertising, and sales programs should focus on capturing as many new customers as possible within a short period of time. Free trials, discounts, and other sales promotions will increase adoption quickly, resulting in a strong customer base and increased market share.

Penetrating the mass market requires significant investments to allocate internal resources across several departments to serve customers, as well as build multiple distribution channels. The good news is that as volume increases, production costs will be reduced.

A solid baseline of market share and customers may either deter other competitors from entering the market, or it may (and most likely) attract competitors who want a piece of a desirable, growing market. New product pioneers would be wise to have

patent protection to bolster competitive entry barriers. But even this doesn't deter some companies from trying. Crocs shoes took the market by storm, but several copycat manufacturers have tried to steal a piece of the lucrative "ugly shoe" market. Crocs, Inc. is now defending their position with 11 patent infringement suits.¹

Mass market strategies are not only for large companies—they are also often used by small companies that market products which appeal to a large customer base. Just think of the products that are marketed through infomercials, and you will recall many small companies that market to the masses. While businesses that deploy a mass market strategy do not usually focus on creating customer intimacy, there should be customer relationships management programs to build customer loyalty, stimulate re-orders, cross sell products, and help prevent defection when competitors do enter the market. When this happens, be prepared to extend product offerings through line extensions as quickly as possible in order to retain customers, or modify the product for new markets.

Attract Early Adopters, Maximize Profits

Many businesses initiate a skimming strategy when launching new products. This is technically a pricing strategy, although it is also a target market strategy when directed toward a specific buyer profile. If your business incurred significant expenses in research and development, production, and commercialization, a skimming strategy may be part of your plan to recover some of these initial costs. The idea is to enter a target market with an initial high product price, and get out early as competition enters the market. You can then choose to enter a new market with the same product, introduce a "new and improved" product to the existing market, or exit completely if the market no longer looks attractive. If you have little or no patent protection, other competitors may have greater resources for quickly capturing market share.

If you choose to adopt this strategy, focus on attracting early adopters within target segments to penetrate the market more quickly. The sales force should focus on selling into the largest segments first. A skimming strategy does not typically involve sale promotions as the goal is to achieve sales at high margins; but limited-time free trials can encourage early adoption, and trials can convert to sales quickly. If selling through distributors, consider offering volume discounts to those willing to buy large volumes of product. Skimming can be an effective strategy in segmenting the market. A firm can divide the market into a number of segments and reduce the price at different stages in each, thus acquiring maximum profit from each segment.

A company adopting this strategy should define a transition or exit strategy in advance, and build this into the marketing plan. This will protect margins and eliminate a

potentially difficult (and emotional) decision among product managers and other stakeholders. Perhaps most important, you will be prepared to execute the next set of strategies in your marketing plan.

Market Penetration Strategy Requires Innovation

A market penetration strategy stimulates a target market to increase the rate at which they use a product. This strategy is highly effective for products in a mature or growing life cycle phase. This shows customers new ways to use a product, encouraging them to either use a product more often or to buy it in larger quantities.

Educating customers about new ways to use products will drive increased usage. A few well-known examples with which you are probably familiar include the Fruit Growers Association, which stimulated sales of fruit with the “five times a day campaign.” Kodak increased sales by showing customers how any event is worth capturing in pictures. Kraft cheese is promoted as a snack, a topping, an ingredient in a recipe, or a dessert. Campbell’s soup was repackaged and marketed to show customers how soup can be a great snack in the late afternoon when energy is low and one’s thoughts drift to the nearest vending machine for relief. Campbell’s also promotes soup as a key ingredient in recipes for main-dish casseroles.

Premium products that were once purchased for special occasions can be marketed as an everyday indulgence. Godiva Chocolatier introduced specialty coffee to turn the everyday ritual of drinking coffee into a rich, indulgent experience. Four of the seven coffee varieties are infused with the rich indulgent flavors of Godiva truffles. Companies with products such as lingerie, beer, or specialty soaps and lotions often market their products as a special or luxury product for everyday use. If you want more examples of how companies stimulate the purchase of their products or extend the life of a product in a mature market, look no further than the aisles of your local grocery store. Consumer product companies will show you how it’s done—again and again.

Similar concepts can be applied to B2B markets. In B2B or industrial markets, volume purchase discounts will stimulate demand. This is done by bundling items, offering a “two for one” discount, and giving incentives to stimulate sales and move more products. Increased advertising and sales promotions can increase sales by offering discounts or incentives to stimulate purchases.

New target customers also increase product usage. Tums targets not only people with upset stomachs, but it also touts the additional benefits of being a calcium substitute for women who use the product. A Sprint family plan extends the benefits of individual

mobile phone use to the entire family. Johnson's baby oil, a product once reserved for babies, is now a perfect choice for anyone wanting softer, smoother skin.

Ingredient branding is another way to leverage and extend brand equity. Ingredient branding is leveraging the brand cachet in one product to develop a new product that has more value as a result of the ingredient brand. This can create new markets, channels, and products. Examples of ingredient brands include Intel, Gore-tex, and Nutrasweet.

In Chapter 43, "Positioning Strategy," you will learn how to effectively communicate and position the value of your solutions to affect the behavior of the specific target market(s) you have selected.

Positioning Strategy

The value proposition, positioning statement, and brand identity are three elements at the heart of your marketing plan. Everything you have learned about brand differentiation must now be expressed creatively in your marketing communication programs through these three elements. As Lynn Upshaw, author of *Building Brand Identity*, states so eloquently, positioning sets the direction for all further marketing activity:

“A brand’s positioning is the compass of its identity, pointing it toward the place where it can leverage the most power in the category in which it competes, and establish the most powerful leverage within the lives of its potential users. How a brand is recognized in the marketplace is based largely on its personality, but what it means in someone’s life is derived from its positioning.”

Positioning is a term used to describe how customers perceive a product when considering all the competitive alternatives to choose from in a product category. It is the distinct position of your products and services in the mind of your prospective customers. It is not a tag line or a slogan, but a carefully crafted statement that defines the key benefit you would like targeted customers to think of given all the other choices available in the market. The most critical element of a positioning statement is differentiation. A brand cannot be created unless it is differentiated in the market.

In a moment, you will learn how to write a positioning statement that will focus and articulate the unique benefits and differentiation of your solution to targeted customers. This statement will be used in every aspect of your marketing, including collateral, advertising, and promotion—essentially every message and channel in which you communicate.

Types of Positioning

First, let’s look at different ways you can position your solution. There are six primary positioning methods that describe the most common types of positioning strategy for a product or service:

- **Positioning by attribute**, which the automobile industry clearly demonstrates. BMW stresses handling and engineering efficiency; Volvo emphasizes safety and durability; Volkswagen emphasizes practicality.

- **Positioning by price or quality**, which is how consumers distinguish between a low-price leader like Wal-Mart and a high-end retailer like Neiman Marcus.
- **Positioning with respect to use or application**, such as Johnson & Johnson did with baby shampoo. They repositioned the product for people who wash their hair frequently and wanted a mild shampoo, increasing market share from 3 percent to 14 percent.
- **Positioning by the product user** to deliver a target message, such as “Choosy Mothers Choose Jif.”
- **Positioning with respect to a competitor**, as Avis famously did with the “We’re #2 So We Try Harder” campaign.
- **Positioning by problem**, which is targeting a product or service as a solution to solve a specific problem. An example is Federal Express: “When it absolutely, positively has to be there overnight.”

As you begin the process of developing your positioning statement, answer the following questions (see Figure 43.1):

- How are your products and services positioned now? Examine your current marketing materials and advertising messages.
- How do you want your target customers to think about and position your products and services in the future?
- What actions must you take to get from your current position to what you envision for your brand?
- How is this position different or better than your competitors?

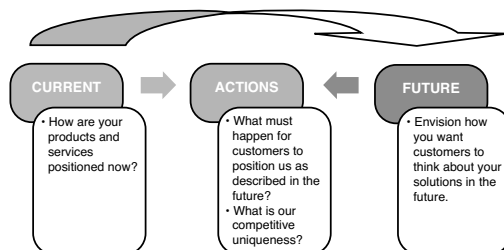


Figure 43.1 Positioning your brand

Positioning statements are comprised of five elements: **target market**, **product/service identification**, **frame of reference**, **point of difference or uniqueness**, and **justification** for the uniqueness. Except for two, most of the elements are obvious. A product’s

frame of reference refers to the options your target market has available to them to fulfill a specific need. While it is important to narrow focus on a specific target market, it is usually (but not always) best to expand the frame of reference because you want to include possible substitutes. For example, if the product was an iPod, the frame of reference may be “portable music devices.”

Differentiation is the attribute that sets your product apart from all others. It refers to the one specific benefit (two at the most) that you want people to associate with your solution. It’s tempting to say, “Yes, but my product does X, Y, and Z”—but if you try to communicate more than one or two benefits, it will only confuse a prospective customer and the product will be dropped completely out of mind. Differentiation is the key to positioning and branding.

The last element in the positioning statement is justification, and this is the evidence or facts that back up the promised results. This needs to be a fact, not wishful thinking or an opinion. It is a fact that gives the buyer justification for why your solution is better.

Create a Positioning Statement

Now write a positioning statement for your solution. If possible, do this with your marketing team to brainstorm all the possible options to arrive at the best possible outcome. The draft wording of your positioning statement may seem a bit contrived, but remember *it is not intended to be used literally in a tag line or messaging*. It is meant to be used internally (and shared with agencies and consultants who develop marketing materials) to guide and focus your messaging and strategies.

To _____
(Target Market) (Product/Service)

is the _____ that _____
(Frame of Reference) (Differentiation/Key Benefit)

because _____
(Justification)

Example Positioning Statements:

Federal Express:

To deadline-oriented business people, Federal Express is the overnight package delivery service that is the most reliable because of its sophisticated package tracking system.

Clinic Service Corporation:

To physician's office administrators who manage an office with 4–8 physicians, Clinic Service Corporation is the medical billing company that provides intimate, personalized customer care for every client while delivering industry leading ROI and profitability to physicians because we collect 99.7 percent of total billed revenue.

Positioning is a key component of brand equity. Strong positioning infers differentiation which leads to the ability to command a higher price. Higher prices should translate to higher profits, which is the reward for differentiating your product from competitors.

The outcome of a positioning statement is a **value proposition** that is a simple and concise statement of the benefits for your targeted customer. For example:

- Volvo: The safe, durable car for your family.
- Geico: The money you could be saving.
- DiGiorno: It's not delivery. It's DiGiorno.
- Southwest Airlines: The no-frills, low-cost, fun airline.

Several factors ultimately influence a brand image. Companies like Ben and Jerry's, The Body Shop, Starbucks, and Apple have very strong brands that are linked to social responsibility and innovation. What makes the brands unique and memorable is consistency of messaging across integrated marketing programs.

Another factor is *uniqueness* of position in the marketplace. For example, Starbucks CEO Howard Schultz believes the quality of the company's work force is their "only sustainable competitive advantage." Starbucks' relentless focus on employees is visible in the ground-breaking health insurance plan for part-time employees and in the way employees are trained. Even though the company has grown from a small coffee shop in Seattle to one of the world's most recognizable brands, the company has maintained a culture that is hard for even mom and pop coffee shops to imitate.

Characteristics of Successful Positioning

The message is clearly **targeted** toward the audience you are trying to reach:

- “Gillette, the best a man can get”
- “Choosy Moms Choose Jif”

The brand promises **relevant** benefits connected to the customer’s life:

- Staples: “Easy Button”
- Clairol Hair Color: “You’re worth it”

Supporting **facts** back up the stated benefit:

- “Trident is recommended by four out of five dentists for patients who chew gum.”
- “Children’s Tylenol. The first choice of pediatricians.”

The positioning and brand personality communicate a **congruent** message:

- Wheaties: “The Breakfast of Champions”
- IBM: “Think”

What Is Your Brand Worth?

The term “branding” was first associated with ranchers burning a mark on a steer so that one rancher could identify his steer from another. The idea of branding a product or service is really the same; you are burning your brand image in the minds of consumers. Building a strong brand image and personality demands that you understand the essence of your product or service and succinctly convey it to your target customer. Creating and communicating your company’s brand identity is critically important in a competitive and volatile marketplace.

The evidence of a strong brand is its **Brand Equity**. It is the total accumulated value or worth of a brand, which consists of the tangible and intangible assets that the brand contributes to the company, both financially and in terms of selling leverage. Brand equity, while hard to measure, is worth a considerable amount on a company’s P&L statement. Coca Cola’s brand equity is estimated to be worth \$67 million, and even relatively new companies like eBay and Google have earned considerable brand equity in a short period of time.

Personify Your Brand

The position of a product is strengthened when it is personified. **Brand Personality** describes the personification of the brand by expressing its qualities as human qualities. Personifying a product is especially important if there is product or service parity in your industry as it may be the key element that differentiates your product from competitors. For example, when you think about buying something as mundane as batteries, would you buy Energizer, Duracell, or some other brand? Chances are, as you make that decision, you are subconsciously attracted to the brand personality, and this will influence your decision. Are you drawn more toward the cute, pink Energizer bunny that keeps going and going, or matter-of-fact Duracell, the strong copper-top battery?

When a brand is defined with human characteristics, you give your product or service a personality that people can relate to on an emotional level. **Brand Essence** can be defined as the values, emotions, and core elements used to describe a brand.

The most effective brands are charismatic. Emotions outweigh logic even when it comes to technical purchases. This is evidenced by people who desire an Apple computer instead of a PC despite the fact that the company he or she works for uses a PC platform.

People are drawn to brands that connect with their own personalities, or the person they aspire to be. Consider how brand personification applies to ski resorts in Colorado. Each resort conveys a distinct personality. Aspen would likely be a celebrity, Vail may be a refined and worldly traveler, and Arapahoe Basin is a Gen Y dude who enjoys adventurous skiing. In Colorado, where skiers have such close proximity to so many world-class resorts, brand identity helps skiers identify with their own personality and preferences. Skiers will choose a mountain resort that is relevant and meaningful to them or what they would like to be—glamorous, international, or adventurous.

Other aspects like symbols, logos, and tag lines anchor a brand and effectively tie brand identity to brand essence. The famous Nike swoosh communicates a sense of competition, speed, and performance and is easily recognized when disaggregated from the Nike name. It is so recognizable and effective that the brand identity functions in much the same way as ancient Egyptian hieroglyphs, conveying a meaning and personality through its logo design. McDonald's "Golden Arches" are recognizable around the world, as is Target's bulls-eye and Apple Computer's symbolic image of a fruit. Coca-Cola's strong image has become an international symbol of American culture, earning the number-one spot as the world's most valuable brand.

A strong brand name needs to be managed so the equity does not depreciate. Included in that task are continuous R&D, skillful advertising, and appropriate levels of trade and customer service throughout the distribution channel. And remember, *while brand management is usually a function of the marketing department, brand equity is the responsibility of everyone in an organization.*

Results of Strong Brand Equity

- **Reduced marketing costs** as a result of a high level of consumer brand awareness and loyalty.
- **More trade leverage bargaining with distributors and retailers** because customers expect them to carry the brand. Typically only the top one or two national brands can command shelf space long-term. New brands are given a couple of months to prove their value.
- **Higher prices** because the brand has higher perceived quality.
- **Ability to launch brand extensions** to capitalize on credibility already established.
- **Protection against price competition** from other products.
- **Financial** contribution to company.

Design Your Brand Personality and Essence

So far we have discussed how marketing successes are built on the foundation of positioning and branding. But what are some first steps in developing your own brand? You can use the following four-step creative process to describe your brand personality and essence:

1. Begin by thinking of preferred adjectives that describe your ideal brand image.
2. Consider your current brand image versus your desired brand image. Describe each and consider how far apart they are.
3. Describe your competitors and their brand identity using the same criteria. Describe their brand personality and brand essence. Think about how much they have invested in their total brand equity.
4. Consider your target audience. How will your brand identity and personality appeal to their emotional wants and needs? How significant and worthwhile is your product or service to their life?

Another way to evaluate your brand is to draw associations with already identified icons. Is your brand a Cadillac or a Jeep? Is your service more like a conservative Charlton Heston or a rebellious James Dean? Would a willow or an oak tree symbolize your brand's essence? What's your style? Are you Abercrombie, Armani, or Talbots? Are you more like sushi or steak? Comparisons to people, objects, or even other products and services help to further define your brand.

Branding and positioning are such vast topics that I recommend you read more on the subject. An "oldie but goodie" resource is *Positioning: The Battle for Your Mind* by Jack Trout and Al Reese. If you would like sage wisdom from one of the world's leading brand authorities, read *A New Brand World* by Scott Bedbury. Bedbury led branding and marketing for both Nike and Starbucks, so he knows what he's talking about. His perspectives are included in Section I, "Purpose," where he articulates that effective branding is aligned with a company's mission and values.

Another expert on the subject of branding is Mike Moser, a San Francisco-based branding expert and author of *United We Brand*. He worked with two of the fastest-growing companies in the world, Cisco and Dell, and in the following article, he shares his insights on how to build a brand.¹

Moser: Brand Roadmap Can Drive Company's Marketing

Reece: How would you describe the brand roadmap process you present in *United We Brand*, and why is it important to create a brand roadmap?

Moser: The process involves four steps: defining a company's core brand values, core brand message, brand personality, and brand icons. A brand roadmap helps everyone in an organization have a really clear idea of what the company stands for. Every decision that is made in a company can actually come from their brand values, which is why I start with values in the process. Most people equate branding with the external image of a company, not the internal values, and to me, that is where the greatest weakness is in companies.

Reece: How have you used the roadmap in the accounts you worked on?

Moser: I was the creative director on Dell Computers for 11 years. They were growing at an unbelievable pace and at one point they were hiring 150 people a week, and went from \$280 million in sales to \$20 billion. Added to that, we had a 53 percent turnover rate at the agency. There was no document that guided all the new people coming into the company, so this is what caused me to develop the brand roadmap. I worked with two of the four fastest-growing companies in the world—Cisco and Dell—so as new people were coming into the company, it was critical that they got up to speed in a day.

Reece: Did the brand change a lot in your time working on the Dell account?

Moser: No, and that's because Michael Dell was just so clear from the day he started the company. When you see a strong leader like Bill Gates or Steve Jobs at the top who has a strong vision and strong sense of what they stand for, and they stay at the helm, their company will have a strong brand. For example, Michael's model of eliminating the middleman and being accountable to every single customer, whether a customer was buying from him out of the back of his car, or when he had a \$20 million company, remained the same. The value of accountability was huge for him.

Reece: How should the brand roadmap be communicated in a company?

Moser: It starts in the marketing department because those are the individuals who are responsible for the external image of the company, and it works back through the organization. The HR department might say the document is great because it defines the parameters of the values of the people they want to hire. The board of directors may like it because it attracts the kind of people they want on the board.

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Then it goes to research and development. For example, if they work at Dell, they might say, "Hey, this gives us a good heads-up that if we are responsible for the one-to-one relationship with the customer, and if accountability is the key value, then we better make machines that are bulletproof." And this may start a conversation with engineering, and so on. That's how it moves through a company.

Reece: Your second step, core messaging, is probably the hardest part of the process because it's so hard to bring messaging down to three or four words. How do you advise companies to do this?

Moser: I ask the question, "If the company went away today, what would employees, suppliers, or customers say is missing in their lives? What is the emotional hit from that?" When you go through this exercise, there are generally one or two things that really stand out. For example, what would people miss about Nordstrom? It's not their products; it's the service. So this process leads to the core message and then you ask, "How are we going to express this core message to our various audiences?" That one message, that one sentence, should keep coming back.

Reece: How can a company that sells a commoditized product, such as computer storage or phone service, differentiate its services?

Moser: Not everything can be differentiated. That's when you get into personality and icons. Think of the company like a person. What differentiates them is their personality. For example, Motel 6 is virtually the same as Ramada Inn or another hotel along the highway. But because Tom Bodet is delivering that message with a charming, friendly, Southern twang, they are differentiating themselves in the marketplace.

Reece: Why don't more companies use a distinct voice or mnemonics to differentiate their brand since it's such a distinctive anchor?

Moser: I suppose it's because so many decisions like this are done by committee versus by an individual, and the personification of the brand often gets lost.

Reece: What are the most important characteristics to consider when developing the brand personality for a product or service?

Moser: Likeability. If you are trying to sell something, likeability is a key motivator. For example, Nike's personality is total commitment—"just do it." The icons they used were people who had done one thing well, and done it their entire

life. They said, "In a whole culture that doesn't commit to anything, that moves from marriage to marriage, job to job, relationship to relationship, and location to location, we are going to stand for total commitment to one thing."

So that was their core message and they picked personalities who epitomized that. People like Tiger Woods, who has committed to one thing since he was 3 years old. Or Michael Jordan and John McEnroe. When I say likable, it doesn't mean not controversial. McEnroe is loud and abrasive, and leads with his emotions. Tiger Woods is quiet and introverted and just gets the job done. But the brand essence of Nike didn't change because they have these two opposite personalities.

Reece: Your fourth step on developing brand icons does not necessarily equate "icon" with "logo" or "packaging." It means much more than that in your definition.

Moser: To me it means the image of the brand that comes up in a person's mind, and through whatever senses the image comes up, are the icons for that brand. I'm stretching the literal meaning of icon, but if I walk by Mrs. Fields cookies, the smell of cookies can fire on that image in my mind.

Reece: So it can be a smell, a taste, a touch?

Moser: Yes, like Velcro. When you touch Velcro, it says Velcro. Anything that has to do with your senses takes your brand and externalizes it so it becomes a sensual experience for people.

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Customer Strategies

“People have become relatively immune to messages targeted at them. The way to reach your customers is to create an experience with them.”

Successful companies have strong, focused customer strategies for retaining and growing the customer base they worked so hard to build. As we discussed previously, the best way to know if you are satisfying customers’ needs, wants, and expectations is to ask them. Ongoing periodic surveys, advisory group discussions, and other means of engaging customers in a dialogue will help you stay on top of customer preferences.

Data analysis will help you understand the frequency and total value of customer purchases, customer retention rate, percentage of customer “wallet share,” customer delight (are they satisfied enough to refer others to you?), and customer mind share (is your company the first to come to mind in a category when making a purchasing decision?). It will also help you spot buyer trends over time, as well as identify customers who are at risk of defecting to a competitor. As you become more accustomed to acquiring and analyzing this type of information, it will enable you to continuously innovate and improve your customer strategies.

Customer Loyalty Objectives and Strategies

The key to creating successful customer relationship management strategies is to understand what you want to achieve. Customer retention is critical to the profitability and long term success of your business. The objectives and strategies you develop in this area will generate both short-term revenue and long-term success for your business. Here are a few to consider:

- **Increase Customer Retention.** As discussed previously, it is five times more cost effective and profitable to retain customers than it is to find new customers. The profitability of a customer increases over time, so one of your strategies should be customer retention.

- **Reward Loyal “A” Customers.** It would be wise to create strategies and programs that reward your best customers. Consider offering increasingly higher levels of rewards to customers who achieve a certain level of spending. For example, Nordstrom gives customers cash-back rewards based on what they spend. Hotels reward customers for their loyalty by awarding them free nights, double points during off-peak days, and upgrades.
- **Encourage Frequency.** A membership program can provide special benefits to its members. For B2B companies, the benefits can include access to research, informative newsletters, mentoring, and networking. For Business-to-Customer (B2C) companies, incentives and upgrades can keep customers engaged. Airlines do this by increasing benefits and rewards for frequent flyers.
- **Improve Customer Insight.** If you want to learn about the wants and needs of individual customers, or segments of customers, establish the mechanisms to gather this information fluidly and directly from customers. Develop communication programs and mechanisms that can be executed dynamically using your website, email marketing program, customer forums, and regular meetings that salespeople have with customers. Reward salespeople who create a closed loop feedback system to the marketing department, and reward customers by sharing the information you have learned with them—and of course, by taking action on the feedback they give to you.
- **Organize to Focus on Customers, Not Products.** This is a big goal if your company is currently organized around products. It could mean a restructuring of product teams and entire divisions. The first priority is to focus on sales and service to major customer accounts and valuable market segments. This may require a restructuring of the sales force to allow salespeople to spend more time with customers. Or it could mean switching from VAR or distributor relationships to a company sales force.
- **Deliver Knowledge and Expertise.** If a company differentiates itself from competitors based upon knowledge and service, then training programs and processes should be developed for the different audiences that interact with customers, including salespeople, marketing professionals, customer service, and operations teams. Don’t forget to plan and budget training for suppliers, distributors, and partners that sell and work with customers. This needs to be done for each new partner, and on an ongoing basis to all partners, to increase knowledge of your solutions and stimulate sales.
- **Improve Service Delivery and Fulfillment.** When Wal-Mart initially introduced their inventory and supply chain requirements to vendors several years ago, suppliers scrambled to meet their needs. While most customers are not the size of Wal-Mart, you will have service delivery issues to fulfill. If delivery preferences, process integration, or logistics is a priority for customers, business processes may need to be redesigned to fulfill customer requirements. A customer that demands reliability and responsiveness may require an around-the-clock help line or reassurance that security and back-up systems are in place.

- **Implement Customer Segment Marketing Programs.** Refer back to Chapter 14, “Micro Perspective: Focus on High-Value Customers,” where you completed the A, B, C, and Deadbeat Customer exercise. In the third and fourth parts of the exercise, you noted how service should be unique and delivered at increasingly higher levels for your best customers. You also noted that marketing programs should be unique for different customer segments. How will you service and market to different customer segments so you focus investments on your best customers? What is your strategy to migrate customers to a higher level?
- **Measure Customer Delight.** Create a system to gather ongoing customer feedback to continuously learn and make improvements across several areas of your business. You can implement the Net Promoter Score (explained in Chapter 15, “Love Your Loyal Customers”), implement polls and surveys on your website and social media, implement real-time focus groups to improve products or quickly adjust marketing messages and marketing programs, or use a combination of several methods.
- **Improve Customer Experience.** Customer experience has become an important way that company’s differentiate and compete in commodity markets. What experiences can you create that will inspire customers to return again and again...and even pay more for? The Wynn and Encore hotels in Las Vegas stand out from the other hotels on the strip. The hotel’s beautiful and unexpected visual elements captivate you the moment you enter. Intimate chill music enhances the experience and draws you into an environment you never want to leave. If you can create experiences like this, your customers will pay more for them.
- **Create a Customer-Focused Culture.** A great customer experience starts with great employee experience. Implementing strategies to nurture a healthy vibrant culture is the catalyst for creating great customer experiences. The Excellence Playa Mujeres creates a different and unexpected experience with their five-star all-inclusive resort. The lavish spa and fitness center and eight gourmet restaurants are luxuries usually not found in an all-inclusive resort. The best part of the experience however is the exceptional service from friendly, attentive staff. The world-class service and luxury surroundings are a first-class experience at an all-inclusive price.

You have learned about the importance of customer strategies throughout the book. As you develop your own strategies, give particular attention to those that will improve your culture and customer service.

Listen and Respond

Dell Computers was once a company praised for the innovative approach they brought to the PC industry. The company was well-known for built-to-order PCs, competitive prices, and dependable customer service. But when Dell's sales began to fall and customer complaints were on the rise, it took a long time before Michael Dell stepped in to help stop the bleeding.

The Internet created a very public forum for customers to air their complaints, damaging Dell's once pristine image. The biggest complaints came from customers who were put off by customer service agents in off-shore call centers. In response to this, and for a price, customers now have 24/7 phone access from trained North-American-based technicians who will respond in two minutes or less.

To Dell's credit, they eventually responded to complaints, but with mixed reaction from customers. Dell says, "We listened, reacted, and changed. Dell Services offers access to qualified experts, fast response time, and great value." However, even though Dell professes "We're Back to #1," customers continue to log complaints on blogs and forums.

A Google search for "Dell Customer Service" reveals blog posts and stories that are less than flattering. In fact several are hostile remarks made by customers who are not just angry, but want to retaliate. This isn't the search result any company would want to surface on the first page of a Google search. What drives customers to the point that they want to seek revenge? Is it lack of response from a company or is it because they feel complete indifference or disregard for the bad experience they have caused someone?

What can you learn from this lesson? Customer retention is a whole lot easier than customer win-back. As your marketing and growth strategies succeed, make sure your customer service strategy keeps pace. Keep your finger on the pulse by monitoring both employee performance and customer feedback. How many reports or quarters of lagging sales will it take to get the attention of management? If the culture doesn't truly honor customers and continuous improvement, it is more likely that more time will be spent finger pointing than resolving problems.

Emotion Is Viral

Dell is not alone when it comes to a damaging public outcry. It can happen to any company whether they are deemed good corporate citizens or not. The key question to ask is, "What drives the popularity of consumer-generated media?" At the most basic level is the emotional need to be heard. People who feel "wronged" want to be heard as much as they want to evangelize what they love. The Internet and social media are accessible and easy to use, and they provide a platform for those who want to voice an opinion—right or wrong, good or bad.

When people have a good experience, they will tell others. When people had a bad experience in the pre-Internet days, they told an average of 9–13 people. Now when people have a bad customer experience, they tell *thousands* of people. The Internet provides the platform and people provide the emotion and the stories. Why do bad stories resonate so well with the media and other people? Let me answer that question with an example.

Several years ago, June 16, 2006 to be exact, a man named Vincent Ferrari called AOL to cancel his father's AOL account. The call center agent protested against the request and asked Ferrari to explain his reasons for cancelling the account. Ferrari said his father didn't use the account and didn't even have the software loaded on his computer anymore. The agent continued to protest against Ferrari's request and proceeded to explain how many hours his father had used in the past and asked to speak with him. An infuriated Ferrari demanded the agent to "cancel the account," saying he didn't "know how to make it any clearer." What the agent didn't know was that Ferrari was recording the call and that he was an avid blogger.

Here's where the viral nature of the story takes over. Ferrari was so angry he shared his story on the Internet, which was picked up by CNBC. But that's not all. When CNBC reporters attempted to cancel an AOL account, a representative hung up on them. It took 45 minutes before the account could be cancelled. When Matt Lauer and other

journalists conducted interviews and continued to report the story, Vincent Ferrari was launched into stardom.

That was 2006. In 2008, I checked to see if Vincent had become even more famous and a Google search returned nearly 300,000 results. By early 2010, Vincent had become even more famous. Search results doubled to 600,000. How did one guy command so much attention? Can a few call center agents inflict this much damage? Emotion is viral. It picks up steam when other people can empathize with the issue because they have had a similar experience.

It's also notable that some industries are "easy pickins." Do you recall our discussion in Section IV? Airlines, car rental companies, cable companies, phone companies, and so on, have a large customer base and have been slow to the draw when it comes to providing customer service. Even though a company may have implemented significant change in a response to prior incidents, the Internet can be rather unforgiving. Consumer-generated media spreads and events become magnified. Search engines have a *long* memory, leaving a lasting impression on your brand.

In Section V we will discuss ways that you can proactively respond to angry customers, and how to turn even the most hostile customer into a happy supporter.

Customers Are Your Best Advisors

Creating a Customer Advisory Board can help you achieve several customer objectives. These types of forums are most often used by companies to gather customer insight, but depending upon how, where, and who is asked to participate, they are also a rewarding experience for your most valuable customers.

Many companies, large and small, hold customer advisory meetings quarterly or twice a year to gain a deeper understanding of customer needs and how to improve products, services, and relationships with customers. An advisory group consisting of top customers and thought leaders across several industry groups fosters an interactive discussion for everyone to learn from each other. When thought leaders are chosen from different industry segments, there is less concern about sharing sensitive competitive information; therefore, ideas and suggestions can flow freely.

A key benefit for companies that implement an advisory board is the ability for business leaders to hear, first-hand valuable information about key trends shaping an industry. This can be an important competitive advantage. Additionally, a unique setting and interactive discussion gives customers the opportunity to co-create innovative new solutions, creating a win/win situation for both companies. It benefits the customer's business and potentially adds to the revenue stream for the sponsor company if the solution is commercialized. As customers play a key role in driving innovation and product development, it will help businesses make important decisions about priorities, investments, technology, marketing, and sales strategies.

Hewlett-Packard (HP) is a great example of a company that began implementing a customer advisory program that has surpassed their expectations about the strategic value it has created over time. DreamWorks, the innovative film company founded by Stephen Spielberg, Jeffrey Katzenberg, and David Geffen, is a good customer of HP. During a customer advisory meeting, HP asked how they could improve the workstation that DreamWorks used to create animated films. The animators commented that they didn't like the USB ports on the back of the computer because it was not convenient to plug in other devices to the workstation. They didn't want to hassle with plugging equipment into the ports on the back of the computer; they wanted the ports to be on the front of the computer. The customers viewed this as a disruption to their work flow and asked HP if they could fix it.

HP wanted to please one of their most valuable customers, and in the scheme of things, the design issue was a fairly easy fix for HP. The fact that HP not only listened to the advice from DreamWorks, but acted on it, demonstrated to DreamWorks that they were more than just a customer to HP: They were a partner. In fact, they were so pleased that they suggested inviting some of their competitors to join the advisory group, some of whom used HP products and some who didn't. The advisory group grew to include all of the major Hollywood studios, including Pixar, whose Chairman and CEO was Apple's Steve Jobs. The CTO of Pixar participated in the advisory councils, putting aside the competitive nature of HP and Apple, and saw the value his company received as a member of the customer advisory group comprised of top industry thought leaders.

Perhaps the biggest outcome of the advisory group was that it created a customer-focused culture within the organization. HP has a typical organizational structure for companies its size. There is a "front-end/back-end" structure, where the product development is handled by one organization and the marketing and selling of the product is handled by a different organization. Getting customer input into R&D is difficult in this type of structure, and it is easy for product development to become internally focused on what they design, not necessarily what the customer wants and needs.

The advisory councils put the customers and their needs right in the face of the product designers. As a result, HP is very focused on designing customer needs-based products, and they are taking market share from competitors who design only cost-focused workstations.

Customers Are Cocreators

If your objective is to improve customer experience, there are several ways you can integrate customer experience into different parts of the value chain process, from product conceptualization to marketing. For example, you can create an interactive Web site that enables customers to customize products and make design suggestions. Ducati Motor Holdings, makers of the sexy Italian motorcycle, invite customers to visit their virtual Tech Café where they can present designs and ideas. Hallmark cards encourages customer to submit ideas and suggestions on both products and channels. Nike engages customers in coproducing products via their Web site. Volvo has been able to increase time to market by involving customers in virtual product concept tests during the product development process.¹

For many years, the software industry has engaged customers to improve products as well as participate in the role of product support specialist by providing advice and support to their peers. This is often done through “user groups,” which have become a critically important customer group in most software companies like Cisco and Microsoft. Software companies also have development groups where members develop new products that are an extension of the company’s platform technology. Groups take on the role of product conceptualizer, designer, tester, and/or product marketer.

In all of these examples, customers play an important functional role that actually helps companies improve several parts of their business. Another outcome is improved customer experience and deeper customer relationships.

The \$1 Million Prize

Netflix launched the ultimate contest when it challenged customers and innovators to improve the company’s ability to accurately predict movie preferences in the recommendation system by 10 percent. The prize: \$1 million. This was a challenge that Netflix scientists had been working on for over a decade and were unable to solve. It took three years for a group of seven team members from Austria, Israel, Canada, and the U.S. to develop the winning algorithms. The group of statisticians, software and electrical engineers, and researchers and was originally comprised of three teams that competed

against each other but decided to join forces in the eleventh hour to collaborate and win. In fact, the submission was entered just 24 minutes prior to the conclusion of the contest in July 2009, nearly three years after the launch of the Netflix Prize.

The contest was truly innovative on several levels. Netflix released private data consisting of 100 million anonymous movie ratings rated on a scale of one to five stars. Teams and contestants formed their own groups, many collaborating virtually around the world. The winning team had never met each other until they traveled to New York to collect their prize. The \$1 million is a large sum to the winners, but was a relatively small investment for Netflix considering their own team had worked on cracking the code for over ten years. It's also a huge win for customers as the recommendation engine is one of the most important benefits of the Netflix service. Another surprising uniqueness of the competition is who owns the intellectual property. The winning team was required to publish its methodology so that other people and businesses could benefit. The team licensed its work to Netflix and is free to license it to other companies.²

The competition was so successful that Netflix immediately announced a second contest to win \$1 million prize. This time the challenge is much harder: To predict movie enjoyment by members who do not rate movies. Demographic and psychographic data will be provided to contestants who will compete in the 18-month-long contest.

When companies collaborate with customers to solve problems, it opens the door to accelerate innovation and customer experience on several levels. The ideas presented in this chapter can be applied to any business in any industry to improve customer relationships and add value to all stakeholders. Develop customer strategies with an open mind and creative spirit. When you allow customers to challenge you to improve service and experience, your company will be better as a result.

Customer Engagement: A New Business Model

Threadless is a company that has created an entirely new business model that is built entirely around the customer. In fact, the customer does all of the sales, marketing, and design for the company. Founder Jake Nickell has taken a commodity business, making T-shirts, and completely reinvented the company so the customer makes most of the decisions, and does so virtually. Nickell started the company like a lot of entrepreneurs do—by accident.

Nickell was a CompUSA salesperson who spent his evenings as a part-time art student. He enjoyed dabbling in Web design and conversing online with other like-minded illustrators who were part of Dreamless.org., an online forum for illustrators. Members passed designs back and forth to see who could create the best design. When Nickell

won a design contest, it gave him the idea to make a real business of it. He teamed up with friend, Jacob DeHart, and they held their first T-shirt design contest in November 2000. Illustrators from the forum submitted designs for the contest and voted for their favorites. The \$12.00 T-shirts sold out quickly because the customers designed them, liked them, and wanted to own what they had actually created. They also wanted to tell friends, family, and of course other designers to buy their designs. Since T-shirts designs sold out quickly, it eliminated unwanted inventory, a problem most T-shirt manufacturers and retailers are forced to deal with.

Artists loved having their designs selected and purchased by other designers because there were few places for designers to show their work. Word about Threadless spread in the design community, and by 2002, Threadless had sold \$100,000 worth of T-shirts and built a community of 10,000 members. By 2006, sales had reached \$18 million and members grew to an astonishing 700,000. In 2007, sales grew another 200 percent, to an estimated \$30 million.³ 2007 was the peak year for memberships with more than 200,000 members joining the community.

Threadless is a new business model that is entirely built around what the customer wants. Its shareholders are the community. If an innovative business model can be created based on something as ordinary as a T-shirt, what can you create with your customers?

Product and Service Strategy

All products go through four distinct stages, called product life cycle (PLC) stages. Each step presents its own opportunities and challenges that should be addressed in your marketing strategy. It is important to correlate strategies according to the PLC stage because each stage presents different revenue and profitability implications, and places very different demands on the sales, marketing, operations, product, and supply chain departments of an organization. This section will outline issues and their corresponding implications to take into account as you develop product and service strategies.

Product Life Cycle Stages

Introduction: As new products are introduced, sales tend to be slow (but not always). Profitability will be negative or minimal as significant costs are incurred to introduce the product in the marketplace.

Growth: As market adoption increases, revenues and profitability increase. This period of time can last many years.

Maturity: As market share increases and market penetration reaches saturation levels among buyers in your target market, sales revenue will peak and profits will level off or begin a slow decline. Competition usually increases and new strategies are needed to maintain sales.

Decline: At this stage, sales and profits decline after leveling off for the reasons stated above.

Introduction

You want to be mindful of both the challenges and rewards of launching new products. If you are introducing a new product in a new market, the first mover advantages include the ability to capture new customers in desirable market segments, a higher likelihood of creating repeat customers, and the ability to position your product as the category leader in the customer's mind before competitors arrive on the scene. If you are marketing a technology product, technology leadership is especially important, and hopefully you have patents and trademarks as barriers to entry for other competitors.

One of the biggest disadvantages of launching new products is the high marketing costs to introduce the product. You need advertising and promotion to build awareness. And to further stress financial matters, R&D and manufacturing costs can be significant. Since sales start at virtually zero, little to no profit is realized during the initial introductory stage. To ease the impact on the bottom line, many businesses will implement a price skimming strategy (more on this later in the chapter) during the introductory stage to recoup the new product development costs. If you use the same distribution channels that you currently use for other products and services, this will help reduce costs as well as time to market.

Your initial goal should be to strategically move into one or two market segments. As these become successful, another product can be added to move into a new segment. When this is successful, the first product can be introduced into another market segment. This stair-step approach creates incremental growth to cross sell products into various market segments and build market share while reducing risk.

Growth

The growth stage begins when there is a sharp increase in sale revenue. As sales increase and marketing costs decline or hold steady, profitability rises. Manufacturing costs decrease as production increases, which also contributes to profitability. Prices should remain the same or be lowered slightly as new competitors enter the market.

During the growth stage, you should move into target market segments and develop new products and services to sell to existing customers. Also look for ways to increase product quality by adding new features and/or product extensions. New strategic alliances and channel partnerships will expand your reach to new markets and new customers; therefore, distribution options should be evaluated.

As new competitors enter the market, advertising, promotion, and positioning messages will shift focus from creating market awareness to influencing buyer preference. Depending how aggressive the growth plan is, marketing costs can continue to rise as your company expands into new market segments to get a larger share of the market.

Maturity

The maturity stage in the PLC lasts the longest and usually consists of two periods. The first period is stabilization and is marked by a leveling off of sales. This can be caused by several factors such as market saturation, increased competition, or the lack of any new distribution channels to sell products or services into. During the second half of the

maturity stage, sales begin to decline. This is the result of factors that occur during the stabilization period, which is now compounded by customers who begin to switch to other competitive or alternative products.

As competition heats up, price cuts begin to take place in the market. Marketing and promotion costs increase as competitors battle it out for market share. Companies fight back by increasing R&D expenditures to design new and improved products and line extensions.

It is no surprise that this PLC period presents the biggest challenge for most companies. Some battle it out until there are only a few market leaders left while others retreat from the market to pursue more profitable products and markets. If you have a product in this stage, you should give careful consideration to the exit strategy and not be too quick to eliminate it. After all, significant time and expense has been expended to nurture the product to this point and many well known products can remain in the maturity stage for decades. Before pulling a product, exhaust all the options you have available to profitably market the product in either new market segments (vertical and/or geographic) or through new channels. For example, a product that has been sold exclusively in specialty stores could be sold in high-volume distribution channels.

Mature products can be extended by converting non-customers who are using a substitute product. An example is beer drinkers who switch to wine. Or morning cola drinkers who switch to energy drinks. A desirable strategy is to attract a younger customer base that has not yet experienced the product. They will become customers for a long period of time, and consequentially increase the time a product stays in the maturity PLC stage.

Another strategy to revive a product in the late maturity stage is to aggressively pursue your competitor's customers. This is done through differentiated positioning and sales promotions that provide incentive to try a new brand. Another strategy is to increase the rate at which a new product is consumed by repositioning it. Orange juice became known as a product that was "not just for breakfast anymore." Arm and Hammer, a product that has been around for decades, was repositioned as a refrigerator deodorizer. Popcorn is a healthy snack to eat anytime, not just movie food. "Got Milk?" was an effective strategy and marketing campaign that repositioned milk as a hip beverage endorsed by celebrities.

Decline

This stage is marked by—you guessed it—steadily declining sales. A company with products in this PLC stage needs to decide if they want to discontinue the product or

slowly reduce the resources that are allocated to support the product. If the latter is the course of action, a company would reduce the sales force that supports the product, stop or dramatically reduce the amount of advertising and promotion, and eliminate R&D investments. These changes will improve cash flow.

Products in decline require very little marketing and sales promotion. Consider directing your sales and marketing efforts toward distributors to persuade them to continue carrying your product. You can also direct more time and attention to the sales people who sell the product. As sales of a product decline, you may notice that sales people will begin to gravitate toward selling other more successful products. You may need to increase communication and sales incentive programs as a way to keep them interested and in the game.

If you decide to discontinue the product, be sure to evaluate all exit strategy costs to understand the true impact on the P&L. The decision to eliminate a product should not be taken lightly and usually sparks a lot of debate. Companies that do not have a clear product exit strategy tend to err on one extreme or the other. Some err on the side of keeping the product long after customer interest diminishes, using up precious internal resources. On the flip side are companies that drop the product too quickly, causing confusion with customers and employees. Ideally, key product stakeholders from multiple teams should meet to flush out every possible alternative prior to discontinuing a product. The lesson to learn in either case is to have a process established for exiting products *before* there is a need.

Are You a Pioneer or a Follower?

Pioneers, the companies that are first to market, take on both the opportunity for huge success as well as significant risk. The biggest reasons companies pursue a pioneer or first mover advantage is because they have an opportunity to establish a market, creating not only market share, but establishing a premier brand in the customer's mind. If early adopters love the product, the company will continue to build market share and establish itself as a market leader before competitors begin to make a lot of noise.

Some companies prefer a follower strategy, which has many advantages. Pioneers incur significant costs to create and develop a new product, educate the market about the benefits, promote it through advertising campaigns, and establish distribution channels. Followers can enter a market behind pioneers who have just established a growing market. They can learn from the pioneers' mistakes and capitalize on customer demand and awareness that pioneers have already established. It's also a great strategy for companies that do not have the resources of large companies.

Product Differentiation

The most effective brands are those that have a high degree of differentiation. Some product categories can be highly differentiated and others, especially commodity consumer products, are more difficult to differentiate. The next time you are in a grocery store, just take a look down the laundry detergent aisle or browse the dozens of toothpaste brands and observe how the vast array of choices can be so confusing.

That said, remember that a brand is created through differentiation and there are lots of ways you can do this creatively. Products can be differentiated based on size, form, performance, features, durability, reliability, ease of repair, design, and style.¹ Arizona Iced Tea was one of the first beverage companies to distribute a beverage product in a large can. Cell phone manufacturers promote “indestructible” mobile phones for reckless teenagers. Maytag stresses reliability of their appliances. Herman Miller promotes style.

Products are differentiated by several other factors in addition to just form and functionality. Brand is important, as are associations with distributors and third parties. Customer service, customer experience, and technical support are also important factors that attract buyers and drive them to endorse it and tell others about it.

Design has become increasingly important to consumers. Retailer Target observed this trend long before other retailers, using design as a point of differentiation. The company believes that design isn’t limited to museums, and style doesn’t have to be expensive to be attractive. This strategy has worked extremely well, and Target has extended this design strategy across several types of product lines, from Mossimo’s design of women’s clothing to Michael Graves’ designs found in the kitchen aisle. A significant section of their Web site is devoted to showcasing designers and their philosophy. Restoration Hardware is another retail chain that has a similar emphasis on design and successfully executed the strategy in a direct marketing campaign.

The importance of product innovation and design can be seen by studying the creative new companies that are revitalizing even the most mundane of household categories, like soap and cleaning products. Two former schoolmates teamed up to create Method, a company that has exploded in growth through the successful application of product design.^{2,3}

Method Products Make a Clean Sweep in Product Category

Eric Ryan and Adam Lowry are former high school roommates who have reinvented the household cleaning products category. Together they founded Method Products, a company that combines design and environmentalism, breathing new life into the mundane hand soap category when they introduced a product with style. The bottle was designed by Karim Rashid, an award-winning designer who names Prada as one of his clients. The clean, simple rain-drop design was immediately embraced by consumers who were tired of hiding ugly soap bottles under their sink.

Not only does the product have style, it has substance. It is designed to pump soap from the bottom (so you don't have to turn it over to squeeze out the last little bit of soap), and it features a nice leak-proof spout so soap doesn't drip all over the counter. The team's goal now is to create products that are nontoxic and made from real—not chemical—plants. Lowry says, "One of the things that I think we're really proud of...is [how] the success that we've had in bringing green—and health-focused—products to the mass market [has] actually changed the market much bigger than our own footprint. One of the big goals with Method, and why design and sustainability are inextricably linked in our brand, is that if you don't have the design element, you're only going to appeal to people who are already green, so you're not actually going to create any real environmental change."

With sales of over \$75 million, Method is sure to make a clean sweep in other household product categories.

Design with a Purpose

When David Butler joined Coca-Cola in 2004, he walked into a product design conundrum. The world's most powerful brand had become diluted from decentralized marketing and a steady turnover in marketing leadership. Category sales were declining due to a constant barrage of new products in the non-carbonated market.

Big problems call for a big new approach. Butler has a new, refreshing approach to global branding and product design. First he made fundamental changes to the role of design in a global brand. At corporate headquarters, he stopped using the word *design* (because no one knew what it meant anyway) and created a three-page manifesto called

“Designing on Purpose” that spoke not about design, but about the language of the Cola-Cola culture: How to sell more product.

Butler said, “I wanted to show how you could create more value for the business through design....How do we sell more of something? How do we improve the experience to make more money and create a sustainable planet?”⁴ Next, he focused his challenge around the following goals:

- Increase customer satisfaction for a product in a declining market that was moving away from carbonated beverages.
- Reduce the carbon footprint caused by a global supply and distribution chain.
- Offer more choices to consumers within the confines of limited space in fast food restaurants and cafeterias.
- Acquire accurate, real-time feedback on customer choices.
- Elegant Design “Make it look like a Ferrari” (the wish of CEO, Muhtar Kent).⁵

By applying systems thinking to achieve all these goals (and of course, the goal of selling more product), Butler created the Freestyle fountain, a beautiful and functional new piece of equipment that dispenses over 100 different types of Cola-Cola varieties. Not only is it unique in offering a vast number of products, it’s also smart, enhances environmental sustainability, and is beautiful to look at. A built-in computer enables the company to monitor what, when, where, and the quantity of beverages consumed. It reduces the carbon footprint by replacing five-gallon bags of concentrate with 46-ounce cartridges. And looks? Beautiful, sleek, elegant, and useful—all words that describe the elements of great design.

Then Butler took on the even bigger challenge of unifying the Coca-Cola brand identity. Coke is a colossal brand with 450 brands sold in 200 countries through 20,000 retailers. More than 300 agencies work on the Coca-Cola brand. Over the years, marketing became decentralized and brand identity became diluted as each country put its own spin on localization. Butler worked with Todd Brooks, group design director for global brands, to develop a system that would provide unified brand identity while also providing the ability to localize concepts. The team came up with a set of brilliant and simple product design standards that could be used worldwide to localize marketing and sales campaigns instantly. They consisted of four brand assets and four design principles:

Brand Assets: Color red, the script font, ribbon, and bottle contour.

Brand Principles: Bold simplicity, real authenticity, the power of red, familiar yet surprising.

The result was the Design Machine, a unique tool that allows marketers to develop and customize their own marketing materials utilizing the four aspects of brand principles and brand assets in product design. It's part web-based design tool and part asset management system that enables customized point of sale design and delivery from anywhere in the world. Marketers simply pick a language, a product, and an occasion and the Design Machine sends the file for local approval and then to the printer for production. It's an elegant solution that drives brand standards, product innovation, and business value.

Mid-size and small businesses have their own marketing and brand challenges, especially when expanding into new markets and using new partners and distributors. If the world's leading brand can simplify their brand strategy, so can you. See if you can apply some of Coke's design principles to streamline your brand standards. As more companies expand their marketing programs through social media and affiliate marketing programs, a concise description of your brand essence will be more important than ever.

Competitive Strategies

Understanding the drivers, objectives and strategies of competitors will help you position and formulate new strategies so you can either (1) take advantage of opportunities competitors don't pursue or don't yet realize, or (2) learn how to out flank them.

Your competitive analysis in Section II, evaluated and compared competitors based upon their size, customer base, market share, distribution channels, and other areas outlined on the Competitive Tracking Information worksheet in Chapter 26, "Competition: Keep Your Friends Close and Your Enemies Closer." You will now expand this information to create effective strategies to win market share. If you are in a highly competitive market, effectual competitive strategies are critical to win or maintain market share. You can create offensive competitive strategies in a highly competitive market, or defensive strategies in response to hostile competitors.

Pick Your Battle Position

Attack

A company that intends to compete with a market leader can choose this strategy to attack the market leader in one or more of the following ways:

- **Value Pricing:** A low price or short-term promotional discount gives your competitor's customers an incentive to either try your product or switch brands entirely.
- **Improved products and/or services:** Customers who seek the latest technology may respond to a "new and improved" version of an old product.
- **Geographical:** A customer may choose to do business with one company over another because it does a better job of serving local market needs. The flipside of this is to appeal to a customer's desire for convenience by offering several locations within a geographic market, or by winning their business by promoting powerful global capabilities.
- **Need Fulfillment:** If competitors have outdated solutions, poor service, inferior products, or otherwise fail to adequately serve customer needs, customers will flock to a business that offers a better solution.

- **New Distribution Channels:** Distribution through new channels provides access to new customers and increases product availability. Large, well-known distributors can also strengthen a company's brand simply by selling the product. When Target began to sell Method products, the brand gained instant credibility and visibility. Method attracted a new consumer audience that was not previously interested in "buying green," so customers were won at the expense of well-entrenched consumer products companies.

Most strategies are a combination of several factors. For example, Frontier Airlines is one of the few profitable airlines remaining. After emerging from Chapter 11 in 2008, the company announced they were profitable again in January 2009. Frontier is a regional airline that serves the Western United States, typically in secondary markets. The company has been successful in taking on United Airlines for several reasons. Frontier's regional focus and operational efficiency by using only Airbus planes reduces maintenance and training expenses. Frontier operates primarily on a regional basis, so routes are more profitable than United, and they typically match United's fares. Not surprising, however, Southwest has decided to enter Frontier Airlines' market and is primarily competing based on lower prices.

Flank

A flanking strategy identifies a gap in a competitor's ability to serve a market, or a weakness in a competitor's ability to reach a particular target market or geographic segment. For example, Apple's ongoing television campaign attacked Microsoft's operating platform—first Vista, then Windows 7—playing on the operational issues that plagued the company.

Enterprise Rent-A-Car focused on car rentals to individuals that needed quick, short-term access to a car. In highly fragmented markets, even market leaders can be challenged by a smaller competitor's strategy to offer a better product that meets the needs of a target segment.

Defend

When a company is attacked, the competitor usually responds with a direct defensive strategy. A typical defensive strategy is to lower prices, increase advertising and promotion, or add product features that directly compete with a competitor's solutions.

Microsoft's defense against Apple's flanking maneuver was to defend Windows Vista and Windows 7 as the hip choice of a diverse majority with the "I'm a PC" campaign.

The two companies continue to duel it out (with the bespectacled nerd and laid back guy in a T-shirt) in Apple's very public advertising campaign.

Preemptive

A preemptive strategy seeks to either establish a market position or attack a competitor before it can make a big impact with their product. Companies deploy this strategy to dissuade competitors from introducing a new product or diffuse the impact that competitors may make. For example, when Apple introduced the iPod, the company announcement was made long before its arrival. Car companies are also famous for deploying this strategy in the fall to attract new car buyers.

Substitute Product

Companies that offer an alternative solution for a specific need at a lower price provide a substitute to other category solutions. The product is usually positioned as a better value, or is perceived as a better alternative because it offers greater convenience and saves consumers valuable time. For example, the airline JetBlue offers short-distance commuters on the east coast as an alternative to driving or taking a train. During tax season, software companies will battle it out with H&R Block and other professional services firms to vie for your business.

Retreat

Sometimes the best strategy to aggressive competitive action is to retreat from a market leadership position in a geographic market, target market segment, or industry vertical market. This strategy should not be perceived as defeat, but as a smart move against larger, well-entrenched competitors that simply have more resources and staying power. If the decision to retreat is made early enough, then valuable time, money, and resources can be saved, and energy can be redirected toward better opportunities. Fast-growing companies know that it is much smarter to play offense than defense.

Intel, a dominant player in the memory chip market, began to get hammered by Japanese chip manufacturers who could make the product much cheaper. In a bold move, Intel decided it would be wiser to lose this battle and focus on winning the war, so they closed this business to focus on new opportunities. Intel's microprocessor business was small at the time, but Andy Grove saw this was going to be the market of the future. Intel's microprocessor business is now a \$270 billion business, and Intel has the largest market share at 12.2 percent.

The Downside of Winning

It may not be obvious from the outset of devising a competitive strategy, but there are potential risks to winning a competitive battle. The most obvious are the increased expenses and bottom-line impact from fighting a long battle. This is caused by increased advertising and promotional spending, increases in operational costs resulting from serving more customers in expanded markets, and/or reduced brand equity following an ugly competitive war.

A competitive battle may result in price cuts, which likely impact margins and profitability, and perhaps consumer buying once prices inch their way back up. The best way to fight off competitors and avoid a bloody battle is through differentiation and positioning. As Kotler says: “Companies that forge a unique way of doing business gain lower costs, higher prices, or both. While their competitors increasingly resemble each other and are forced to compete on price, strategically positioned companies avoid the bloodbath by following the beat of a different drummer.”¹

Amen. As you read the remaining chapters in this section, you will learn several other strategies that can be parlayed into competitive differentiation.

Review the information that you gathered about competitors in Chapter 26. What areas present problems or challenges because competitors are pursuing the same target market or the same strategies? In what areas can you differentiate and innovate to create competitive advantage?

Growth Strategies

With very few exceptions, every company wants year-over-year growth that is realized through increases in sales and market share. If the goal is rapid growth, it is best achieved through a strategy such as the acquisition of another company. Organic growth is upward business growth achieved incrementally with the successful execution of selling more products, establishing new target markets, or expanding geographical reach. Businesses that pursue organic growth are usually established companies in a mature market, or businesses that desire slower growth for a number of good reasons such as access to capital.

Exponential growth is a harder strategy to execute and takes focus. If your goal is to achieve rapid growth, consider the following strategies:

- Acquisition
- Strategic Alliances and Partnerships
- New Distribution Channels
- New Markets
- New Customers
- New Products

Acquisition

Acquisition is the fastest way for companies to grow and quickly capture market share. It is also a good strategy for businesses that would like to enter new industries or expand into new target market segments because they can buy knowledge, expertise, brand, and customers instantly.

Crocs bought Finproject NA—the Canadian company that manufactured Crocs and owned the formula for Croslite—the unique, odor-resisting, spongy resin of which Crocs are made. This acquisition gave Crocs control over manufacturing and timing, lending a hand to their unique distribution system, which compared to most shoe companies is quick and customized. Retailers receive only the style they want at the quantity and color wanted, delivered in a few weeks. This method ensures that retailers aren't left with unsold Crocs, meaning they're never sold at a discount.¹

If a merger or acquisition sounds easy, don't be fooled. The result is not always win/win and it takes considerable time, effort, and money to make them successful. The vast majority of acquisitions fail because company cultures are mismatched.

Strategic Alliances and Partnerships

New alliances pave the way for entry into new target markets, geographies, and vertical markets. Like acquisitions, alliances provide access to an existing customer base, although this access will take cooperation and effort from both companies. Each company in the alliance benefits from the ability to offer a more robust product or service that will attract new customers, provide complementary services that offer greater customer benefits, and extend brand equity and good will to business partners.

New Distribution Channels

The addition of different types of distribution channels can add significantly to a company's growth. VARs (value added resellers) and resellers can sell products through channels they have already established. In consumer markets, distribution into mass retailers like Wal-Mart, Costco, or Target can turn a product into a superstar in a very short period of time.

In Section III, "Analyze," you analyzed different types of distributors to reach new target markets and expand geographic coverage. Evaluate your distribution strategy to consider every possible path to market. Analyze the entire network in the value chain and how you can create strategies to expand awareness and sales. In some companies, a value network can literally comprise of hundreds of network partners who contribute to the delivery of a product. For example, Cisco Systems' value network is comprised of manufacturers, VARs, resellers, user groups, government entities, school systems and universities, and dozens of other partners.

New Markets

Rapid growth can be achieved by entering new geographical locations (local, regional, national, or international), new target markets that reach new buyers, or new industry vertical markets. Growth into new markets always looks attractive, but it also means additional costs to customize a product, increased resources to provide operational support, and extra marketing and promotion expenses to make a new market aware of a product.

The following case study "Adobe Makes Lemonade Out of Lemons" describes how Adobe Systems created new markets for a beleaguered software product.²

Adobe Makes Lemonade Out of Lemons

In 2003, Adobe Systems, Inc. had recently entered the Enterprise Software market. For some time, the company's electronic paper (such as Adobe Acrobat and PDF) product lines had been popular in government sectors that were heavily dependent on paper forms as a means of communicating with constituents. One Adobe product, Adobe Document Server for Reader Extensions, showed a lot of promise in the broader Enterprise Software market. The product effectively worked like a "postage meter". The product would take an existing PDF file and embed a hidden key into the file, which would then activate latent functionality in the freely distributed Adobe Reader software. As a result, the product effectively was a reverse licensing mechanism for Adobe Reader.

Adobe had positioned the Reader Extensions Server (RES) product exclusively to the Federal Government vertical market and the licensing options for the product were limited to a \$75,000 per document option or a \$1.5 million unlimited use license. In 2003, product-line revenues for the RES were less than \$500 million and the product had fewer than five customers worldwide.

By 2003, Adobe believed that the addressable market for its flagship products—Adobe Photoshop and Adobe Acrobat—had been largely penetrated. The company believed that exploring new markets, such as Enterprise Software, were critical to achieve long-term revenue growth and expansion. The RES product was easily installed and easy to use. As such, Adobe recognized that it was a potential entry point product to cross-sell other, more sophisticated, Enterprise Software products. However, the exclusive vertical market focus and the narrow pricing models restricted Adobe's go-to-market options for RES.

Adobe determined that in order to use the RES product as a leverage point to cross sell its other Enterprise Software product lines, it must first overhaul the go-to-market strategy.

First, the vertical market focus on large government agencies was eliminated. The product messaging and positioning was recreated to showcase value propositions that were more horizontally oriented. Additionally, new vertical market messaging was created to support value propositions specific to other paper form-intensive industries such as Insurance, Banking, and Healthcare.

Second, the pricing model for the product line was re-worked to provide a lower entry point, as well as a tiered pricing structure that would enable customers to adopt the product with a limited initial investment, but grow their use over time. Regional pricing models were also created to gain entry into Asian and European markets. Packaging bundles were established to facilitate Adobe's core objective: to use the RES product as an entry point that would facilitate

cross-selling and up-selling opportunities for the breadth of the Enterprise Software product suite.

Third, a worldwide roll-out of the go-to-market strategy was executed. New sales and marketing materials were provided to Sales and Field marketing organizations on a global basis. Sales teams in all of Adobe's geographic regions were trained on the new strategy, positioning, and pricing options.

What were the results? By the end of 2004, the first year after the implementation of the new go-to-market strategy, product-line revenues for the RES product were nearly \$20 million. The product was successfully implemented at over 200 customer sites worldwide, including multiple enterprise site licenses that individually were worth in excess of \$2 million in license revenues. At the end of 2005, product-line revenues had exceeded \$35 million and were forecasted to grow 100 percent year-to-year for the subsequent two years.

New Customers

In addition to targeting new markets and buyers, you can quickly expand your business by targeting and closing one or two key customer accounts. Securing a prestigious top-tier customer has the added benefit of attracting other customers similar in size and profile, which add to the reputation of a business. This can catapult a company into new levels of brand awareness and business growth.

The one precaution to keep in mind is the risk associated with putting too many eggs in one customer basket. It can deplete precious resources, and for smaller companies, the risk of losing one customer that contributes the majority of sales can be devastating. If you pursue this strategy, make sure you have the resources to fulfill demand and service needs. Then you can leverage this success and focus business development efforts on acquiring additional tier-one customers.

New Products

The introduction of a new product that captures the hearts and minds of customers can result in an explosion of growth and sales. It can also lead to additional sales from other products and services your company offers.

Under Armour, the successful athletic-wear manufacturer, created a breakaway new product category that has evolved from founder and CEO Kevin Plank's grandmother's

house to the shelf of 6,500 athletic retailers. Plank, tired of his cotton football shirts' moisture retention, commissioned a tailor to make tight-fitting undershirts from the same moisture-wicking material of which many cycling and football undershorts were made. Plank began marketing to college athletic teams, but his eyes were on the retail market. To attract big retailers, such as Dick's Sporting Goods, Plank tirelessly pitched to college and NFL football teams with the idea that their acceptance would provide Under Armour an "authenticity that advertising alone [couldn't] create."^{3, 4} This strategy worked and sales grew from \$17,000 in 1996 to an astonishing \$55 million by 2005. By 2008, Under Armour's revenues grew to over \$200 million and captured 75 percent of the \$416 million market for tight-fitting athletic garments.⁵

Under Armour's initial strategy was niche-market penetration. Marketing was targeted to football teams, and then spread to other male athletes, women, youth, and in 2006, the \$9 billion footwear market. The footwear market represents a very different and competitive market, so again Under Armour entered the market with a highly specialized product: football cleats. It chose this comparatively small market (\$250 million in the U.S.) because competing with Adidas and Nike in soccer shoes, for example, would be suicidal. Plank says Under Armour's primary goal in its release of football cleats was to authenticate itself as a footwear brand. By May 2008, Under Armour captured a 20 percent share in football cleats. They next gleaned an 11 percent share in the baseball and softball cleat market. The company recently expanded into the cross-training market, in direct competition with Nike. Under Armour released its first line of running shoes in early 2009, stimulating a new wave of competition.

In summary, the challenge—especially for disruptive companies that create new industries—is to grow beyond its niche and develop new products and innovations that capture new customers. At the same time, it requires tremendous focus to not be all things to all people.

Innovation Strategies

This category of strategy development will not focus on one particular type of innovation, but several examples that are intended to challenge you to think about how your business can become more innovative in satisfying customer needs and growing into new markets. Every company—whether it is small or large, new or established, in a new growth market or a mature market—must consider how innovation will help them compete and thrive in the new economy. Innovation may create market differentiation, take costs out of the business, streamline processes, increase customer stickiness, and create new revenue streams. The following are a few models to evaluate as you consider strategies for innovation.

Innovation Models

Product/Service Innovation: New features and functionality can be innovative, but disruptive innovation is the most compelling. It creates demand for products and services that people didn't even know they "needed." Apple's iPod and iTunes are examples of disruptive innovations that represent not just product innovation, but business model innovation as well.

Solution Innovation: Bundled or integrated products and solutions are customized to solve a customer problem. Apple's iPhone was bundled with AT&T's service to create the largest 3G network. Another example is Google's customized home page, which allows customers to integrate a wide variety of useful gadgets, custom information, and news feeds into their personal home page.

Platform Innovation: This strategy involves the use of established brands and solutions to create a new spin-off that is simplified, making it easier for others to use it. An example is the Linux open source operating platform and the subsequent Android software platform for mobile devices based on the Linux system, developed by Google and Open Handset Alliance.

Process Innovation: Redesigning core processes can create efficiency and customer value. Wal-Mart is a stellar example of process innovation with their inventory management and supply chain processes.

Value Innovation: Stripping away the cost of manufacturing or materials allows companies to sell an established product at a lower price. Consumer electronics is a category that has applied this concept by substituting lower-priced parts and materials to manufacture products.

Customer Innovation: This strategy involves creating new products and services to fulfill an unmet customer need. Examples include Motorola's introduction of the first cell phone and AOL's free email campaign to speed rapid adoption and use of email.

Customer Experience Innovation: Creating unique and valuable customer interactions with a brand are crucial to maintaining or expanding a customer base. Innovative product companies like Oakley and Converse enable customers to design products to reflect their individual style and preferences. This concept leverages mass customization, which uses technology and manufacturing processes to mass produce individual customized products and services. Customer Experience innovation is especially important in commodity products, as it results in differentiating the product from others in its category.

User Innovation: In this model, the customers are the key driver of innovation. Customers design, market, and sometimes sell products and services for a company. Threadless (highlighted in Chapter 49, "Customers Are Cocreators") is an example of a company based on user innovation.

Crowdsourcing: Similar to the User Innovation model, customers and/or users collaborate with companies to create solutions to problems. The difference between the two models is crowdsourcing facilitates collaboration with a group of people or among a community to solve a particular problem. Netflix is known for tapping into the power of a community to help it solve challenges.

Marketing Innovation: Digital media and new marketing channels are constantly evolving, which helps you reach more buyers and sell more products through social media, viral marketing, and affiliate marketing programs. As different people interact with the product, they can endorse it, influence others to use it, and add their own value to the solution, further customizing it for their audience.

Organizational Innovation: This is the structural redesign of how people in an organization work together to provide value to customers. An example is JetBlue's virtual call center that delivers high-quality customer service, while increasing employee satisfaction, by allowing agents to work from home.

Brand Innovation: This involves extending a brand into new areas. An example is UK-based Virgin, a company that has ventured in many different businesses in the airline,

retail, and banking industries. Innovation is driven by founder Richard Branson, who is known for parlaying his individual style of risk taking and adventure into an attitude for business diversification.

Syndication Innovation: Syndicators bring together several sources of information and distribute it in useful ways to consumers who are interested in particular topics. Examples of syndicators are E*Trade, Alltop, and Mashable. The growing number of bloggers who distribute information via RSS are also syndicators of information.

Distribution Innovation: This is distributing products and services in a unique way, or creating disintermediation, which means bypassing traditional channels and marketing directly to consumers. Examples of this business model are eBay and Dell.

The Long Tail

The distribution and sales channel of the Internet enables businesses to reach new niche markets by selling a large number of unique items in small quantities. The Long Tail describes a business model developed by Chris Anderson, editor of *Wired* magazine and author of *The Long Tail: Why the Future of Business is Selling Less of More*. A perfect example of this business concept is Amazon.com.

The average Barnes and Noble bookstore carries approximately 130,000 books. Store size limits the inventory of books that can be physically inventoried and sold, which essentially forces Barnes and Noble to carry a large inventory of the most popular books. On the other hand, Amazon is the largest bookseller, with two-thirds comprising “unpopular” or out-of-print titles. What makes this possible is a business model stripped of distribution, inventory, real estate, and other significant costs that are a burden to traditional retailers.

Netflix provides another example of how the Long Tail is an effective business model. Unlike competitors, Netflix can inventory and distribute a large number of obscure titles as well as popular movies. Netflix distributes approximately 2 million movies a day. An inventory of popular movies makes up the front of the demand curve, but the long tail of unpopular titles is far greater than the most popular titles. If you consider how the addition of a search and recommendation engine adds value to the business model, the Long Tail distribution to niche markets grows even longer (see Figure 55.1).

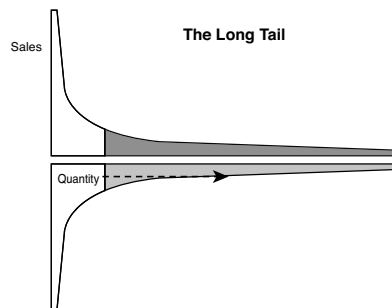


Figure 55.1 Long-Tail business model

Other companies like eBay and iTunes have tapped into this successful business model, which is dominated by companies on the Internet. As more businesses begin to leverage the potential of the Long Tail, even large Internet businesses will begin to be affected by smaller online businesses that focus on niche products or niche target audiences.

The concept of the Long Tail business model is an ideal example of an integrated strategy that has no boundaries. Is it a niche target market strategy? A distribution strategy? A competitive strategy? A product strategy? Or perhaps it's a promotion strategy because it leverages social media. The answer to all of these questions is yes; depending on your strategy and approach, it can be all of the above. It's certainly innovation.

New Revenue Streams and Business Models

A result of innovation is new business models. Many of these, especially Internet-based businesses, create and capture revenue in unique ways. Revenue streams can be generated through product and service transactions or through commissions from affiliate relationships. New revenue can also be produced by fees for memberships, subscriptions, licenses, installation, maintenance and service, click-through fees, and hosting or on-demand fees. In an online world where so much is offered for free, there is also unlimited potential for generating new revenue.

The Internet enables mass customization to be possible for both customers and suppliers. Online newspapers and online television channels such as Hulu are shaking up entire industries. Open-source software like Linux commands respectable market share, and new companies like Threadless are creating an open and collaborative business model built entirely around the customer.

Businesses are not the only drivers of innovative business models. Nokia estimates that by 2012, approximately 25 percent of web content will be user generated. Wikipedia and YouTube content is entirely user generated. As social networking and blogging software enable more collaboration and personalization, it will be interesting to see the evolution of Internet 3.0. Companies will discover that Internet marketing will no longer be about driving customers to their Web sites, but driving content to customers, enabling them to interact with it and add new value.

Nurture a Culture of Innovation

Check out the values statement of any technology company, and you are likely to see that innovation is listed as one of the core values. But the desire for an innovative culture extends far beyond technology companies. A culture of innovation has become a requirement in today's rapidly changing environment. After all, isn't this the key to creating new revenue streams? Indeed it is, but few companies put meaningful effort into fostering a culture of innovation. If they did, they would undoubtedly create more innovative products and services, and also create new business value across all sectors of the business. Innovation is needed well beyond the confines of engineering, R&D, and product development teams. Increased innovation drives new business processes, new customer value, cost efficiencies, and strategies to compete and win in competitive markets.

In Chapter 40, "What Is Strategy?," I mentioned the value of Jim Collin's article on "Catalytic Mechanisms." Mechanisms are simply the means to build goals and good intention into processes increasing the likelihood of success. 3M has what may be the best-known example of a catalytic mechanism for innovation. The company prides itself on creating innovative new products, and wanted to build a mechanism for fostering creativity and innovation into their culture. By encouraging employees to spend up to 15 percent of their time on new projects, innovation stays top-of-mind for every employee.

Several other companies realize the value of investing time, money, effort, and mechanisms into their culture so employees drive innovation. BrightHouse, an innovative consulting firm, offers five "Your Days" so employees can get out of the office and spend time reflecting and recharging. This is in addition to the five weeks of vacation that every employee receives. The company also brings in a constant stream of people who are experts in their field to speak to the organization. The idea is to stimulate new thinking and get fresh perspectives so employees can apply this to new projects under development. Past speakers have included Edgar Mitchell, oceanographer Robert Ballard, as well as actors, professors, and even poets.¹

Here are some other ideas to encourage innovation in your company:

- Rotate employees to work in other parts of the organization for a few weeks or months. This will give them an entirely new, holistic perspective of the business and probably several new ideas they can apply to their regular job.

- Present a bi-weekly or monthly seminar program with outside experts and leaders from different areas of the company. It doesn't have to be anything fancy; a brown bag luncheon works very well for this purpose. It shows employees that you care about their development, and the cross-functional interaction stimulates learning and new ideas for everyone.
- Establish communities of practice so employees can work together on topics they are passionate about, or a special problem or issue that is important for the company to solve. Too often problems stay in a boardroom of locked indecision when they could be quickly resolved by the people who are closer to the issue at hand.
- Encourage risk and celebrate failure. Many businesses want their employees to take well-calculated risks, but when situations don't go as planned, no one wants to talk about it. The same mistake is then made again by other people. To encourage risk, reward the person who stuck his neck out; make sure there is plenty of dialogue about what happened and why so others learn from the experience.

Creating a culture of innovation is an effective strategy every company can learn to implement. There are many small programs that can be developed to produce big results. But it must start with the desire and commitment to improve. Creating a culture of innovation is a strategy. It requires time, effort, and resources to effectively implement programs to drive change and innovation.

Three Versus Drive Innovation and Growth

To summarize all the strategies covered so far in this chapter, I want to leave you with a final thought that may help you create and integrate your strategies. Nirmalya Kumar is a professor of marketing at London Business School. In his book, *Marketing as Strategy: Understanding the CEO's Agenda for Driving Growth and Innovation*. In the following interview, Kumar explains how companies use the three Vs: **valued customer**, **value proposition**, and **value network** as the mechanisms to fuel innovation and drive growth.²

Kumar: Differentiate Company Marketing with Three Vs

Reece: The subtitle of your latest book (*Marketing as Strategy: Understanding the CEO's Agenda for Driving Growth and Innovation*) is something everyone wants to know about. What is the CEO's agenda for driving growth and innovation?

Kumar: There are two ways to get growth: Raise prices, which not many companies can do, [or] increase volume. The way to increase volume is to go into new countries, such as China and India, but there is a limit to this as well. The only way for true growth is to develop new products and services through innovation.

The biggest issue for a CEO is how to avoid competing on price, and how to keep prices from falling. The second issue is customer loyalty. The number of product and service choices for customers has increased dramatically, and customers have more access to information than ever before, so they can easily switch brands.

Reece: You make a strong case for changing the standard marketing focus around four Ps, to the three Vs: valued customer, value proposition, and value network. Tell us more about this concept.

Kumar: The four Ps are an essential part of marketing, but it's not enough to differentiate products based on the four Ps. Product, price, place, and promotion can easily be copied by competition. By focusing on the three Vs, a company can sustain differentiation.

"Valued customer" is a way to segment and target customers based on perceived value. "Value proposition" is how to competitively differentiate products and services to customers. "Value network" is how you deliver the value proposition to the target customer. It's a cross-functional orientation often referred to as the "value chain."

For example, at Starbucks, it's everything they do from the beginning of the value network, such as who they buy their beans from to providing a cup of coffee in the store. Wal-Mart is another example of creating a unique value network. Competitors can easily have the same products and prices as Wal-Mart, but not the business and distribution system.

Reece: How do companies develop a culture that fosters the type of radical innovation you describe, that in turn will create growth and innovation?

Kumar: This is a very difficult concept. To drive innovation, an entirely new value network is needed, and the only way I have found to do this successfully is to set up a completely different subsidiary. So you set up a different division whose only job is to maximize the value proposition. This is difficult because doing this requires using company resources, while also dealing with the constraints that keep them from making significant changes.

Reece: Hence your quote, "Let us keep all the cannibals in the family."

Kumar: Exactly. That is why so many airlines that launch a low-cost airline are not successful. Businesses face the same challenge. It's almost like killing the baby subsidiary even before the launch because they don't want the baby to flourish and become successful. If you have a new subsidiary, you want it to have the "kill attitude." Everyone needs to think, "I will do what is best for the subsidiary, even if it means killing the mother ship." The company needs to do whatever necessary to win in the marketplace.

Reece: What is the biggest industry ripe for change based upon a unique customer differentiator?

Kumar: Any company that has not used technology and can use it to reduce costs. The pharmaceutical industry trends are moving to low-cost countries where R&D and labor are cheap. The FDA has put so many restraints on R&D that I think companies are moving R&D to countries with a large knowledge base, such as China and India, where it can be done at a much faster rate. The accounting and financial industries will also see dramatic changes. A financial analyst does not need to sit in New York City. They can be anywhere the world.

Reece: If a company is after radical innovation, what is the best way to ensure success or test a new idea?

Kumar: They should get feedback, but it's a different kind of feedback. In a market-driving company, instead of asking customers what they want, they launch the new product. You know it's not perfect, but you launch it and see what kinds of customers stick. Then you watch them and observe them using it and come up with improvements that way. So instead of learning through research, you learn in the marketplace. You learn by doing.

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Sales Strategy and Plan

Several types of strategies have been discussed in this section and throughout this book. Now it's time to roll up your sleeves and create your own strategies to drive business growth. Let's start by developing a sales forecast. If you are creating a marketing plan for a new business and have not forecasted sales yet, you can create the forecast based on market demand and the marketing programs you will implement to drive demand. Established companies have a projected forecast that is based on prior year sales, new product and service introductions, market growth, and other factors.

Break down the sales forecast on a monthly or quarterly basis. This will provide everyone who is responsible for revenue and demand generation with greater focus and accuracy. Depending on the structure of your company, it is also advisable to further divide it to estimate revenue by customers, distributors, products, services, and/or industry segments. The final step is to define sales objectives for each sales person to develop commission plans.

One of the biggest disparities between sales and marketing departments is alignment and communication regarding sales objectives. In large companies, the sales department is crystal clear about sales goals, but the marketing department may only have visibility to lump sum quarterly and yearly sales goals. The marketing and sales teams must be aligned on a plan for revenue targets for existing customers, new customers, customer service programs, and other means of revenue generation. Then marketing can design programs to generate the right number of leads and conversions to achieve the sales targets.



Figure 57.1 *Creating sales and marketing objectives*

Sales Strategy and Plan

A sales plan is an important component of a marketing plan. This describes objectives and the various types of strategy that will be implemented, such as customer acquisition, retention, and so on. It also describes what the sales team will need to be successful, such as training, executive level support, sales and marketing tools, and processes for communication. Use the following summary of topics to guide your development of an effective sales strategy and plan.

Sales Objectives (These should include sales by direct and indirect channels.)

Sales Strategy (What you are going to do in each market to achieve your sales goals?)

- Types of customers: Prioritize by value such as tier one, two, and three. Define sales by month, quarter, and year.
- Profiles of key customers and customer segments (include all the pertinent customer information you will need to achieve your sales goals).
- Major account sales strategy.
- New customer acquisition strategy (direct, sales, referral program, direct mail, tradeshow, partners, social media, and so on).
- Customer retention and loyalty strategy (what you are going to do to keep your best customers).
- Customer relationship management strategy.
- CRM software:
 - Data collection—what information should be gathered and entered into the system (industry, company size, geography, revenue potential, step in sales cycle, and so on)
 - Process and expectations
 - Reporting

Sales Channels

- Define the goals, training needs, operational requirements, reporting, marketing support, joint sales process, and other key issues.

Training and Support Needs

- Sales staff (define what sales skills your sales teams need to be successful, such as advanced sales training for high-end consultative selling, product training, industry briefings, technology, and so on).
- Training for other stakeholders (employees, partners, distributors, others).

- Executive-level support needs.
- Escalation process (criteria for escalating service issues and process for resolution).
- Other support needs (finance, admin, marketing).

Sales and Marketing Tools

- Sales and marketing needs for each target market segment and major accounts.
- Define type of tools, such as PowerPoint slides, presentations by industry sector, sales channels, sales sheets, product data, and other materials.

Sales and Marketing Alignment

- Monthly and/or quarterly operational meetings to review results.
- Closed loop process (sales, marketing, customer service, operations).
- Joint customer meetings (key customers and sales and marketing team members).
- Major account plans for key customers.
- Win/loss process and reviews: Establish disciplined process for sales and marketing teams along with other key stakeholder teams.

Marketing Objectives Drive Strategy

Marketing objectives describe the specific goals that must be accomplished to reach sales goals. Do you recall how SMART goals were developed in Chapter 10, “Measurable Goals Drive Success”? Marketing objectives can be defined the same way.

A SMART objective is:

Specific and Measureable: Focused on a single, quantifiable goal.

Motivating: For employees, customers, and/or distributors.

Achievable: Is it realistic and attainable?

Relevant: Does the objective align with, and cascade from the company objectives?

Trackable and Timebound: How will the goal be measured and over what period of time?

Here are several examples of how to apply the SMART framework to create marketing objectives for different types of businesses:

1. B2B objectives focus on affecting the behavior of other businesses in your target market. An example might be:
Increase reorder rates in the financial services sector by five percent to \$7 million to during the next six months.
2. Retail objectives focus on affecting consumer behavior within a retail environment. They can be defined by geography, demographics, and other factors. An example of a retailer objective might be:
Increase sales per transaction among current purchasers, women 25–54, by 15 percent from \$28 to \$33 per year.
Or: Increase sales traffic in the Boston market by 20 percent in the next six months.
3. Consumer goods can focus on trade and consumer objectives. An example might be:
Trade: Increase distribution within the XYZ market chain from 20 stores to 40 stores by the second quarter of 2011.

Consumer: *Increase purchases made by existing customers from 20 percent to 30 percent in the next 12 months.*

4. Manufacturing objectives can focus on consumer, retailer, distributor, or supplier objectives:

Increase sales for XYZ product in the western region by 12 percent within the next six months.

Or: *Distribute 18 percent more product through XXX in the European market in the first half of 2011.*

These are all quantifiable examples, but you may have qualitative examples as well. Be sure to write down all the objectives you would like to accomplish because your marketing strategies will be developed to achieve each of the stated objectives.

The Art and Science of Developing Strategy

Now you are ready to create your marketing strategies. For each marketing objective, you will create at least one marketing strategy to achieve the objective, but most likely you will develop several strategies to achieve the objective.

The following steps will guide you to create strategies that leverage everything you have learned about your market, competition, customers, and opportunities. The steps are not intended to be done sequentially—although they can be—but rather to serve as a guideline so you consider the most critical factors in strategy development. Keep in mind that strategy is an art, but if you apply science and process it will be far less risky and much easier:

1. Determine if you will have different geographic strategies. You may need different local, regional, national, and/or international strategies.
2. Evaluate the need for short-term and long-term strategies. Determine if there is a need for seasonal strategies.
3. Analyze the Competitive Strategy Worksheet to fully understand the challenges associated with the competitive environment. This will lead you to take advantage of opportunities to differentiate your strategy.
4. Review the SWOT analysis you created in Chapter 11, “Situation Analysis and SWOT Analysis.” What weaknesses and threats do you need to overcome? What strengths can you leverage? What opportunities do you wish to take advantage of?
5. Review financial objectives, company goals, and marketing objectives. Strategies will be developed to achieve them.
6. Develop customer, positioning, and target market strategies first. These strategies will drive your strategic direction in other areas.
7. Write strategies for each strategic area that applies to your company. Refer to the categories outlined throughout this section. Evaluate strategies to ensure they are aligned and integrated to achieve the overall company goals. Be specific and focused as you prioritize strategies. Determine what is *not* strategically important.
8. Summarize the sales forecast, sales plan, marketing objectives, and marketing strategies in the “Marketing Strategies” section of the Marketing Plan Template.

Strategy Integration

As you read through this section, you may think that the lines and definitions between the various types of strategies described previously are blurred. This is a correct assumption. Growth strategies into new geographical markets could be considered target market strategies. A customer strategy might be considered a sales strategy or an innovation strategy. Or vertically targeted markets might be considered as part of a product strategy, and so on. What is important is not *what* you call a strategy, but *how well strategies are integrated to achieve your objectives*. Also be mindful that as the market environment changes, strategies need to change. If you operate a business in a volatile industry or market, it would be wise to create alternative or contingency strategies based on certain conditions occurring. This will enable you to quickly respond.

Strategies are also heavily influenced by the competency and leadership abilities of senior executives, the skills and commitment of employees, the company vision and culture, and of course, the financial strength and resources a company has available to execute a strategy. There are several moving parts and dependencies related to strategy formulation and execution. And remember, effective strategy is about making trade-offs and choices as you decide what you will do, and what you choose not to do.

A Final Word

Entire books are devoted just to strategy, and there is more to learn beyond the content in this section. Develop an appetite for lifelong learning so you can adapt, change, and create new strategies to a continuously changing environment. Become a ferocious learner and read about successful strategies that other companies are deploying. Discuss new ideas and strategies with other business leaders. Look outside your industry for new ideas. Refine your strategies based upon results and customer feedback.

P • R • A • I • S • E™ Marketing Process

Strategize



Summary: Section IV

- ✓ Create a positioning statement for your products and/or services.
- ✓ Define your value proposition and the brand promise.
- ✓ Complete the four-step creative process to describe your brand personality and brand essence.
- ✓ Define competitors' strategies and analyze the challenges and opportunities this presents to your business. In the marketing plan template, define how you will approach these issues.
- ✓ Develop a sales forecast and a sales plan, making it as detailed as possible.
- ✓ Define specific marketing objectives that must be achieved during the planning period.
- ✓ Develop marketing strategies beginning with your customer, positioning, and target market strategies. Use the strategy process outlined in this section.
- ✓ Summarize all the preceding information in Section V of the Marketing Plan Template.

Section V

Implement: Traditional and New Media

"If things seem under control, you're just not going fast enough."
—Mario Andretti

During the course of working with CEOs, marketers, and entrepreneurs over the past 20 years, I have observed a consistent trait: They want to jump into execution without having a well thought out marketing plan. They want to implement some type of tactic to generate leads or sales. And therein lies the single biggest reason that most businesses fail. A tremendous amount of time, effort, and money is wasted because they don't do the foundational work to understand their customers, target market, positioning, or competitive market.

When businesses implement one tactic after the other and wonder why they are not effective, the root cause almost always points to the fact that they have not done the research to understand these issues.

A good analogy is visiting a doctor to find out why you aren't feeling well. If he or she makes a prognosis without first making a diagnosis, it would be called malpractice. The same is true with marketing. Implementing programs without first doing the foundational work is marketing malpractice. It's throwing money at something you are hoping will work.

The good news is you have done all the foundational work in previous sections of the process and you are armed with actionable knowledge you can apply to a tactical plan. If you have skipped ahead to this part of the process, you should bear this in mind. In this section you will:

- Improve the effectiveness and ROI of your marketing programs.
- Learn how digital marketing tactics and social media can generate brand awareness, leads, and improve relationships with customers.
- Understand the biggest trends in sales and marketing.
- Develop a tactical plan that defines and aligns sales and marketing programs to increase execution efficiency.
- Create an implementation calendar and marketing budget to forecast, track, and measure programs as they are executed.

As you develop a tactical plan to achieve the marketing objectives and strategies for your business, there are dozens of different types of tactics to consider. Some may be traditional types of marketing you have implemented before (see “Traditional Marketing Tactics” in the book resource section at www.MarketSmarter.com.), and others will be new types of digital media.

In Part I of this section, “Social Media, Digital Media, and Personal Communications,” defines several types of digital media to communicate and engage customers.

In Part II, “Create a Tactical Plan with Execution Built-In,” you will learn how to create a tactical plan to summarize all the details for each individual program you plan to implement. This includes specifics such as the program description, resource needs, budget, timeline, and projected ROI. A detailed tactical plan helps you align resources and is proven to improve tactical execution of the plan.

Before you dive into these sections, let’s review key business trends and how they are impacting sales and marketing. We’ll also look at the chief concerns of marketers and where they are choosing to invest precious marketing budgets.

The State of Marketing Today

Changes in Latitudes, Changes in Attitudes

Integrated marketing communications (IMC) is the application of multiple integrated communications media to reach customers. Marketing tactics like direct marketing, Internet marketing, social media, telemarketing, and sales promotions are optimized when they are aligned to create a seamless progression of marketing communication and touch points to customers. Consumers don't think about a brand as a marketing program or campaign. Ongoing, integrated marketing creates consistent branding, positioning, and messaging across all marketing communication and media to produce more impact and recall. But the burning question is, "Where will you reach potential buyers?"

In the past, it was much easier to market and predict consumer behavior than it is today. Here are just a few of the issues that make marketing much more difficult than it was in recent years:

- Consumer trust and confidence in organizations and institutions has declined significantly. Consumers turn to each other—sometimes even complete strangers—for advice and recommendations when making a purchase.
- Digital experiences and customer engagement are the biggest factors influencing consumer purchases and recommendations to others.
- The numbers of digital media choices grow and change every day, making it very difficult for marketers to learn while executing. Marketers must respond by retooling skills and ROI measures.
- Consumers of news and entertainment like the personalization and immediacy of digital media. A whopping 84 percent of consumers now say they rely on the Internet for news or information, 73 percent visit social networking sites on a regular basis, and 76 percent regularly watch video sites like Hulu and YouTube.

One of the biggest changes in recent years is where marketers are choosing to invest marketing funds. The growing use of digital media is driving marketers to invest in communication tactics that are more targeted and measureable. Advertising must reach consumers where they spend the most time, and it is increasingly away from television, newspapers, and other traditional media channels that were depended on for many years to reach the masses.

Media expert Jack Myers predicts that total advertising revenues will decline by 5.9 percent in 2010. This follows a 14 percent decline in 2009 and 5.8 percent decline in 2008, marking the first time in 40 years that advertising budgets will be down for more than three consecutive years. He notes this is historic because even in past recessionary periods, advertising budgets have shifted from advertising to sales, stimulating budget line items like sales promotions and retail allowances. The picture does not get brighter in Myers' 2011–2012 predictions of traditional advertising media. He estimates there will be further declines in newspapers, magazines, television, and radio advertising. Newspaper advertising is suffering the most, experiencing a 25 percent decline from 2002 to 2008 and a continued decline is forecasted through 2012. Although the age of one-way communication has given way to a new digital era of personal communication, media spending in traditional channels still far outweighs spending in new media alternatives.

Facts, Stats, and Key Trends

The Chief Marketing Officer (CMO) Council conducts a yearly survey among its members who lead marketing across a broad variety of industries around the world. The CMO Outlook Report describes the biggest challenges and concerns of senior marketers and other executives in the organization. This report and several others published by the CMO Council (www.cmocouncil.org) are an excellent barometer of the changing business climate and how marketing professionals are shifting budgets and resources to respond.

The report states that top executives continue to demand that marketers grow market share while improving operational efficiency. In response to this request, marketers say they are focused on strategic cost cutting (not budget slashing) by improving operational efficiency, increasing customer experience and insight, and working with sales to drive revenue growth. This response is positive, however it appears there is still a disconnect between what executives want and where marketing chooses to invest time and resources. Marketers are not investing enough in marketing process improvements and operational systems that provide increased collaboration and marketing automation tools.

With so many evolving media choices, where should businesses invest their marketing budgets? What are the key trends that you need to know about that influence consumers and buyer behavior?

Let's take a look at several trends and issues that influence decisions of marketing and sales executives, as well as a few highlights that reveal where they are choosing to invest. These figures have been combined with additional industry facts to help you make decisions on a broad number of sales and marketing issues. You will find many other statistics and trend information about specific marketing tactics as you read each chapter.

Key Trends Driving Marketing

- 60 percent of marketers say they will fund increases in the company's interactive marketing budget by shifting money away from traditional marketing.¹
- Search marketing, online display advertising, email marketing, social media, and mobile marketing collectively will grow to nearly \$55 billion by 2014.²
- CMOs will focus on training and development for their existing staff to sharpen skills in digital media. Sixty-three percent say they will retrain staff versus hiring new talent or outsourcing.³
- Salespeople spend approximately 40 percent of their time preparing customer-facing deliverables while leveraging less than 50 percent of the materials created by marketing.⁴
- Marketers say they want to improve operations and analytics; however, only 9 percent of marketers say that they plan to create a deeper relationship with their IT department.⁵
- Customer experience and customer loyalty are critical to business success, yet only 17 percent of marketers oversee customer service and support responsibility.⁶
- Around the world, marketers estimate that 55 percent of their entire marketing expenditures failed to deliver results.⁷

John Wanamaker was famous for saying, "I know 50 percent of my advertising is wasted. I just don't know which 50 percent." This statement was made over 20 years ago and sadly, the problem continues to be one of the biggest issues plaguing businesses today. The estimated marketing wastage rate (MWR) averages 45 percent for B2B marketers, and where budgets are smaller, strategies are more niche, and campaigns are running via fewer media channels. The estimated MWR rises to 65 percent for B2C marketers, and where budgets are often larger and teams have to take more innovative, riskier, and creative media approaches to find new ways to differentiate their brands.

Let's see what one of the leading experts in integrated marketing communications and marketing analytics has to say about this subject. Don Shultz was named by *Sales and Marketing Magazine* as one of the most influential people in sales and marketing in the 21st century. (The list also includes Dale Carnegie, Henry Ford, and Edward Deming.) Shultz is a professor of Integrated Marketing Communication at Northwestern University and the author of nine books that focus on integrated marketing communication and measuring brand communication ROI.

This interview with Shultz that was conducted in 2001, yet as you can see by the figures stated previously, the issue remains as relevant today as it was then.⁸ He offers insight and advice that every business can apply to improve their marketing effectiveness.

Expert Discusses How to Measure Marketing

Reece: Most of your research and work has been focused around two words that most people don't normally link when they talk about marketing: measurable marketing. Why have you chosen to become a pioneer in the area of ROI measurement?

Shultz: In the mid '70s, we were just beginning to see the complexity of the data from the grocery industry. I was fascinated by the correlation of what was spent, the price, how deals and discounts affected an outcome, and how that drove consumer behavior.

I wrote my dissertation on advertising response functions and for 25 years, I studied marketing analytics, then database marketing and how all these fit together. Integrated marketing communication evolved out of this.

My interest is focused on this: How much should be invested in a brand, how it should be invested, and the ways a company gets its investment back.

Reece: So what is the magic formula? How much should a company spend?

Shultz: It's how much you invest, not how much to you spend. The key is to figure out how to value a customer and how much to invest in acquiring and maintaining that customer. Advertising is just the surrogate.

Reece: What are the critical elements to evaluate and consider when determining this?

Shultz: First, how much is a customer worth now and what is the income flow from that customer today? Secondly, what are the opportunities in the future? What share do you presently serve? What must be done for maintenance to keep that customer?

Reece: Marketing control is shifting from marketers and manufacturers into the hands of the consumer. What implications does this have for businesses?

Shultz: It changes the whole focus of the organization. Companies need to figure out what to say to customers and the easiest and fastest way to get this message to them. The challenge is to listen to customers. Most companies are good at talking, but not at listening. What they need to do is refocus the organization to have response devices to measure customer response over time.

Most companies have a campaign mentality. They think about communication with a customer in terms of a campaign that runs for 7 or 13 weeks. The problem is the customer is continuously in the market. Companies need to totally flip

their way of thinking about marketing to their customers. What do customers want to hear and need to hear? When do they need to hear it and where do they need to get the information?

Reece: In your book, you state that in today's multi-faceted marketplace, that marketing elements often cannot be measured separately as there is synergy among them. What's a marketer to do then to accurately measure ROI?

Shultz: It's very difficult to break out each media and evaluate it on an individual basis. Don't look just at the specifics of direct mail vs. a newspaper ad. It's the entire brand communication program. People tend to want to get finite before they have an understanding of whether or not it's working.

Advertising managers, promotion managers, and public relations directors are all concerned with defending their turf instead of working together to create a greater synergistic outcome.

Reece: What's new in the area of measuring the ROI for marketing?

Shultz: The recognition that we need marketing metrics. We can no longer spend money and trust it will work. Marketing lately has been driven by dot-coms using old communication methods. The old model was to give the creative department free reign and to spend money on itchy creative. Or it was unrealistic media spending like buying Super Bowl ads. Or it was basing decisions entirely on what worked historically. It's different now. Companies need to figure out what works now.

Reece: Measuring attitudes and behaviors were once the primary methods for predicting an outcome. What methods do you recommend today?

Shultz: The question is how to integrate behavioral data with attitudinal data. These are typically separate marketing groups today, and they need to work together.

For example, we may know how a customer thinks, but not why. We may know how a customer behaved, but not what caused the behavior. We will move from using attitudes to predict behavior to using attitudinal data to explain behavior. It's the linkage of attitude and behavioral data that is powerful.

Reece: More than any other area in an organization, marketing is considered to be a mysterious "black hole" where money goes in, yet only a portion of it accounts for a measurable return. Do you believe this will change and, if so, what will be the catalyst?

Shultz: Yes, for two reasons. Marketing companies are creating new methodologies and systems, like demand mapping, to create more accountability. They are unlocking this mysterious black box to enable a greater understanding of brand valuation, customer value, and growth potential.

Accounting guys are insisting on this. When this happens, marketers will become big players. Accountability is something marketing has avoided for many years, and that will need to change.

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Part I

Social Media, Digital Media, and Personal Communication Tactics

Web 1.0 offered consumers the ability to access information and opened the door to ecommerce as users embraced the convenience and depth of products and services offered on the Internet. Consumers learned to trust making transactions online and for many people, this became their preferred way to browse, compare, and purchase products and services.

Web 2.0 evolved into a much more robust and interactive experience. The Internet facilitates a very effective and efficient way to communicate with customers, prospects, employees, channel partners, investors, and a variety of other stakeholders. For marketers, the Internet became an inbound and outbound sales channel, as well as a distribution channel for marketing, replacing more expensive methods of marketing communication like direct mail.

The evolution to Web 3.0 is driven by mobility, live streaming video, virtual apps, cloud computing, social media, and other technologies that can be accessed from anywhere in the world through a growing variety of devices. A globally connected work force and society drives an intense need for virtual connectivity and collaboration.

Digital experiences create customer affinity and top line revenue growth. 64 percent of consumers say they made their first purchase from a brand because of the digital experience they have with it.¹ Digital experiences have a dramatic influence on purchases. According to the 2009 Razorfish Digital Brand Experience Study, 97 percent said a digital brand experience influenced whether or not they bought a product or service.²

Marketers who use a combination of digital media can move customers much faster through the sales cycle (awareness, trial, purchase, recommend) as a result of brand interaction and experience. The chapters in this section will show you how.

Digital Base Camp: Create a Great Web Site

A Web site is ground zero for digital marketing. Although marketers have moved away from promoting their Web site home page like a billboard or brochure, it's a digital base camp for linking to content, directing inquiries, posting comments, distributing marketing and sales material, and hosting microsite landing pages in an email campaign.

Customer engagement has changed the way people interact with a Web site. The homepage is often the place visitors engage on a blog, or they may visit the "workroom" of a site to custom design a product or submit product ideas. Web site home pages feature blogs prominently and many Web sites are now created on platforms designed for blogs (like WordPress and Typepad), so site owners can make a blog the main focus and easily change the content on their own.

Your company Web site is a fast and efficient means for people to research and learn about products, services, people, and companies before making a buying decision. In business markets, it can be a central point for presenting thought leadership. In consumer markets, even if buyers don't purchase online, they will do research to compare features and prices before making a purchase.

It's more important than ever to create a captivating Web site that is designed for multiple uses and different types of users. Web sites are a focal point for collaboration and document sharing, networking, gathering information and research, broadcasting, developing products and services, and delivering knowledge, training, and development.

As you update your business Web site, evaluate all the potential ways you can use your site to make your business more efficient and productive. Consider four broad areas for content design and Web site development: informational, transactional, participative, and collaborative.

Because people have become accustomed to a self-serve world, make it easy for them to access and download standard information such as product and service brochures, staff directories, job postings, directions, calendars, and event information. Transactions should be streamlined as well. Make it simple for people to register for events and Webcasts, sign up for newsletters, download reports, register for training, take a course, make payments, order products and services, or fill out and submit an application.

Encourage participation and collaboration through your Web site by developing a blog to communicate with customers and respond to their needs and requests. Create a workroom for clients to streamline work on projects. Host Webinars and live events for prospects, customers, and employees. Post presentations, podcasts, and videos that inform, educate, and/or sell.

Your Web site will be the primary conduit from which many of your other marketing programs will flow. All of the other new media tactics that are described in this section can be integrated with your Web site. But before moving on to other types of digital media, let's review a few points that will help you design a more effective site.

Design for User Experience

Designing an effective Web site begins by focusing on the customer experience. Usability is critical and the site should be designed around how customers will read, search, and find information. Start by mapping out how customers interact with your site. Evaluate recent Web metrics to discover how the most popular pages are prioritized and try to infer what series of decisions users make. If you design the site this way instead of following the typical hierarchy of Web site navigation frames, you should arrive at a simple but elegant framework that is geared to how customers make decisions.

Users like simplicity and they want information delivered fast. They want to view sites that are free from clutter, easy to read, intuitive to navigate, quick to download, and protective of their privacy. A user also wants to be able to contact a company through multiple means such as email or by phone, and often they want multiple choices of interaction (click to chat, call now, and so on) if help is needed.

If a customer is a repeat visitor to your site, make use of cookies to welcome customers back by using information the customer has already provided. When shopping online, the user expects to see product details and pictures, pricing information, shipping costs, and delivery information. She also wants an easy-to-use shopping cart with the ability to add and delete items, pay through a secure site, and receive an order confirmation via email. The ability to track delivery is also becoming more important to consumers.

If your goal as a B2B company is to build a database of people who are interested in your products and services, you will probably need to offer something of value, such as a free report or article, to encourage registration. Ask users if they are interested in receiving information from your company so you have their permission to send it to them. It will also help you understand their needs so you can customize information based on individual preferences and cultivate a relationship with your customers.

One of the most important factors to keep in mind as you develop a Web site and other types of digital marketing is that everything is connected. If your goal is to target customers that make ample use of mobile devices, consider this in your initial design and strategy. Design a Web site version for mobile devices.

Make Your Web Site Interactive and Targeted

Web sites are evolving beyond simple, static pages. Interactive capabilities enable consumers to experience and interact with your brand, which facilitates the opportunity for them to emotionally connect to your products and services. Interactivity captivates a user's attention quickly, and you can lead the user to a purchase decision by giving them exactly the information that you want them to see.

Even flat collateral materials can become interactive. Use multimedia to create interactive brochures which allow readers to turn pages in a company brochure, product catalog, or other sales collateral materials. Tutorials, videos, and interactive slide shows keep users engaged in the content as it educates, informs, or entertains.

As marketers use a growing number of digital marketing channels to reach consumers, the use of microsites is becoming more important. Microsites are Web site landing pages that take the visitor to a specific part of a company Web site, or even to a completely different Web site and URL. Microsites are a much more effective way to target market, advertise, and direct promotions than simply listing a company Web site in marketing materials. For example, if you wanted to advertise a training seminar to customers and prospects, it is much more effective to promote a Web site with messaging and content for the program than it would be to list a company URL and hope the visitor will find the training program buried deep within the site. The fewer the clicks, the better.

Companies also use microsites to extend their brand. Smirnoff Vodka created a site where visitors can interact with a "virtual bartender" to mix any combination of ingredients to see if various combinations would taste good together. The user selects the combination of ingredients and the virtual bartender drinks the concoction and makes a face to convey his approval, disapproval, or disgust.

Burger King's "subservient chicken" Web site featured an actor dressed in a chicken costume who would respond to commands made by the user. If the user asked the chicken to "do jumping jacks" or "jump up and down on the couch," the chicken responded. The promotion was designed to promote a new chicken sandwich, as well as Burger King's brand message of "Have it Your Way." More than 54 million people visited the site during the initial launch week and the average person spent eight minutes on the Web site.

Developing online communities, blogs, and resources in a company's Web site encourages personal communication with customers. For example, a consumer product company may want to create special communities of interest, such as new mothers wanting to exchange ideas through a discussion forum or by joining a new mother's online community. Such sites usually feature a vast array of resources for similar topics as a way to provide value to customers.

Integrated Technologies Deliver Better Customer Service

If your company Web site facilitates decisions for complex sales like a site that helps students decide which college to attend, you should consider integrating customer service technologies to improve the customer experience. Live chat offered via the Web or phone provides instantaneous gratification to customers who wish to speak with someone who will help them find what they need. Studies show that companies that use this technology see an increase in sales of 25 percent or more and an 80 percent improvement in customer satisfaction. Companies can choose from a variety of live chat technologies:

1. Online chat enables users to click a button to "chat online with a customer service representative." It's a simple way for a customer service agent to answer questions and exchange information with the customer in real-time.
2. An option to "talk with a live person" is a great alternative for customers who prefer to speak to a real person and ask questions. If a customer prefers this option, she simply clicks on the phone icon and in less than a minute their phone rings and a service representative is there to help.
3. Sensory technology detects if a customer is shopping on the Web site. A chat window appears and a service representative asks, "May I help you find what you are looking for?" It's as if the customer walks into a store and is greeted by a salesperson. This type of technology is used by customers who prefer personal assistance. It's an ideal option for companies that offer hundreds of products because customers won't have to click through dozens of pages to find what they need.

Implementing a technology like the integrated sensory technology shouldn't create the image of a salesperson stalking a customer. If the customer replies that he or she is "just looking," then the salesperson can say, "Just let me know if you need help." Companies that use this technology report that engaging in live chat with a customer greatly increases the probability of a sale. It is reported that upwards of 70 percent of online orders are terminated before finalizing the sale at checkout. If you review Web reports and see that your company has a similar situation and you are losing potential

customers, you should add this technology to your CRM capabilities and test if it makes a difference in customer conversion rates (in other words, if it transitions lookers to buyers). You can also use a survey tool, such as Biz Rate, to evaluate a customer's experience and measure satisfaction levels right after he purchases from your Web site.

Provide Value For Free

From day one, the democratization of the Internet provided free and easy access to information. When someone visits a Web site, they want to find what they are looking for, and almost always expect to find something of value to them—for free. This doesn't mean give away services for free, it means providing value through ideas and access to information.

For example, if you have a resource section on your Web site, you can provide links to other Web sites that are relevant to your customers. This could include information resources, reports, white papers, articles, associations and organizations, tools and gadgets, podcasts, and so on. If your company produces Webinars or newsletters, you may want to list an archive so people can find information on certain topics pertaining to your business.

You can also communicate information about social causes that are important to your company. For example, Patagonia, a Seattle-based company that sells outdoor clothing and sports gear, is known for their passionate support of environmental causes. They post videos about these issues and concerns on their Web site; in turn, these videos help them build their brand by creating an emotional connection with their customers.

Search Engine Marketing (SEM) and Optimization

Most of the marketing executives I talk with have incurred significant scar tissue as a result of learning how to optimize pay-per-click advertising. Changing rules and experimenting with different keywords made for difficult buying decisions. The marketers that have figured this out are buying specific keywords and investing former paid search dollars in Search Engine Optimization (SEO).

Search marketing accounts for the largest share of interactive spending, accounting for 59 percent of the overall interactive advertising budget. Annual growth rate is predicted to be 15 percent, rising to \$32 billion by 2014.¹

Another issue marketer's face is determining which search engines will best appeal to their target audience. This is important since 47 percent of Internet users say search engines are the way they find products and services and more than 90 percent don't go beyond the first page of search results. Internet users have become accustomed to using search and 85 percent of online consumers use it at least weekly. For this reason, SEM and SEO are critically important to marketing and sales efforts. Here are some steps you can take to increase your likelihood of success:

- Plan for SEM and SEO from the first day the Web site is being designed.
- Choose words and phrases you believe people would use to search for your product or service. Different words will appeal to different buyers, so choose both technical terms as well as words describing business benefits.
- Prioritize words and consider grouping words by categories for the purpose of campaign management. Check web analytic resources to learn how often specific search words and phrases were used. The more a search term is used, the more you will pay.
- Develop microsite landing pages for specific messages, offers, and campaigns. This page can have links back to your Web site for additional information. Another advantage of a microsite is that you can easily track results by using different Web site addresses linked to a specific advertising medium and message.
- Although Google commands an impressive share, you will probably want to test other search engines to determine what your target audience will respond to, and which search engine brings you the best ROI. Yahoo!, Bing, and other search engines have lower market share than Google, but ad rates tend to be more

affordable, and some advertisers say they get a better ROI with search engines like Yahoo!.

- Track and measure key metrics such as click-through rate, conversion rates (by word, phrase, or ad size), cost-per-click, and cost-per-conversion.

Expect a learning curve as you experiment with different types of online marketing. Even seasoned marketing professionals need to remain flexible as they learn what works and what doesn't, and experiment with different types of ads and media buys. Effectiveness must be constantly monitored because customer preferences change quickly. Most "novel" types of ads tend to lose their effectiveness over time as users are inundated with them across the Web.

Optimize Your Web Site

The term search engine optimization (SEO) and search marketing are becoming interchangeable. SEO is an Internet marketing strategy companies apply to their Web pages so search engines can find them easily, hopefully ranking their website high on a search results. Search engines index Internet sites by sending out "spiders" that log words, pages, and sites so when a keyword or keywords are entered into a search engine such as Google, the most relevant sites are served to the user. The spiders scan sites to look for where the keywords appear, such as in a headline or in text copy, and how frequently they appear. Words in headlines and those that appear multiple times earn higher rankings. Rankings are also determined by the number of click-throughs as well as links to and from the site. Each link is essentially a vote, and each vote is weighed based on the site's popularity. Thus, getting blogs, articles, and links that point to your site is very valuable for SEO purposes.

As search engines become increasingly more sophisticated, it becomes more difficult to figure out the optimal way to rank sites higher in search engines. The strategies that savvy Web marketers used a month ago may not necessarily work next month because the search engine rules changed.

Online Advertising

Advertisers love interactive marketing because it is more effective and more targeted, while also being less expensive than traditional media. Even big brand advertisers are aggressively pursuing interactive media. Kimberly-Clark launched Huggies Pure and Natural diapers without TV advertising to reach a more targeted audience of digital moms.¹

An important question to ask as you evaluate where to spend your marketing dollars is: “What are the most effective ways to advertise online and what kind of results should I expect?” The following topics describe the most popular forms of online advertising and new media advertising.

Display Advertising

Online advertising skyrocketed in 2000, reaching \$8.2 billion, then dropped with the dot-com bust, and leveled out at \$7.3 billion in 2003. Since then, the pace of display advertising has been growing and is expected to reach approximately \$12 billion in 2010. Display advertising, including online video, is expected to grow 17 percent CAGR to reach nearly \$17 billion in the U.S. by 2014.

Display advertising is comprised of contextual ads, static images, rich media, and online video. It can be purchased in a variety of sizes, including banners, rectangles of various sizes, skyscrapers, buttons and more. When a user clicks on the display ad, they are linked to the advertiser’s Web site or a microsite landing page designed specifically for the advertised offer. To view results on some of the most popular sizes, visit the AdRelevance section in Nielsen Media’s Web site (www.adrelevance.com). The use of rich media in display advertising is used in about one-third of all display spending because it increases user engagement and leads buyers through the purchase process.

Reports on consumer preference for online advertising results vary widely. Seventy-nine percent of users say they click on ads, and 26 percent made an online purchase as a result of clicking on an online ad. Incentives like coupons and contests drive interest.

Forty-seven percent say they participated in online contests or sweepstakes during the past 12 months, and 31 percent said they use online coupons.² Incentives also play a big role in social media. Of the people who said they follow a brand on Twitter, 44 percent say access to deals is the primary incentive. Results are similar on Facebook and MySpace, where 37 percent say they “friended” a brand to get access to special deals.³

Marketers are eager to invest in performance-based media buys that are measurable compared to other types of ad spending. Forrester reports that marketers currently invest 60 percent of display advertising budgets in pay-per-click buys versus impression-based buys, and will continue to do so because it is easier to measure ROI.

Sponsorships and Affiliate Advertising

Web sites that promote products and services online for another company participate in affiliate marketing. Affiliate marketing is a very cost effective way for companies to reach potential buyers who match their target audience because it is similar to adding a sales force, but without the expense. Affiliate marketers earn a commission when a buyer makes a purchase or takes action. Typical payment structures are Cost Per Lead (CPL), Cost Per Action (CPA), and revenue sharing, which is what the affiliate earns as a percentage of the purchase. Affiliate fees generally range between 5 percent and 20 percent and may vary based on the volume of purchases made.

Amazon.com is probably the most well-known affiliate program, because it was one of the first to ever be established. When a business promotes select books on their Web site that are relevant to their business, they might feature a link to Amazon.com. If the user buys a book as a result of a link from the site, the company earns 6 to 15 percent of the selling price.

Affiliate programs are booming as more businesses pursue affiliate marketing as a key component of their strategy. The referral fee is akin to paying a sales commission but without the hassle and expense of hiring and managing a sales force. Another advantage is the extended brand presence created by affiliates.

Affiliate programs require good tracking software to track leads and sales made by each affiliate. For this reason and others, companies may choose to work with an affiliate network. Large affiliate networks usually provide tracking, reporting, ad hosting, and the ability to engage a large number of affiliates. Affiliate networks act as a third party between the merchant and the affiliates, and they usually charge businesses a percentage of the commission earned by affiliates.

Sponsorships can be an effective way to position your company's products and services on Web sites that feature a synergistic product or target the audience that you would like to reach. Sponsorships can be purchased on news, finance, entertainment, and a variety of special interest Web sites. The sponsor pays a fee and receives acknowledgment in the form of advertising or promotion for paying a fee to sponsor an event, a service, content such as a report, or other service. For example, a financial services business might be interested in sponsoring part of a financial news Web site. If you market a consumer product targeted to women, you may wish to sponsor content that will reach a large number of people in your target market, such as the Oprah Web site. Or a manufacturer of golf clubs such as Calloway might purchase a replay segment of the PGA tournament on a news or sports Web site. There are many different types of sponsorship and each is unique in terms of the benefits rewarded to sponsors.

Ad Exchanges

One of the best opportunities in digital advertising has been the proliferation of advertising exchanges. An advertising exchange is an auction-based platform that allows buyers and sellers of online advertising to transact directly with one another. This highly flexible business model allows advertisers to more effectively purchase and target their advertising by buying inventory based on their impressions in real-time.

Another benefit is the flexible pricing model. Instead of negotiating lengthy contract terms and making purchases on a cost-per-thousand basis—a process that has been in place for decades—advertisers can set variable prices for certain types of inventory and different types of target markets, which provides for more specific targeting.

This completely changes the game with respect to buying a certain program or time slot and paying a set rate. Advertisers can align pricing to the target market impressions and anticipated return.

This is good news for both advertisers and for ad exchange portals like Google DoubleClick, Yahoo! Right Media, AOL's BidPlace, Microsoft AdECN, and others that are eager to tap into this emerging market. As marketers demand more and more performance-driven marketing investments, budgets will no doubt shift to those with measurable returns.

Email Marketing

Email continues to be a very strong and effective means of communicating with customers by offering promotional offers and discounts, encouraging participation and registration to attend company events, introducing new products and services, facilitating improved customer service, and sending informative and educational newsletters. Email marketing is growing because it has many benefits:

- Minimal cost compared to direct mail, which requires additional economic and environmental costs associated with designing, printing, and mailing.
- Messages and offers can be highly personalized to individuals.
- Programs can be implemented quickly to provide immediate results and sales.
- Links embedded in the message can direct readers to a Web site or microsite landing page to learn more about the offer.
- Email is an effective way for people to pass information along to others.
- Email marketing can integrate other types of media such as video, audio, and social media.
- Web analytics allow for easy tracking of metrics and results.

Email marketing is an effective marketing tool that is widely used and accepted by both businesses and consumers. The ability to target individual messages combined with decreasing costs of delivery make email marketing very cost effective. Forrester Research reports that 97 percent of marketers use email marketing, and spending will grow about 11 percent CAGR to reach \$2 billion in the U.S. by 2014.¹

Fortunately, most of the bad raps associated with email marketing have disappeared as new email marketing protocols have emerged. Opt-in/opt-out marketing, also called permission marketing, is a practice conscious companies use to encourage open communication with customers and potential customers. When purchasing a list, make sure it contains only opt-in subscribers who have asked to receive information. Being perceived as a “spammer” hurts your reputation with customers and potential customers. It can also wreak havoc with Internet service providers who are enforcing stricter standards and have the power to cut off the privilege of businesses that abuse protocols or are simply unaware.

An important component of email marketing is giving people the right to opt-out of receiving information from your company at any time. This is easy to execute by simply placing a message at the bottom of a communication to unsubscribe to future communication.

Successful marketing is the result of creating a learning relationship with your customers. Continuously ask them what they are interested in receiving information about, and tailor marketing campaigns to their individual preferences. Also create an easy mechanism so email recipients can update email addresses as they change jobs and/or email addresses.

Even though subscribers choose to opt-in, sometimes email advertising and promotions can eventually be perceived as too frequent or annoying by subscribers. For example, I once received emails from Williams Sonoma on a bi-weekly basis. When I decided I was getting too many emails from them, I chose to opt-out, or unsubscribe. I was surprised when I hit “submit” and a message popped up asking me why I wanted to unsubscribe. When I clicked on one of the three options, “receiving too many emails,” another message asked if I would like the option to receive emails once a month or once a quarter. Once a quarter was perfect for me, and Williams Sonoma kept me as a customer.

Email marketing is highly measurable so it is easy to test response to campaigns with different messages and price points. Advertisers can also test what days of the week and time of day recipients are most likely to respond (usually the highest is Monday and the lowest is Friday). Email campaigns generate approximately a three to ten percent click-through to the Web site or landing page, and an average five percent conversion rate.

Other techniques can be applied to increase email marketing effectiveness. The most important factors that drive successful execution of email marketing are similar to direct mail: the target audience, the message (in the subject line and email text), and the offer.

One of the biggest challenges of email marketing is managing a CRM system and database that will assist in creating customized and relevant messages to individuals, as well as tracking results. Marketers need access to real-time information that enables them to create more customized and relevant information to customers, while also streamlining the reporting, analytics, and integration of information to learn more about customers.

Mobility Marketing

Consumers want to access brands through alternative channels and mobile phones are quickly becoming the preferred choice for communication. Most people don't leave home without their mobile phone, which often functions as a television, radio, CD player, camera, and computer. It's easy to see why mobility marketing is on the minds of marketers everywhere.

Several factors are converging to create the perfect storm driving mobile adoption. Mobile devices are smaller, faster, and have robust functionality. Pricing for service, both phone and data, has dropped significantly. Creative and interesting applications are one of the biggest factors driving mobile adoption. And of course, social networking is the fuel that speeds interest in applications as people are eager to share "the next big thing" with friends and family.

Widgets, Gadgets, and Mobile Applications

As applications and gadgets are designed for the Web, there is now equal consideration given to applications on mobile devices. Since our mobile phone goes wherever we are, it's natural we crave the same functionality and personalization on our mobile devices as we get from our desktop. Use of applications on mobile phones has exploded as developers designed creative, fun, and helpful applications that streamline and add value to our lives.

Apple launched the Apple iPhone 3G and Application Store in July 2008. By January 2009, 15,000 applications were available, and by January 2010, the number had exploded to well over 100,000, and more than 2 billion applications had been downloaded. It's clear people are hungry for applications that add functionality, productivity, and entertainment to their lives. The growing use of applications also fuels the need for robust mobile devices. When a new Apple iPhone was released, more than 3 million were sold in the first day alone. Other providers have launched application stores for their own devices, eager for a share of this lucrative market. Google's release of the much-awaited Android-powered phone will no doubt drive the application market even faster.

Social media networks that were once relegated to the Web are now mobile. Mobile video from sites like YouTube grew by more than 50 percent in 2009 and continues to rise. Facebook created \$45 million mobile users in only an eight-month period, and Twitter has created several mobile apps like Tweetdeck that let users update Tweets from anywhere. Approximately 20 percent of updates are made from mobile devices.

Developers are rushing to design applications that will help marketers serve the growing demand for mobile advertising and the consumers that want special promotions delivered to them. Advertising networks like AdMob will localize content for advertisers so they can make location-specific offers. Do you need an application that will let you register your presence in a certain geographical location? There's an app for that. Do you own a business that needs to target people in certain locations (say, a fast food restaurant chain)? There's an app for that, too.

As mobile phones go wherever we are, localization weighs in as an important factor for both consumers and businesses. Because mobile phones took first place over households with television and Internet access, marketers are looking for a way to capitalize the sheer reach of this medium.

A Growing Tidal Wave of Opportunity

While mobile advertising is still a small category representing only \$561 million in 2010, a minuscule percentage of total advertising expenditures, it is one of the fastest-growing categories with a projected growth rate of 27 percent a year for the next five years.¹ As text messaging use continues to rise, especially in Europe and Asia where text messaging is used by over 80 percent of subscribers, mobility marketing is taking off.

It's still unclear exactly how mobile users will embrace advertising. Sixty-six percent of users say that advertising on this media is annoying.² Other marketers say they have success with mobile text messaging if the message is short, targeted, relevant to the user, and interactive with a call to action. For example, a shopper at a local mall that receives a message for a discount at her favorite store is likely to appreciate a personal text to receive 20 percent off on purchases that day. Restaurants and nightclubs might offer customers a free drink. A consumer product company might offer a coupon for a free trial when the consumer is asked to enter a special promotion code. Or a music artist or store could offer a free ringtone or music download.

As marketers experiment with different types of advertising, a combination of text messaging and promotion might just be the key. If 47 percent of online users participate in online contest or sweepstakes, and 31 percent use online coupons, then mobile users may embrace it too.

How Companies Use Mobile Phones to Drive Business

Mobile devices are also a great way for companies to provide education and training relevant to the user. I worked with a company that delivered bite-sized training over mobile phones as a way to stay connected to their sales force and deliver product training. A question with three multiple choice answers was served to the salesperson's mobile phone. The user selects an answer and is told if it's right or wrong. It then displays the answer and serves up the next question. For salespeople who find it difficult to schedule time for online learning, this was a great mechanism to deliver training on the morning commute or while waiting in a client's lobby.

John Edwards used mobile marketing heavily during his presidential campaign run. At events and rallies, he would invite people to pull out their cell phone and asked them to enter a short code. His campaign organizers could then add the mobile numbers to their campaign list and text messaging network. Edwards was able to raise thousands of dollars using mobile marketing as a tactic to connect with his endorsers.

As you evaluate new methods of marketing to tap into the power of this media, it would be wise to examine new applications and their use among your target audience. For example:

With **Shop Savvy**, a phone is now a bar code scanner that can be pointed at any item to receive a price comparison from nearby retailers as well as online retailers. This application combines brick and clicks comparison shopping and urges businesses to find another value proposition besides "low price."

Mint Financial Services lets you manage your entire financial portfolio by tapping into 7,500 U.S. financial institutions. User accounts synchronize investments, account balances, expenses, and other financial data to deliver service offers from financial institutions that are customized to the user's assets and investments. When Mint became the top finance application within 24 hours of launch on iTunes, it threatened disintermediation in the financial institution market.

Zillow.com is an application with tons of potential in the real estate market. Home buyers and industry professionals can quickly download information on the value of homes by neighborhood, see current listings, and search comparables to see what homes have recently sold for. Click on a listing to see details on the home size, square footage, taxes, past pricing information, and other data.

Social Media: Build Your Brand and Connect with Customers

The rapid rise of social media may be the most important evolution to impact marketing in decades. It changes everything. It enables businesses to influence new buyers (rather than sell to them), interact and engage with customers (instead of having a one-way dialogue), and it puts the consumer in control of shaping and influencing a brand (not marketers).

The next several chapters will highlight the key trends driving social media, summarize the benefits of the most popular social networks, and describe the metrics and results of businesses that are using it to market and sell. As I send this book to my editor for publishing, I am keenly aware that by the time it is in your hands, the social media environment will have already changed. The only thing that is certain is it's here to stay. Time will tell us how effective it will be as a customer loyalty strategy and lead generation tactic. Read on to learn what we know so far. As social media moves more mainstream, I encourage you to experiment and take an active role in its evolution.

A Shift of Power

Digital media channels have given new meaning to The First Amendment, a privilege that is not only practiced in America, but around the world. Social networks, blogs, media aggregators, and dozens of different types of digital media provide channels for consumers to have their voices heard. This has changed the entire landscape of marketing, and the bottom line is that power has shifted to consumers who now have the ability to interact and influence brands. Consumers can influence how fast a new product is adopted and liked, and they can bring a company to its knees when they set out to damage a brand. When videos like the “Comcast sleeping technician” are posted and shared, it's easy to see how the power of one consumer-generated video can affect a brand.

Consumer-generated media is everywhere. YouTube gives users power and control to upload, download, post, and share videos to inform, persuade, educate, and entertain others. Media sites like Digg and StumbleUpon give consumers the power to review and vote on content they believe is the most important or interesting. On sites like Wikipedia, content is completely created by a community of users.

What drives the popularity of consumer-generated media? At the most basic level is the emotional need to be heard. People that feel “wronged” want to be heard as much as they want to evangelize what they love. The Internet and social media is so accessible and easy to use, it provides a platform for those that want to connect, communicate, and drive change.

Social media and social networking is also referred to as social influence marketing (SIM), which describes the *business benefits* of social media. It is not only a channel through which people can experience and interact with your products, services, and company, it expands the reach and multiplies the influence consumers have. This creates momentum around how brands are interpreted and have meaning.

Communication on social media platforms is transparent and perceived as much more authentic than traditional advertising and marketing. When consumers embrace a brand, they turn into its greatest promoters, bringing a level of legitimacy and authenticity to your brand that you couldn’t possibly buy.

Businesses must get comfortable with releasing control and step into the role of *leading* and *guiding* the brand. Smart marketers are tapping into the real power of digital media by engaging in conversations with customers, guiding their experiences with the brand, and giving them the tools to help raise awareness and market their brand.

Encourage interactive dialogue with customers and prospects by posting a blog on your Web site. You will actually have more control than you would if customers had to go elsewhere to blog when they have something to say about your company. It also gives you the opportunity to respond to ideas, inquiries, and complaints much faster than traditional methods.

For example, when Dell was presenting at a national conference and the PC literally burst into flames, word quickly spread on Twitter. Dell could have chosen to issue a press release and suffer through days of agonizing backlash. Instead, the company quickly communicated on Twitter to explain the situation and the buzz was quickly dispelled. Not only was a PR nightmare averted, but you could argue that it helped their image because they were so responsive and transparent about the incident.

The speed and sheer reach of digital media spreads news and events like wildfire. It has catapulted people like Susan Boyle into instant stardom, and it has garnered some commercials with the same status as Super Bowl ads. When the People for the Ethical Treatment of Animals (PETA) advertisement for the Super Bowl was declined by the networks because it was too provocative, the ad was distributed online and may have been seen by even more people because it was shared across social media networks. Dozens of online media and news channels featured the story on their home pages.

Millions of people saw the commercials and forwarded the message to friends, family, communities, and organizations using social media—and all this was free. Sure beats a million-dollar Super Bowl commercial.

The Real Value of Social Media

As marketers move deeper into becoming owners of customer experience, they will begin to see the important role social media marketing plays in customer engagement with brands: It facilitates real-time conversations that build closer customer relationships.

Marketers embrace social media because it can help them accomplish many goals. It can increase their understanding of how customers use and value their brand, monitor customer satisfaction, improve customer experience, and launch marketing programs and campaigns. It also helps in the area of product development. Customers are the best source for innovative new ideas, and social media gives them a channel to share suggestions to improve products and business processes.

All of these benefits explain the real value of social media. It's not trying to figure out how to "sell more" by leveraging advertising campaigns into social media, or trying to assess ROI using traditional marketing measures. The evolution of social media will no doubt create opportunities for monetization. *My point is that the opportunity and benefits social media provide are much more than that.*

If your goal is to position your brand expertise, it won't happen overnight in the social media space. Just as face-to-face networking is relational and takes time and effort to foster, so does social networking. But imagine the difference over time. If you attend an event with 100 people in the room, you'll be lucky to connect with five people in a meaningful way. If you spend the same amount of time in an evening on social networking platforms, you may connect with ten times as many people.

Keep in mind that social media requires practice, patience, and persistence to build a network and awareness. What works for one company does not work for another. There are differences in business markets and in consumer markets, as well as in industry and company size. As you experiment, keep in mind that there are a few principles that cut across every sector. The list in the following section, "Social Media Principles," summarizes what I believe are the most important right now.

These principles are simple, yes, but they are not always easy to execute. Some require effort and others a great deal of discipline. The early adopters of social media set up a pretty good ecosystem. As we all take a role in its evolution, let's all do our part to keep it that way.

Social Media Principles

- **Listen.** Social media is all about listening to what people are saying, hearing what is important to them, and engaging them. Listening tells you what people want to know. If you monitor what is being said, it will tell you if a need is being fulfilled or not. If not, then you have something to write about.
- **Learn.** Social media requires an insatiable appetite for learning. If you read reports from analysts and other sources, you will learn what's working and where people spend their time. It will also spark new ideas and give you insight and perspective. There are dozens of tools and analytics that will help you measure results and decide where to invest your efforts in the future.
- **Engage.** "Social" means engagement. If your goal is to build a huge following of friends or followers, you have to ask: What's the objective? What will you get in return? An auto-follow tool that gets you thousands of followers may do little to add value to your business if they never engage with you. On the other hand, another school of thought practiced by many avid Twitter-ers is to live by the law of numbers and get as many followers as possible. Who is to say who's right? Only time will tell—in the meantime, you decide. Interact, engage, and share your expertise with others.
- **Transparency.** Social media is incredibly transparent. What you do and say is visible to the world. Your actions have a direct reflection on your reputation, your company culture, and the quality of your relationships. Personalization and the quality of transparency is one of the most attractive features of social media. Keep in mind that digital media has a long memory—but if you are authentic and honest, you will be just fine.
- **Live by the Golden Rule.** "Do unto others as you would have them do unto you" is a principle to live by every day. And in the world of social media, it's expected. Take a moment to comment on a blog that someone obviously invested time to research and write if it benefited you in some way. Share valuable information and content with others who would benefit from it. Thank people who open their network to you or make introductions that help you.
- **Give More Than You Take.** Early social media pioneers could have had an attitude of scarcity, but thankfully, they didn't. Give freely and believe that what goes around comes around. What you give, you get back in spades.
- **Brand Authenticity.** Consistency of brand promise is important across all media platforms. In social media marketing, it is reflected in what you say in forums, the content you develop, the programs you execute, and the relationships you establish with people and businesses. Social media is a rich space to share videos, podcasts, blogs, groups, ebooks, wikis, or other tools to express and share your knowledge, creativity, and humor—whatever your gifts are.

What We Know So Far: Surprising Statistics

Although social media adoption has grown exponentially, it's still in its formative years. A few of the biggest questions on the mind of marketers and business owners are: How do I measure the value of social media? What are the best platforms I should use to reach my customers? Can I generate leads? How much time and money and how many resources should I invest in it?

We'll be able to answer these questions much easier in a couple years, but what we can do right now is examine the trends shaping social media and social networking through 2014. We can also analyze results so far to see what areas are gaining the most momentum.

The Center for Marketing Research at the University of Massachusetts Dartmouth has studied the adoption of social media for three years (2007–2009). The study tracks familiarity and adoption of social media with the Inc. 500, a list of the fastest-growing companies in the United States.¹ Six types of social media were studied: blogging, podcasting, online video, social networking, message boards, and wikis. The results show skyrocketing growth of social media. Here are a few of the highlights:

1. The Inc. 500 reports that social media is “very important” to their business and marketing strategy. This almost doubled in one year, with 44 percent saying social media is a primary part of their business and marketing strategy. Ninety-one percent use at least one social media tool.
2. Social networking is the most popular, with 75 percent of the Inc. 500 very familiar with it. A surprising 52 percent of Inc. 500 companies use Twitter.
3. Forty-five percent of the Inc. 500 now blog, compared to 39 percent in 2008. The use of blogs increased to 45 percent in 2009, and 44 percent of companies that do not currently implement a blog intend to have one.
4. Social media is regarded to be highly effective for companies across the board. Success measures are defined as hits, comments, leads, or sales. Twitter is reported as successful 82 percent of the time and all other tools achieved at minimum an 87 percent success rate.
5. Social media is used for brand and company monitoring by 68 percent.

I like this report because it trends three years of data. It's also a great barometer of what the fastest-growing companies in the U.S. consider to be the most important and how fast they are adopting various types of social media.

Business Results from Social Media

Marketers are not hesitating to invest in social media. Over 73 percent of chief marketing officers say they will increase budgets for social media solutions.² Forrester predicts social media will have the steepest growth over any other media channel. Investments will grow at 34 percent CAGR over the next five years and are estimated to reach \$3 billion by 2014.

What do businesses hope to gain from social media investments? According to the "Social Media Marketing Industry Report," the number-one benefit of social media is generating exposure for a business.³ The top three benefits for social media ranked in priority are 1) increasing exposure for my business (81 percent); 2) increasing traffic/subscribers (61 percent); and 3) building new business partnerships (56 percent).

This was followed closely by an increase in search engine rankings (52 percent) and generating qualified leads (48 percent). The all important question of "Did it help you close business?" was cited as a benefit by 35 percent of respondents.

It's interesting to note there appears to be a direct relationship between the amount of time spent weekly on social media and the amount of experience a person has with it. Ten percent of experienced marketers average a whopping 20 hours or more per week, and this same group also claims to close more business than light users. If you can't devote that kind of time to social media, you will be relieved to know that marketers spending six or more hours per week claim "exceptionally positive results."

It's also useful to look at what hinders adoption of social media. Company culture influences a company's social media usage. Most large companies govern communications with a very tight leash, and this extends to social media. Some marketers participate in social media under the radar and others follow protocol which tends to get caught up in corporate governance and legal teams. Risk tolerance and fear are a few of the key issues slowing adoption of social media.

Measuring the Effectiveness of Social Media

We have already had considerable discussion about the lack of discipline and knowledge that is needed to measure traditional media. It appears that social media might provide even more of a challenge for some marketers. According to one IDC study, only 25 percent of direct marketers have a strategy for measuring social media ROI. On the other hand, some marketers report that they find it easier to track leads from social media. As marketers become more accustomed to using different types of social media, I predict they will find it much easier to track social media than traditional media.

One of the challenges of measurement is making sure you are measuring the things that matter, as well as linking measurements to the right objective. If the goal is awareness, the number of forwards can be evaluated, but they don't necessarily shed insight on how it drives purchasing behavior.

Another measure is customer engagement, which is defined as time spent on content generated from social media, pass-along value, and how this correlates to revenue. RazorFish, a global interactive agency, studied the effects of engagement with applications and gadgets by people who discovered the application from a media source and those who accessed it from a friend. People who discovered the application via a friend are two to four times more likely to download the application, are two to eight times more likely to spend money on the client site and have an average order that is 10 to 30 percent higher than those who are exposed only through media.¹

RazorFish is doing further research and development on tools that will assist businesses in understanding the key elements of social media ROI. Using a tool called the Generational Tag, RazorFish tracks how users pass viral media on to their friends, how their friends respond and forward messages, and the value of each successive group (generation) that receives and passes along the message element. The Generational Tag is a set of code that tracks the viral spread of widgets and gadgets in social network platforms (such as Facebook) and non-social network environments (such as desktop applications). To use this new measure, the SIM must have shareable elements (applications, gadgets, and so on) that are associated with people (see Table 68.1).

Table 68.1 Measuring Social Media

Value Driver/Generation	Measurement and Optimization
Impressions and engagement generated through media	Downloads and conversion behavior/intent to purchase
Incremental reach/pass-along value	Model and measure total number of pass-along viewers
Value of endorsement effect	Views, users, downloads, and conversion behavior/intent to purchase

As more companies develop innovative solutions for tracking and measuring the effects of social media, there is little doubt that businesses will be eager to adopt them.

In the meantime, we know that one of the most important components of social media is the viral nature of the media when a message is passed among friends, family members, colleagues, associates, and other communities. Each of these people or groups of people are influencers who can raise brand awareness, add value through endorsements, and recommend or influence purchasing decisions.

Whether you are dipping your toe in social media marketing or have already jumped in with both feet, the best strategy is to experiment. The rules of the road for social media are still being written, but that doesn't mean you should sit back and wait. Experiment and adopt strategies that are being used successfully by other companies. Keep in mind that what works for one business is different from another based on integration of other marketing programs, budget, target market, and other circumstances.

Operationalize Social Media

Social media has scaled to the point that businesses should establish both a budget and resources to oversee this important function. It should not be thought of as a poor step-child that receives whatever is left over after other marketing dollars are allocated. Remember, if social media is used to drive product development, research, and customer service, as well as add value to other areas of the business, then it would be wise for several departments to contribute budget and resources to social media strategy and execution.

The marketing department will usually drive social media strategy, and marketers should take an active role in guiding others in the organization to learn and contribute. Ongoing learning helps everyone become better marketers and in turn, the company builds a stronger brand. The marketing department can provide education and training, share best practices, provide guidelines for use, and establish systems for closed-loop communication internally and externally, as well as create the systems for reporting and measurement.

Even the CEO should have a role in social media. CEOs of companies that were early adopters to this media have been very successful in shaping and growing their brands. Comments on a blog or Twitter are much more authentic than comments made through a press release.

Content generation is another area that needs to be built into the marketing operations plan. It requires planning and development to create a library of content so it is not an afterthought after a program is launched. Who will be responsible for writing content? Will you post original content or will you pull from other sources? What types of media such as video, podcasts, webinars, and photos can be used? Use pre-established branding guidelines to guide development of the content and format.

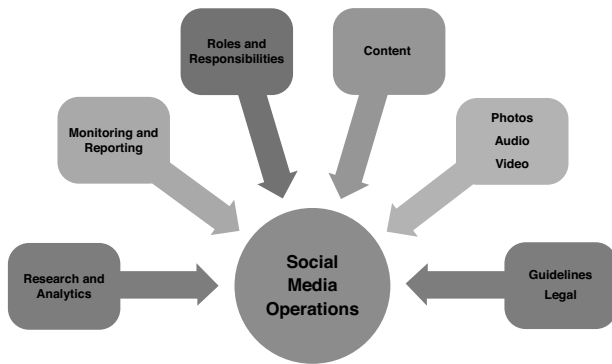


Figure 68.1 *Social media operations*

Sales and marketing departments should use social networking to listen to the voice of the customer, as well as monitor what is being said about competitor's products and services. It's a valuable research tool that should be used collaboratively by sales and marketing teams to keep their pulse on the market. Several online tools for monitoring customer feedback such as YackTrack, Yelp, and Get Satisfaction are excellent services to monitor what is being said about your company, as well as competitors.

If your goal is to collect customer feedback dynamically tools like WuFoo, PollDaddy, and TwtPoll are good real-time research tools. SuggestionBox.com is another tool that facilitates the collection of ideas from customers. It encourages customers to rate their favorite ideas (externally on the site) and employees to rate ideas and suggestions internally. Employees can respond to customer ideas privately, and there is a

mechanism to notify customers when their idea has been implemented. Download a widget and the service is featured on your company website.

If you have an online store, consider using RatePoint, a service with several customer service and feedback tools. Like some of the other services, customers can post a review, and if the review is negative, you can reach out to the customer to resolve the issue before a comment is made public. RatePoint verifies reviews to make sure they are legit, and in the process verifies contact information that you can use for ongoing customer communication. Communicating with and learning from your customers has never been easier—so no more excuses!

Make it easy for your customers to find you and your company in lots of different places. Place buttons for tools so it's easy to share content on your Web site, blog, articles, and other areas where you post online content (Digg, Twitter, Delicious, RSS feeds). This will help others share and amplify your content. Include your social network profile link in your email signature and on business cards so people can easily find you.

Social Media Networks

As more people begin to use social media, it will ultimately be the users who define which social networking sites will make it and which ones won't. As new sites come and go, you will need to experiment to find the best social networks that work for you and your business. Some people swear by LinkedIn and others prefer Twitter, Facebook, MySpace, or a more targeted network like NING. It just depends on your business and industry. It's also a matter of personal preference and the networks that clients, prospects, colleagues, and business associates use.

Remember, the value of social media is connecting and communicating. It will be more effective to be selective rather than spread your efforts across too many networks. If you try to take on too much, chances are you'll find it overwhelming or not as effective as you would if you were to prioritize your efforts.

The following information summarizes the key benefits and attributes of the three of most popular social media preferences: LinkedIn, Facebook, and Twitter.

LinkedIn

While MySpace and Facebook are extremely popular and have larger networks, LinkedIn has found a niche with business professionals who use the platform to network and market their business. It has also become an effective network for communities, associations, and organizations.

LinkedIn has grown to over 52 million members and professes to have the "world's largest audience of affluent, influential professionals." In addition to networking, finding and staying connected with people in your personal network is a key benefit of LinkedIn. Despite how many times people change jobs or email addresses, they stay connected through LinkedIn, and for this reason alone it is a valuable business networking service. It synchronizes with Microsoft Outlook contacts, so as you add new contacts, you can also add them to your LinkedIn database and build your network.

Your personal profile page generally includes information about your company and brand, and it should succinctly communicate your personal brand and work experience. Many people use LinkedIn for finding new jobs and careers, to seek referrals and

endorsements, and to give referrals to others. When people want to hire an individual with specific skills, they might ask for recommendations from people they trust in their network. Like other social networking tools, the more you use it, the more valuable it becomes. You need to invest time to add connections, give or ask for referrals, and keep your profile current. You can also start or join a group to connect with people in organizations, associations, and universities to build your network. Participate in the groups you join. You can comment or start a blog post, make announcements to the group, ask questions to help with research, and participate in several other ways. All of these things will also improve your Google page rank since your profile can be searched.

Facebook

Facebook was launched in 2004 as a social network exclusively for Harvard Students. Within just four months, 30 colleges had joined the network. Today there are more than 300 million active users from 170 countries.

Nielsen reports that Facebook is the number-one social networking site. Over 4 million users become fans of Facebook's public profile page *every day*. As the average user has 100 friends linked to their site and adding more each day, Facebook continues to grow exponentially. It's also popular among the one million developers who have developed more than 52,000 applications.

For businesses that want to tap into the power of Facebook, it's important to apply a few marketing basics. First of all, understand that the audience is still young demographically and skews more heavily toward females. If you sell power tools, Facebook probably won't be your first choice in brand building. But if you are thinking like Victoria's Secret, you will have success. The fan page created to promote their PINK line has been extremely successful because it aligns perfectly with the demographics of Facebook.

Victoria's Secret was also successful because they effectively promote their Facebook page, as well as links to their MySpace page, on the PINK website landing page. By promoting multiple ways that consumers can connect with the brand, it builds fans across all platforms.

When a fan page was created by two passionate Coke enthusiasts, the company could have leveled a velvet hammer in an attempt to control the site content. Instead, they rewarded the two fans with a trip to Coke headquarters in Atlanta. This created even more passion and enthusiasm for the brand and other successful groups rallied around Coke. By giving up some control and letting fans influence the brand, Coke now has the number-one product fan page on Facebook.

Like other social networking sites, the practice of providing valuable resources to users, as well as offering coupons, incentives, or contests, creates pass-along value. Give your fans something to talk about and watch your idea take fire.

Twitter

If you believe in the premise that short, quick bits of information are valuable, maybe even more valuable than long bursts of information, then you will love Twitter, a micro-blogging service founded in 2007. Twitter is growing in popularity faster than any other social networking service. Within a year, more than 2.2 million accounts were generated.¹ By June 2009, Web-tracking firm Compete reported that Twitter had grown an astounding 1,928 percent in just a year.

People use Twitter to answer the question, “What are you doing?” with far-ranging topics from eating a donut to announcing a new product launch. They also share information about people, companies, news stories, products—really anything.

Twitter may be thought of as frivolous by some people, but it has been used for important causes. Twitter helped free an American from an Egyptian jail, provided the latest news on events like the San Diego fire, and broke industry news such as the financial crisis. It’s also used for raising money for charities and promoting a brand. Celebrities love Twitter. Ashton Kutcher has nearly 4 million followers, and Oprah, Obama, and Britney all have a huge number of followers.

Twitter is a marketing channel to build your brand, create customer loyalty, and leverage the power of social influence. It is easier than ever before for people to endorse a product or a company in their personal network. Of course, the flip side of that is it’s also very easy for consumers to vilify a company.

Many businesses that were quick to embrace Twitter now have a small army of avid followers. Jet Blue (@jetblue) and Home Depot (@TheHomeDepot) are just a couple that Twitter. Topics range from employee interests and community involvement to resolving customer service issues. But beware: Pimping products is considered bad behavior. The way to build your brand is through personal customer communication, community interests, social causes, and being a helpful resource to people.

A common way to use Twitter and build your own army of followers is to make ample use of the retweet function, which is a lot like forwarding an email to people in a database. According to Dan Zarella, a social, search, and viral marketing scientist, nearly 70 percent of all retweets contain a link to a news source, article, blog, website, or content of value. It’s difficult to say something meaningful in 140 characters or less, so it’s much more effective to link to valuable content such as breaking news, “How To’s,” and

instructional content. Other avid Tweepers swear that tweeting unusual or strange content garners the most comments and retweets. What's unusual and strange you might ask? A tweet about a boy born with two heads, a cat that can sing, an ant colony that is taking over the world, or a Jerry Springer moment (did anyone say "National Enquirer?").

If you want more helpful hints, check out the Twitter Guidebook on Mashable or other helpful online resources. Start using some of the latest and greatest Twitter applications like Tweetdeck to sort, search, respond, organize, and manage your Twitter activities. And don't forget to download a mobile Twitter application like Twitterific so you can Tweet to your heart's content from anywhere your mobile device takes you.

Guy Kawasaki is the author of several bestselling books and the CEO of Garage.com, a Silicon Valley-based company that funds and works with early stage start-ups. He offers more helpful hints on how to use and optimize Twitter. As an early Twitter evangelist with a huge following, he is qualified to be "Trusted Twitter Tutor." Here is his advice to help you get started.

How to Use Twitter as a Tweak

1. Forget the "influentials." The Internet's democratization of information means that the "nobodies" are the new "somebodies." It is better to have a legion of "nobody" devotees than an occasional somebody, and enough attention from the "nobodies" will demand the "somebodies" attention.

2. Defocus your efforts. The goal is to reach the masses because you never know who can help you and how. Twitter's an easy and inexpensive way to reaching the masses, making a defocusing market strategy both plausible and profitable.

3. Get as many followers as you can. Those who argue that it's the quality, rather than the quantity, of your Twitter followers that matters aren't using Twitter as a tool. It's the law of big numbers—your chances of reaching the tipping point increases with the number of followers you have. Also, you might want to try to prevent domain name squatting, and secure both your name and your company's name. People are more inclined to follow a person than a company, but you may want both.

4. Monitor what people are saying about you, your company, and your product. You can do this with Twitter's searches, which you can bookmark for convenience. You can also use Tweetdeck to create and follow a search, or Tweepie.com for email notification of search results. As a marketing tool, it is a

quick and efficient way to communicate and sincerely help those who are pissed off, confused, or have unanswered questions in regards to you or your company. By simply monitoring what people are saying about you, you're using Twitter better than 95 percent of companies.

5. Ask for help. Don't be shy about asking people on Twitter to spread the word for you. The worst someone can say is "no," but more often you'll be surprised by the number of people who are willing to not only help you, but go out of their way to do so—whether it's spreading the word or offering helpful suggestions.

6. Make it easy to tweet on your behalf. Twitterfeed allows you to post any RSS feed as your own tweet. A Twitterfeed was created for Alltop where people could sign up to allow Alltop to automatically post Alltop news as their own tweets. Initially, 177 people signed up, and another 280 signed up for the free copy of Kawasaki's new book, *Reality Check*, totaling 450 people. These people had 140,000 followers—can anyone say *free marketing*? This is nothing short of IT evangelism, though it can unintentionally get out of hand, as you'll see later.

7. Create an email list. When people follow more than one person who has a Twitterfeed (as described previously), they'll receive duplicate posts. In this case, to ameliorate this issue, Alltop created the Alltop news and announcements email list, which allows recipients to decide whether they want to edit it, tweet it, or email it to others. This tool attracted more people than the Twitterfeed by not taking over their feeds and by giving them the power to sift through their outgoing material.

8. Make it easy to "post to Twitter." You can increase the traffic to your website by placing a "Post to Twitter" link on each page, or article, or whatever. If a viewer likes the content, she or he can click on the "Post to Twitter" button, which then opens a preconfigured tweet you could send to followers. Digg, Delicious, and Yahoo! Buzz buttons are other instant-click ways you can spread the word.

9. Offer advice deals to Twitter users. You can offer special deals to your Twitter followers, who I'm sure will love that you're rewarding them for their loyalty, and allow them to share their great experiences with you with their followers. Special offers via Twitter are an efficient and fun way to extend your special offers to a large base.

10. Tell the complainers where to go. Some followers may harangue you for using Twitter as a tool, but remember: Following you is completely optional, and if they don't like your use of Twitter, they can follow someone else more Twitterly "upright." Period.

Source: GuyKawasaki.com

Social Bookmarking Sites

Bookmarking sites lets users search, tag, organize, and share Web pages on the Internet. A tag is simply a word to describe a bookmark, and on sites such as Delicious, your bookmarked tags are organized by topic. Similar to social networking, social bookmarking sites like Delicious have become a popular way for people to share information with each other. Bookmarks are saved by the user and made public by sharing them with specific people in their network. Most sites let viewers see other bookmarked content that is similar to a tag and some include the number of people who have bookmarked the site, as well as the ability to add comments. Some social bookmarking sites also provide web feeds with topics organized by tags.

Digg is an example of a different type of social bookmarking service that can be used to promote news stories about your company. By sending an article to customers and potential customers, or posting it on another web site, people can choose to Digg (or promote) a story if they like it. If a post receives enough “Diggs” from influential members, it is launched on the first page, creating instant fame for you and your company. Like Twitter, Digg can be used to build your company brand. Digg has 30 million users a month, so you can communicate with customers, prospects, or anyone who may have suggestions or ideas for your company.²

Another type of social bookmarking site is StumbleUpon, which helps users find and share Web sites. When clicking the Stumble! button, the network delivers pages matched to your personal preferences. These pages have been recommended by the others with similar interests in the database of over 8 million users. When users rate sites they like, it automatically shares them with like-minded people in the network. StumbleUpon’s value proposition is that they deliver higher quality Web pages than other search engines because they are rated by members and sorted by personal interests and preferences. The database stays current as old or low-quality sites are removed if their ratings become too low.

Another nice benefit of social bookmarking is that tags help search engine rankings. To learn about other social bookmarking sites, consult the Social Media Tools section in the Social Media Strategy and Planning Guide (www.MarketSmarter.com).

The Blogosphere

Blogs are booming in popularity as a public relations and marketing tool. Technorati, a blog index, sites that more than 133 million blogs have been written and posted by people and companies to reflect perspectives on a particular topic, event, or news story. Over 900,000 people write and post articles every day. Blogs can be served up on an existing Web site, a separate Web site, delivered via email, or subscribed to using an RSS feed. This makes it easy to add frequently read blogs to a personal home page.

Businesses don't create blogs to necessarily sell products or solutions, although this is often the outcome. The main purpose of a blog is to connect users and readers with the personal brand of a person or company. People subscribe to blogs because they get value from the content, not because they are being sold something. A blog gives like-minded people an opportunity to talk directly with people who share similar interests, and post ideas about specific topics.

Seth Godin is a bestselling author of several marketing books, including *Permission Marketing*, *The Purple Cow*, and several others. Both marketers and business owners can gain valuable insight from his blog posts, which he updates almost every day. What does Godin get out of writing a daily blog? At a minimum, he has the opportunity to connect with people, learn from them, and test ideas. He also communicates his expertise. If people are interested in learning more, they can click on links to buy books or hire him for speaking engagements.

Godin is also the founder of Squidoo, a community of "lenses." Lenses are pages created by users (lensmasters) that aggregate and share everything on a topic of interest. Pages are called lenses as each person's lenses are focused on a topic. Users can create multiple lenses focused on different topics. As of January 2010, Squidoo has more than 1 million lenses and 800,000 visitors a day. Squidoo is free to use. Revenue comes from advertising and affiliate links. The company donates 5 percent of earnings to charity, 45 percent is allocated to company overhead, and the remaining 50 percent goes back to charity or the people who build lenses (their choice).

Squidoo is an interesting community of eclectic ideas and topics. It's another way to build your community and create interest around a passion. The point of Squidoo is not to sell something, but to engage, entertain, and find people who share your passion and interests.

Alltop is an online magazine that aggregates and sorts information from all over the Internet. It's one of the best places on the Web to find content spanning a huge number of categories, as well as to see the issues are the most important to people. List your blog in the Alltop Directory to help raise visibility and awareness. It's a unique site where you are sure to find new readers.

When blogs are well written and executed, they become a very effective marketing strategy. They provide a fabulous forum for talking with customers (think real-time research). Visitors of a blog share a common interest (you, your company, or your products) and they enjoy giving tips and advice that improve the experience for others. For this reason, blog posts can be updated with new information from your company, as well as by customers who enjoy sharing their opinion and helping others. If you allow members to comment and share their own content, it not only helps the content development effort, but more importantly it creates goodwill, builds your brand, and creates relationships with your current and future customers.

New software, such as WordPress and TypePad, has made it easy for anyone to quickly create and update their own blog with no HTML experience needed. Through the use of templates and the framework for the content management system, anyone can author their own blog. In fact, many businesses and professionals choose to create a blog site instead of a traditional Web site because it is so easy to use and to update content.

Evaluate how other companies are facilitating and implementing blogs to get ideas for your business. Check out the previously mentioned examples as well as blog lists, such as Blogcast, Technorati, Bloggopedia, and the extensive listings compiled by Peter Kim.

Here are a few things you can do to improve your results from implementing a blog:

- Even before you create a blog, define your blog strategies and process.
- If you create a blog, you will need to commit to posting updates (one to five times a week is ideal). Create a plan for the topics you will blog about, and if you can, create a library of content that you can access.
- Submit your URL and RSS feed to blog directories, RSS directories, and search engines.
- Share your knowledge and expertise with others in your industry. As your network increases, you will see other blogs link to and reference your blog.
- Respond to comments and questions and thank other bloggers who reference your material or link to your site.
- Promote and market your blog as you would a product or service. Include the blog address on your business card and other marketing materials. Market your site using social media networks and through channels that can post your blog within a larger portal that is relevant to your target audience.
- Actively research high-ranking blogs and Web sites and exchange links.

Getting Started

In the next chapter, you will use a tool, the “Social Media Strategy and Planning Guide,” that will help you bring all the components of social media together to develop your strategy and plan. The tool follows the same planning process you have been using throughout this book. You will start with defining the objectives you want to accomplish and finish with tactical tools and ROI evaluation metrics. If you follow this process, it will ensure you are developing your strategy before you get into the fun tactical tools of social media.

Social Media Strategy and Planning Guide

Decision-making framework of the PRAISE Marketing Process.

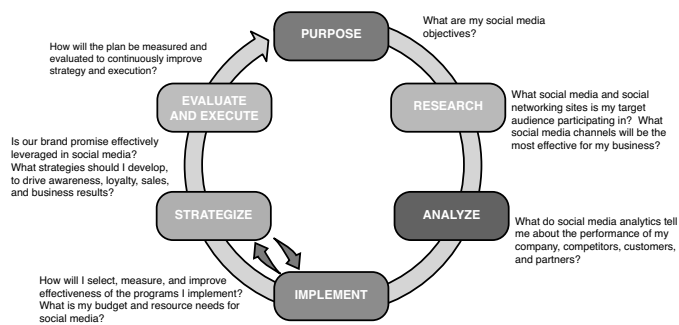


Figure 71.1 Decision-making framework

Social Media Strategy

The same process that helps businesses develop an operational marketing plan can be applied to create a social media plan. The P•R•A•I•S•E Marketing Process is a decision-making framework that will guide you through social media planning, execution, and measuring results.

Just like any other marketing strategy you implement, your plan for social media must start with your objectives and strategy. What do you want to accomplish and why? If you are going to invest in social media or allocate resources from another tactic, then you should have a sound business strategy for doing so. The investment in social media is small compared to other types of marketing, but it requires an investment of time. It also requires a commitment to experiment, measure results, and adjust as you learn. It takes time to build a social media presence and a community. It's not simply a

commitment to “blog twice a week and tweet five times a week.” The true investment is time spent listening, engaging in conversations, monitoring feedback, researching competitors and trends, developing content, building customer relationships, and measuring results.

The following guidelines will assist you in defining what you want to accomplish with your social media presence, what research and analysis is needed to develop effective strategies, the types of social media programs that will be the most effective for your business, and how to measure results so they continuously improve.

P PURPOSE

Purpose: What Do You Want to Accomplish?

What is your purpose for engaging in social media? What are your objectives?

How will you define success? Is your goal to generate leads, brand awareness, drive sales, or establish expertise? Is your objective to increase customer engagement with your brand or to build a large community of subscribers and followers (see Figure 71.2)?

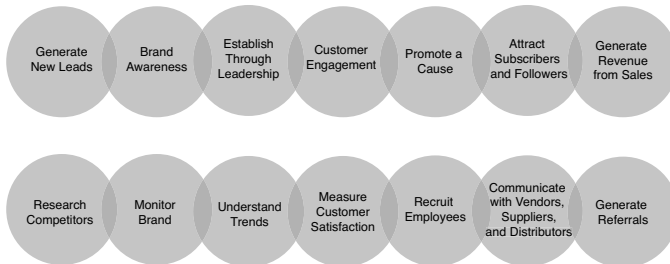


Figure 71.2 Social media objectives

R

RESEARCH

Research: Who Is Your Target Audience and Where Will You Find Them?

Social media is all about connecting with prospects, customers, and like-minded people. How would you define them? Are they using social media? Where will you find them and what social media networks do they use? Do they engage in blogs? After you answer these questions, consider what the audience currently knows about you and how you can leverage this to expand your presence. Once you have identified who you want to reach, then you can discover how to communicate with them on different types of social media.

Research to Listen, Understand, and Respond Effectively

Social media requires research to discover what is being said about you, your company, your brand, customers, competitors, and trends. Equally important is learning. The social media ecosystem changes and evolves daily, so listening and learning are an ongoing part of the social media process. Research will help you understand what types of social media are the most effective for your business. It will also shorten your learning curve as you discover what works and respond more quickly to adjust strategy and tactics.

A

ANALYZE

Analyze: Statistics, Media Tools, Metrics, and Trends

Although social media is relatively new, there are a vast number of analytics tools that will assist you in research and analysis. An extensive list of social media tools can be found in the “Social Media Tools and Tactics” section of this guide to determine what search engine and management tools will streamline your understanding of the market. (Note: Download the “Social Media Tools and Tactics” section of this guide. It is revised often, and you can find it in the resource section at www.MarketSmarter.com.)

Analysis will help you determine what strategies will yield the best results, as well as select the metrics for monitoring performance. Will it be number of subscribers, comments, views, actions, retweets, followers, links, leads, media mentions, or something else? Will you compare your presence to competitors, industries, or best practices? How will you know if you are attracting the people who matter?



STRATEGIZE

Strategize: Create Your Game Plan

Social media strategies cascade from your business goals and marketing objectives. Like any other marketing strategy, social media strategy is developed to affect the actions of the target audience you wish to reach. It also reflects a consistent brand position and messaging.

Positioning: Articulate Your Brand Promise

In social media, it's more important than ever to have a succinct value proposition (think 140 characters on Twitter). Your brand promise must be simple and it should be parallel across media channels. Regardless of whether you have a blog, Facebook page, or Twitter profile, you should make it easy for customers and prospects to understand what you are passionate about and quickly surmise if you are important to their community.

Presence: Select the Types of Social Media to Use

Now that you have answered some important questions, it will be much easier to develop social media strategies and select tools to reach your target audience and establish your brand presence.

For example, if your strategy is to position you or your company as thought leaders, demonstrating this on a blog would be a good strategy. To reach your key influencers, you will link, comment, post, report, and affiliate your brand in a reputable and respectful way with them. To reach a large number of people in your target audience, you can participate in social networking sites they use. To get maximum exposure for your blog and create a community of followers, you can actively participate to develop community, which means listening, engaging, and responding. You may want to create videos and podcasts that will share your knowledge of particular subjects and demonstrate your expertise. Then you can add social media tools that will help you amplify your content (see the "Social Media Tools and Tactics" section).

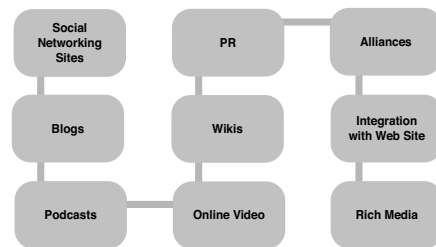


Figure 71.3 *Social media strategy and tactics*

Summarize your social media strategies and check to make sure they are integrated and aligned with your other marketing programs.



IMPLEMENT

Implement: Develop a Tactical Plan

Now that you have developed strategies based on the objectives you want to achieve, you will develop social media tactics to achieve your strategy. Later in this chapter, you will create a tactical plan that describes how you will operationalize and execute it.

The attributes and benefits of each type of social media can be described in a similar way as other types of advertising and marketing. For example, a magazine would have a specific profile describing its content, style, audience, circulation, readership, shelf life, geographic coverage, advertisers, and so on. Social media tactics can be described using similar criteria.

Your research and analysis should lead you to the best type of social media to use in order to reach your target audience and achieve your objectives. The list of social media tools in the “Social Media Tools and Tactics” section, as well as the information presented throughout Section V, will help you select and create the social media tactics to achieve your objectives.

The plan should describe what tactics you will use, the resource needs, how tactics will be measured, and projected ROI. Also include budget, time frame, and who is responsible for execution.

One of the key benefits of social media is that much is available for free or is low cost. Your budget may include videos, podcasts, and Webinars that you want to post in

social media and distribute through links. The sales promotion budget may include discounts and offers made to friends and followers on Facebook and Twitter. Other items may include analytics and reporting tools, third-party software and services for rating customer satisfaction, consulting or agency fees, and internal staff resources to manage social media.

Although social media is relatively new, it has advanced to the point where it deserves a share of budget and resources to execute the strategy. Headcount is required. At a minimum, a budget for staff (internal or external) is needed to execute the strategy. If it's done in the margins, then who is responsible when the strategy is not executed?



EXECUTE AND EVALUATE

Execute: Link Strategy and Execution

Now it's time to operationalize your plan so it can be executed more efficiently. Your social media strategy should outline clear roles and responsibilities. Who creates blog content? How much time will it take to develop it? What ramp time is needed to create a library of content for posting? How often should posts be made? How many hours a day or week are required to participate and build a community? Who monitors customer engagement and satisfaction? Who responds to customer requests? These are just a few of the questions you need to answer.

Company Culture: Social Media Roles and Policy

If you are just beginning to formalize your social media strategy, one of the first things you will need to decide is who in your company will participate and what type of guidelines should be developed for content and messaging. What topics can people comment on and what topics are taboos? How much time can people spend with social media?

Engage the legal department early to understand their opinion and risk tolerance. It's a good idea to clearly define this upfront as well as establish some guidelines to avoid a train wreck later.

Evaluate: Metrics

Ongoing review is critically important. Your social media strategy should outline ROI metrics and the research and analytics that are needed to make decisions. Who is

responsible for doing this important activity? How often will strategy and metrics be reported and adjustments made? Social media and other marketing program results should be evaluated in the quarterly operations review.

Define your criteria for success. Some of your goals may be overarching, others much more granular and tied to specific metrics. Review the following list of social media metrics and select those most relevant to your success criteria. Assign specific goals that you can track and measure through analytics and reporting.

Social media metrics generally fall into the three areas of Awareness, Loyalty, and Sales (see Figure 71.4). Social media is also used to achieve other company goals like employee recruiting. Metrics such as number of referrals and number recruited can be tied back to social media.

Awareness	Loyalty	Sales
<ul style="list-style-type: none"> • Web traffic • Search volume • Search ranking • Social mentions • Referrals • Retweets • Number of fans, followers, friends • Unique visitors • Sentiment ratio 	<ul style="list-style-type: none"> • Customer service metrics • Net promoter score • Number of retweets • Number of recommendations • Number of referrals • Number of mentions • Number of comments • Number of fans, followers, friends • Time spent on site • Repeat visits • Referrals • Content uploads 	<ul style="list-style-type: none"> • Web traffic • Repeat visits • Requests for information or other action • Referrals • Purchases

Figure 71.4 *Social media metrics*

Reporting and Adjustments: Experimentation Criteria

Evaluate programs often to ask questions such as: Where are we getting our greatest response? Do we know why? What messages resonate with our customers and prospective customers the most? Are messages on Twitter more effective when retweeting, using a hashtag (#), or creating pass-along value?

As social media evolves, it requires a healthy appetite for experimentation. Different strategies and tactics work for different types of businesses. If you don't experiment how do you know how much *more* effective your strategy can be?

Word of Mouth: Viral Marketing and Buzz

Word of mouth, also referred to as buzz marketing and viral marketing, is the most desirable type of marketing you can hope to create. Word of mouth marketing has been a tactic savvy marketers have used for years, and the proliferation of digital media has made this tactic a primary component of many marketing programs. As we have discussed throughout this section, marketers are integrating viral marketing into social media, email marketing, and several other programs to generate excitement around a brand, promote a new product, or get publicity.

Viral marketing is facilitated by providing customers with the tools to share emails, videos, and other types of online communications with friends, family, and business colleagues because it is funny, creative, and/or relevant to their interests. The recipients then send the message to others in their network, who in turn send it to others in their network. This can be a highly effective way to create an install base of customers (especially for a software or an Internet company such as AOL or LinkedIn) while also building brand recognition.

Stunts and Pranksters

Unique new forms of word of mouth are being created by consumers. One example is the recent formation of “pranksters” who gather for impromptu stunts and perform what looks like a choreographed spontaneous act. A typical stunt involves 50 or more people who learn online or through social networks about a stunt that will take place in their city. Some of the acts are funny, some are considered art, and some are just weird. In one stunt, a group of young adult twins gathered to create a “human mirror” in a New York subway. The twins sat across from each other on the subway car and mirrored the other twin’s movements.

From a marketer’s perspective, what is so interesting about the stunts is they are often focused around a brand. For example:

- In Manhattan, 80 people dressed in Best Buy uniforms of blue shirts and khakis slacks and descended upon a Best Buy store. The only purpose was to walk around and confuse customers (and of course, the real Best Buy employees).

- In New York, 111 shirtless men walked into an Abercrombie and Fitch store to say they were shopping for a shirt.
- At a Taco Bell restaurant, pranksters posing as both employees and customers went to the restaurant and froze in place.

A video of the Taco Bell stunt was made and used in a viral marketing campaign for the Fruitista Freeze drink and was viewed 500,000 times online. A spokesperson for Taco Bell said, “We thought it was brilliant.”¹ To view a few of the latest videos check out: <http://improveverywhere.com/video/>.

But most groups form stunts simply want to entertain themselves and have no commercial intent. Stunts are formed loosely by different groups around the world and go by the names Improv Everywhere, San Diego-based Scene Diego, The Urban Prankster Network, Boston-based Banditos Misteriosos, GuerillaLA, and many others.

If marketers can figure out a way to channel the activity of urban pranksters, it is a new way to create exposure for their brand—especially if it’s captured on video, as the Taco Bell video was, so it can be spread virally.

Historical Milestone

For the first time in history, word of mouth and viral marketing was a crucially important element of a political campaign. In the last presidential election candidates from both parties urged Americans to vote and make a difference in the election resulting in the largest voter turnout in 90 years.

The organization MoveOn is an organization comprised of 5 million people who individually fund causes in the areas of education and advocacy on important national and congressional issues. The organization includes MoveOn.org Political Action and MoveOn.org Civic Action.

MoveOn.org Political Action created a message about “getting out to vote” was pure genius. Many of you reading this probably received the video in an email that was forwarded to you by a friend with the subject line “Don’t let your friends lose the election.” It is a streaming video of a news report (from CNNBC) announcing the election has just been won by one vote. The story then unveils the global impact and rage of other voters who discover who the culprit is (drum roll): *you*.

The person who forwards the video could easily customize the video with names of their personal friends. The sender just entered as many email recipients as they wanted, and in one click, sent a customized video to everyone they selected. The video used the email recipient’s name in newspaper headlines and in captions under various news videos of people around the world expressing outrage about this one nonvoter. The video

was a hit because it was creative, hilarious, and the message focused on one point: the importance of everyone voting in this election. It was successful as a viral marketing program because the creators gave people the tools they needed to easily customize a message and send it to their personal network. In the month before the election, the email had been forwarded to 6.3 million people and it was being forwarded to 30 new people per second.

Viral Marketing: A Case Study from Obama

Perhaps no better example of integrated communications and new media comes from Barack Obama's campaign to win the 2008 Presidential race. Great marketing campaigns are expected from companies like Apple and Nike, but who would ever think such a great marketing case study would come from a politician? Regardless of which side of the political fence you are on, you have to agree that the results of this political campaign can teach everyone about the power of viral marketing, grassroots marketing, and branding. Here are just a few of the ways Obama has used viral marketing:

- When Clinton donated \$5 million to her campaign, Obama asked his supporters to quickly match it. Within 24 hours, \$8 million was donated to Obama's campaign.
- By the second quarter of 2008, Obama raised \$31 million—\$10 million more than Clinton raised. Obama's online fundraising alone contributed \$10 million during this time.
- More than 258,000 people donated to Obama during this same period of time in small increments of \$100 or less, creating a base for donors to contribute again and again.
- More than 9,500 volunteers signed up to host individual fundraising Web sites. As friends and family responded and forwarded the message and Web site on to their friends, actual donation amounts often surpassed the pledge.
- Obama uses messages created by other people in blogs, Web sites, and events to demonstrate that the people created his brand.
- Obama's messaging makes extensive use of the words "you" and "we," creating transparency and authenticity.
- An online raffle offered tickets for \$5 to win a dinner for five with Obama.
- Obama hosted several low-cost fundraising events throughout the country, some as low as \$25 per person, attracting thousands of people.
- A music video about Obama created by the Black Eyed Peas generated nearly a million views per day online. Obama put it on his Web site and generated even more hits.

- Obama's nearly \$1 million spent on a 30-minute infomercial in October 2008 created new supporters in his critical hours. He invited people to connect with him by texting him or visiting his Web site.
- During the final weeks of the election, Obama's campaign purchased space in the popular Madden NFL 09 Xbox 360 game, and nine other video games to target this notoriously difficult segment (male 16-30). The ad appeared on billboards and stadium signs in games that were using the Xbox Internet service in the major swing states. In the racing game "Burnout Paradise" racers drive by a billboard that features Obama's photo and the words "Early Voting Has Begun. VoteForChange.com."
- Obama makes extensive use of social networking platforms to communicate his message and solicit donations.
- Obama's brand and logo has already reached the status similar to Nike and Apple. The circular mark with the flowing red and white stripes with a rising "O" sun can be recognized without his name attached to it.

Sources: Devin Leonard, "Obama's Web marketing triumph," CNNMoney.Com; Karen Tumulty "Obama's Virtual Marketing Campaign," Time.com; David Folkenflik, "Obama Ad Blitz Unprecedented," NPR.org; MoveOn.Org Political Action, <http://pol.moveon.org/>.

Obama's successful use of digital marketing earned him the title "Marketer of the Year" from *Inc. Magazine*. Regardless of your political affiliation you must agree that Obama's digital marketing team made brilliant use of the new media tools and channels that are available.

Obama's marketing continues to be impressive post-election. His Web site is a hub of activity to and from which other mediums are directed. It's continuously updated to keep loyal activists inspired and engaged.

He also communicates regularly through a blog (www.whitehouse.gov) and Twitter. He discusses his perspective on important issues and encourages citizens to take action.

The most impressive take-away from this case study: Who would have thought that marketers would be learning a lesson in marketing from a politician?

Public Relations

Bill Gates once said, “If I had only a dollar, I would spend it on public relations.” Public Relations (PR) is an effective and inexpensive means of communicating and building credibility for your business, and it should be a part of every marketing plan. As both a distribution channel and a rich source of information, the Internet has changed the way we communicate and market products, people, and companies. It has been the driving force behind the significant transformation of the PR industry. Once an industry based on “who you know,” the process for PR was fairly formulaic. Now it is more complex in some ways (the number of online distribution sources and need for SEO-enabled releases), and in other ways, it has become easier because anyone can learn how to create effective PR for their business. PR can be implemented at a fraction of the cost of advertising and many tactics incur little to no cost at all.

Public relations is intended to build awareness, goodwill, and influence public opinion across several stakeholder groups, including employees, media, shareholders, community, customers, and other audiences. PR, also known as marketing public relations, is directed toward a company’s target markets in order to build awareness, inform and educate, and build the brand.

As the lines between marketing, PR, and social media are blurred, the PR strategy you develop will be integrated with other strategies and tactics to define how you will market your brand. Blogs and social media like Twitter may be part of a business’ PR strategy. Webinars and events are also an effective way to provide value to stakeholder audiences while also building the brand and customer relationships. A news release sent to the media through news wires can influence your target market, be posted on the company website, or sent directly to journalists and the media.

What’s New, Who Cares?

Reporters, news directors, media sites, magazines, online news sites and a myriad of other online and offline sources are always looking for newsworthy stories to cover. Think about it—the news media *must* find and write stories to fill space in print and online publications every single day. Writers and editors are grateful when successful business owners reach out to give them ideas for stories that interest their audience.

It's up to you to actively promote your business and to provide the means for them to find you.

The most important principle of PR is to make sure the story you are pitching is something meaningful and interesting to the audience. A news release about how great your product is only serves the purpose of saying "look how great my product or company is." It's boring and self-serving. If your news release talks about how your product or service changed or improved the life of your customer, that's interesting. If your release demonstrates how your product or service ties into an important trend, that's appealing. Develop a story from the audience point of view to make it compelling.

Another significant change in the field of PR is the ability to target a large number of people with your message. The new rules of PR include search, reach, and frequency. Here's how to apply these concepts to maximize success.

Search

Successful PR is driven by the mechanics of the Internet, namely search. To maximize search engine optimization and reach interested customers and reporters, you need to understand the mechanics. A news release must use keywords and phrases, as well as links, so it reaches people who are interested in a specific topic. For example, if you are in the financial services industry, keywords must be used so your release finds the people who have flagged this topic. Keyword search terms should also align to those on your Web site. We'll cover more on this in the "Mechanics" section later in this chapter. The important thing to keep in mind is that you cannot reap the benefits of reach and frequency unless you maximize the effectiveness of search.

Reach

News releases that were once directed only to writers and editors are now also directed to customers, consumers, potential customers, and business leaders. Now you can reach hundreds of targeted buyers and influencers through mass distribution via search engines, Web sites, RSS feeds, portals, and wire services like PR Newswire, a news distributor for over 50 years. PR Newswire (www.prnewswire.com) can distribute your message to over 5,400 Web sites, news portals, and other information sources. The service can also distribute to 500,000 media outlets through their international network. Other distribution services include PRWeb (www.prweb.com); Business Wire (www.businesswire.com); and Marketwire (www.marketwire.com). Distribution services will send your release to broad news sites and portals (like Google and Yahoo!) or target specific vertical industries such as finance or healthcare.

Frequency

The new rule of frequency is driven by RSS feeds, an endless supply of news sources on the Internet, and the growing number of people searching the Internet. The more frequently you send news releases, the greater the odds your audience will find you. The most important thing to keep in mind is that news release content should be directed to a specific target audience. While distribution of a news release is broad, the message should clearly convey a specific need to a target audience that would be interested in your idea. Here are a few ideas for topics to promote:

- Introduce a new business or new locations based on business growth.
- Launch new products or services (include an example of a business or person benefiting from it).
- Describe how your company's solution aligns with a new business trend.
- Awards and honors bestowed on your company or someone in your firm.
- Special events such as conferences, Webinars, and seminars.
- New articles, white papers, blog, report, etc. and its benefit to the target audience.
- How your company's solution created specific outcomes and results with a customer or strategic alliance.
- Charitable sponsorships and company involvement.
- Executive personnel changes such as new executives joining the company or senior executives assuming new roles.

Pitching Your Story

If you are targeting a story in a specific publication, the most important question you need to ask yourself is, "Why will this publication be interested in my story?" If you can't answer that question, you probably don't have a story. Just as you customize messaging for target audiences, you need to customize your content and pitch for publications.

Create a database of local, national, and international industry contacts. Do your research to find out whom to contact and keep the database current. Different reporters cover different "beats" or topics. Make notes about the types of stories reporters like to cover. When talking to reporters it might be helpful to refer to a similar story the reporter wrote and why you believe your story would interest them. Cultivate relationships with reporters, journalists, editors, and other media authorities. Over time, you can become a trusted resource and advisor to a reporter looking for an authority in your area of expertise. Have you ever noticed how a newspaper or news show will interview the same expert over and over when there is a newsworthy event on that topic? That's because they have developed a relationship as a trusted advisor.

The Mechanics

The following information will take you through several of the mechanics of PR including how to create a news release or news advisory, what to include in a media kit, and the basics of distribution and search criteria.

Search Criteria

Just as your Web site is optimized for search engine optimization, the same rules are true for optimizing who reads your news release. It is critically important to tag your release with specific keywords that would interest your target audience. This will make sure news sites and search engines send it to all the people that have signed up for RSS feeds based on those keywords and phrases.

Selecting the right key words and phrases must be approached from your customers' point of view. What words would they use to search for your product or service? What needs are they trying to fulfill? Optimize the news release so it contains key words that correlate to the key words in your Web site. Also remember to include the most important information and search terms paying particular attention to the headline and first paragraph.

Links

Similar to keywords and phrases, search engines like links. If you have links in your news release that connect to your Web site, this will help increase your marketing and sales results. First of all, every time someone clicks on a link from a news release to go to the company Web site, it increases search engine rankings. Secondly, it can help close sales. If a link goes to a landing page that has been designed to appeal to the needs of the buyers interested in those key words and phrases, then you have an opportunity to provide targeted messaging and an offer to a potential customer.

News Release

A news release is a good PR marketing tool to inform the media about a newsworthy event. It must be factual, informative, and direct. Use the following guidelines to help you develop the content:

- The headline should be short and compelling. Use keywords for SEO.
- The first paragraph is critical. It must give the reader a broad overview of your intent and compel the reader to read on. Use keywords to flag search engines.

- Customize the content for the audience of the news media. Reporters like stories that are localized.
- Focus on only one or two messages. Ideally there is only one.
- Use quotes to help tell your story and to add credibility.
- Humanize your story to make it more interesting.
- Use an example of how a customer benefited from your products or services.
- Avoid industry jargon and acronyms unless they are clearly defined.

News Advisory

A news advisory is an announcement about an upcoming event such a press conference, seminar, conference, or event. It is sometimes used to provide the media with informational updates such as the availability of new photos, interviews, and other content beneficial to the media. A news advisory is different from a news release because it does not tell the whole story. It is simple and provides enough information to encourage the media to take action. It should contain a headline, what the event is, why media should attend, when and where the event takes place, a URL web address where more information can be found, contact information (email and phone numbers), and the source of the news advisory.

Media Kit/Media Room

If you have ongoing public relations and analyst relations needs, you should create a basic media kit that can be customized for events, meetings, conferences, and reporters' needs. A Media/PR Kit, or "Press Kit," was once distributed in hard copy form, such as a folder with data sheets on the company, key executive profiles, photographs, and so on. While these are still used for events like industry conferences and analyst events, many companies have moved to an online media room that contains most of these same items. Your company Web site is the perfect place for this.

Marketing effectiveness comes from making it easy for customers to find you. The same is true if you are targeting reporters and editors. Make it easy for them to download information about your company so they can write a story. They'll appreciate this and it will also streamline your marketing operations processes.

Here is a list of items you may want to include in a media room/PR kit. Develop the most appropriate items for your business:

- A Company Fact Sheet (in PDF format) that includes basic information most reporters want to know about (industry sector, products and services, company officers, number of employees, revenues, locations, year founded, historical milestones, and so on).
- Biographical information about the business owner(s), senior executives, and board of directors.
- Articles previously published in newspapers, magazines, or trade journals.
- Product and service data sheets.
- Detailed product and/or service descriptions (written from the customers' perspective).
- Case studies describing the benefits customers have realized as a result of working with your company or using your products/services.
- Customer quotes and testimonials.
- Photographs of people, products, events, or company locations/stores. Label photos clearly.

You Got the Story...Now What?

Once you are successful in getting a news story or article written about your company, you need to market the coverage you received. Use the story in your sales and marketing programs. You must keep in mind that some people will hear the broadcast or read the article, but the vast majority of the people that you really want to see it—customers and potential customers—will not. Post it on your Web site. Send an email with a link to the article or broadcast. Order reprints of the article and mail it to clients. Make it part of your collateral materials. Give it to your sales force to give to customers. You worked hard to get the coverage, so shamelessly promote your business!

Part II

Create a Tactical Plan with Execution Built-In

Every marketer, indeed every business, is concerned with measuring the effectiveness of their marketing programs. In this section, you learn how to create a comprehensive tactical plan that not only makes marketing and sales more accountable, it helps you improve tactical execution.

In the book resources section of www.MarketSmarter.com, you can download and learn how to use several new tools to help you more effectively measure individual marketing programs, as well as align marketing programs with stages in the sales funnel. You will find the Marketing Program ROI and Sales Funnel Analysis worksheets are instrumental in helping you to create a more effective implementation plan and budget. After you begin to apply this methodology and process to your marketing programs, you begin to see immediate improvements:

Sales Funnel Analysis: This tool will help you analyze how the steps in the sales cycle correlate to marketing strategy and execution. Do programs target qualified buyers? Do they generate enough leads? Do they create too many leads resulting in lost opportunity because the sales force is not staffed to follow up? How many proposals were converted to closed sales? Each stage in the sales funnel should be analyzed for its effectiveness.

The Marketing Program ROI: This worksheet is a “what if” tool that can be used to plan and test new marketing programs. It helps you prioritize programs based upon projected ROI and it provides justification for budgets and expenses. Best of all, this tool will help you improve the skill with which you predict and measure results over time. Use the worksheet on the next page to plan and evaluate individual marketing programs. This information can also be used in the Implementation Calendar that follows it.

Marketing and Sales Program ROI Analysis

For both planning and measurement purposes, conducting an ROI analysis of all marketing and sales programs is the best way to learn and optimize future programs. It helps to prioritize what programs should be continued or eliminated, and it provides justification for budgets and expenses. A solid ROI analysis process that is matched to diligent results tracking will lead to better program planning, ROI predictability, and marketing ROI optimization over time.

Fill in the worksheet with the results of your past sales and marketing programs to analyze results. The worksheet can also be used to plan and estimate future programs.

Program Name	Program Cost (PC)	Impressions (I)	Response Rate (RR)	Leads (L)	Lead Conversion (LC)	Qualified Leads (QL)	Win Conversion (WC)	Wins (W)	Total Revenues (TR)	Program ROI
	Include all expenses	Number of people you reach/contact	% of people who take initial action	1 x RR	% who meet qualification criteria	L x LC	% of people who buy	QL x WC	Revenues from all wins	(TR/PC): 1
Email	\$5,000	55,000	1%	550	10%	55	9%	5	\$32,500	6.5:1

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Make Marketing Measurable

The tactical plan is developed after your sales plan, marketing objectives, and marketing strategies have been defined. It describes the details of each marketing program which will make your plan actionable and operational (meaning you use it to guide daily decision making). For each program you will define who is responsible for executing the plan, when it will be executed, how much the program will cost, and the projected ROI.

If you have not projected ROI for sales and marketing programs in the past, or have not been disciplined about doing so, now is the time to start. I'm always amazed at how few companies track marketing programs using a disciplined process. The good news is if you start using this process now, a year from now you will have a good baseline to work from. You will be surprised how quickly you learn and improve with every program you execute.

This section of your marketing plan will change the most because as strategies are executed and marketing programs are implemented, marketing tactics may need to be updated. Large companies that have many marketing programs may wish to pull this section out of the larger marketing plan and use it as a separate document that is updated as marketing programs are executed. You can call it a Tactical Implementation Plan, a Go-to-Market Plan, or anything else that fits with the language and culture of your business.

Individual Tactics Description

The following template is a way for you to organize and plan each of your tactical programs. Adjust this template as necessary to list all the activity steps and costs associated with each tactic. Also estimate revenue and ROI for each tactic using historical information if you have it. If you don't, then make your best prediction. As you begin to use this process to predict, measure and track programs, you will quickly learn and improve the results of your sales and marketing programs. Duplicate this template for each of your tactical programs. The actual numbers can be recorded in the Implementation Calendar.

Table 74.1 Marketing Program Template

Tactic Name:			
Purpose:			
Program Objectives:			
Description:			
Target Audience:			
Messaging / Positioning			
Total Estimated Budget:			
Total Targeted Revenue:			
Projected ROI:			
Activity	Timeline	Estimated Budget	Resource

You should repeat this template for each program you plan to implement. If you would like to see an example of how this template is filled out, visit the “Real-Time Marketing” book resources section of www.MarketSmarter.com.



Marketing Tip

Large companies with many tactical programs may wish to pull this section out of the plan and distribute it as a Tactical Plan Brief. This helps the marketing and sales teams stay on top of programs and easily update the document. If you do this, be sure to keep the master tactical plan as a part of your overall marketing plan.

Implementation Calendar and Budget

The Implementation Calendar and Budget is used to summarize tactical programs for a specific period of time (monthly, quarterly, or yearly). This is a good way to report sales and marketing programs by summarizing the projected costs, leads, qualified leads, and projected revenue for each tactical program, and a campaign as a whole. At the end of each quarter you will find this is an excellent tool to compare your projections against actual results.

The worksheet example presents an annual calendar and budget, presented monthly. You can customize this form to present quarters on each page or even just a single month, depending on the number of programs your business executes. Using this worksheet also allows you to enter a minimal number of assumptions to quickly provide a view of the projected results. You can see which programs are providing the most impact, and make adjustments accordingly.

Worksheet Instructions:

1. Enter the average lag time for your sales cycle and time to revenue in months for:
 - Lead to qualified lead
 - Qualified lead to close
 - Close to revenue
2. Enter the average revenue per sale, split out by:
 - One-time, up-front revenue
 - Monthly recurring revenue
3. Enter conversion ratios for:
 - Each tactical category for lead to qualified lead
 - The average qualified lead to close ratio
4. Enter costs and associated leads, by month, for each tactic:
 - If working this process manually, complete the rest of the timeline by tactic by entering the associated qualified leads (using the appropriate ratio assumption), close (using the average qualified lead to close ratio), and revenue (multiply the number of closes by the average revenues).

The automated version of this worksheet (at www.MarketSmarter.com) will use the entered assumptions to automatically calculate the qualified leads, closes, and associated revenue in the correct time period.

Implementation Calendar and Budget

Assumptions / Date Entry Fields							
Lag Time			Conversion Rates			%	
Lead to Qualified Lead			Leads to Qualified Leads			25%	
Qualified Lead to Close			Events			80%	
Close to Revenue			Executive Events			6%	
			Web/SEO			10%	
			Email			10%	
			PR/Other			5%	
			Avg QL to Close			15%	
Revenue							
One-time revenue			\$ 50,000				
Monthly recurring rev per Sale			\$ 7,500				
	Jan	Feb	March	April	May	June	Total
Trade Shows							
Cost	\$ -	\$ 80,000	\$ -	\$ -	\$ 30,000	\$ -	\$ 110,000
Leads	-	150	-	-	100	-	250
Qualified Leads	-	-	38	-	-	25	63
Closed	-	-	-	-	-	6	6
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Email Marketing							
Cost	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 45,000
Leads	75	75	75	75	75	75	450
Qualified Leads	-	8	8	8	8	8	38
Closed	-	-	-	-	1	1	2
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,500	\$ 57,500
Direct Mail							
Cost	\$ 125,000			\$ 125,000			\$ 250,000
Leads	1,000			1,000			2,000
Qualified Leads	-	100	-	-	100	-	200
Closed	-	-	-	-	15	-	15
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 862,500	\$ 862,500
Web/SEO							
Cost	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 42,000
Leads	60	60	60	60	60	60	360
Qualified Leads	-	4	4	4	4	4	20
Closed	-	-	-	-	1	1	2
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,500	\$ 57,500
TOTALS							
Cost	\$ 139,500	\$ 94,500	\$ 14,500	\$ 139,500	\$ 44,500	\$ 14,500	\$ 447,000
Leads	1,135	285	135	1,135	235	135	3,080
Qualified Leads	-	111	49	11	111	36	318
Closed	-	-	-	-	17	7	24
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 977,500	\$ 977,500

Implement

P • R • A • I • S • E™ Marketing Process



Summary: Section V

- ✓ Complete the Marketing Program ROI worksheet for each tactic you plan to implement. This will help you project ROI, and you will use this information in Section VI, “Execute and Evaluate,” to create a ROI Optimizer.
- ✓ If you do not currently track ROI for marketing programs *start now!* What gets measured will improve, so begin a process for systematically projecting ROI and measuring the actual results. A year from now, you will have some history to reflect upon and make wiser decisions.
- ✓ Complete the Social Media Strategy and Plan.
- ✓ Create a tactical plan using the template provided. Outline the marketing programs you plan to implement and include a description of the program, resource needs, time frame, budget, and projected ROI.
- ✓ Transfer your programs and budget to the Implementation Calendar and Budget to provide a consolidated view of programs. Update this at least quarterly.
- ✓ As sales and marketing programs are implemented, use the Sales Funnel Analysis worksheet to track and measure success.

Section VI

Execute and Evaluate: Create a Culture of Execution

“The fact is culture eats strategy for lunch.... You can have a good strategy in place, but if you don’t have the culture and the enabling systems to implement that strategy...the culture of the organization will defeat the strategy.”

—Dick Clark, former CEO of Merck

As you know now, creating a marketing plan takes significant effort, especially if this is the first time you have developed one. But it’s execution of the plan that will make your business successful. This concept may sound simple enough, but lack of execution is one of the biggest reasons companies fail to achieve their objectives. There are several reasons why this happens, and we will discuss these pitfalls and how to avoid them in this section.

In addition to increasing your execution skills, you will also learn how to evaluate your marketing plan using several tools and processes. Ongoing evaluation of your plan is a critical component of keeping it updated in real-time, and you will learn a simple process to do this. As the market changes and marketing programs are executed, you will be able to quickly adjust your strategies and tactics. In this section, you will:

- Understand why so many companies fail to execute strategy and what to do about it.
- Learn an effective process to integrate sales, marketing, and service teams.
- Use new tools and processes to evaluate specific elements in each section of the P•R•A•I•S•E Marketing Process.
- Learn how to predict and measure the outcome of marketing and sales programs to targeted customers.
- Measure success to both quantifiably and qualitatively assess the effectiveness of your plan.
- Identify the most critical areas of your plan to track and update frequently in real-time.

- Learn a process to integrate marketing planning with operational reviews.
- Create top-down and bottom-up alignment of your entire demand chain using the ROI Optimizer.
- Learn why culture drives financial performance.
- Learn how to create a company culture focused on accountability and execution.
- Create a process to communicate, review, and update your plan, which will help you execute better than 90 percent of companies.

The Problem with Marketing

Borrowing from Rodney Dangerfield, I would say the biggest problem in businesses today is “Marketing Gets No Respect.” If marketing is viewed simply as a department that implements campaigns and “creative stuff,” how can the organization possibly hope to align around customer needs? If the purpose of marketing is to understand and meet the needs of customers, what gets in the way of this happening?

It’s the organization’s perception of marketing that needs to change.

In Section I, “Purpose,” I referred to Peter Drucker’s quote that the most important functions in a business are marketing and innovation. Marketing and innovation are the drivers to understand and fulfill customer needs, and without satisfied customers to buy a company’s products and services, a business would cease to exist. So with all the technological innovations and creative new thinking around the world, why is it that perceptions and advancements in how we think about marketing have not kept pace? If we all buy in to the commonsense wisdom of Peter Drucker’s statement, *why don’t organizations give more respect to marketing?*

Marketing is uniquely positioned to align the entire organization around the customer. To do so, marketing must take a leadership role to redefine the definition of marketing, and the CEO must ensure that marketing has a seat at the executive table. In large companies, the person leading marketing, the Chief Marketing Officer (CMO) must have the same stature as a COO or CFO (not just a title). A similar principal applies in small and mid-sized companies, regardless of what title is used. Organizations need to think beyond marketing as simply a department because the role and meaning of marketing has evolved way beyond this. It’s much more complex and comprehensive as we have discussed throughout this book. It’s time for CEOs, marketing and sales professionals, and other business executives to work together to create a new definition of marketing. This role should include priorities such as leading change, deepening the organization’s understand of customers and how to build loyalty, and implementing new communication and alignment processes to improve strategy execution.

“Marketers who don’t learn the language of quality improvement, manufacturing, and operations will become as obsolete as buggy whips. The days of functional marketing are gone. We can no longer afford to think of ourselves as market researchers, advertising people, direct marketers, strategists—we have to think of ourselves as customer satisfiers—customer advocates focused on whole processes.”

—Daniel Beckham

On the next few pages we will discuss some of the biggest issues related to marketing today. My intention is not to point fingers at marketing, sales, CEOs, or any other functional role. I have personally held positions in all of these roles and each gave me a different perspective about marketing. The sum of all these experiences is what led me to think about marketing in a different, more holistic way.

It’s time to start a conversation about what marketing really means, not just as a role, but as a way of managing the business. It may require you to think very differently about budgeting, organizational structure, how teams work together, and how results are measured. In this redefined role, everyone aligns around customer needs.

How to Fix the Biggest Problems in Sales and Marketing

Marketing and sales effectiveness is an issue on the mind of every business leader. Most of the issues that hamper effectiveness have been around for a long, long time. If you have several years of business experience under your belt, you will look at these problems and, like me, wonder why the heck they persist. None of them are especially complex, but they do take effort to fix. These issues are just as persistent in many small companies as large ones, but the scale is different. If you work in a large company, you might think it’s easier to solve world hunger than fix some of these issues, but you will see that even the smallest changes will make a big difference. I speak from experience—you can tackle and fix these issues!

The biggest problems in sales and marketing boil down to issues in five main categories—and if you can solve them, you will greatly improve your company’s success in several areas:

1. Break down sales and marketing silos to increase collaboration, effectiveness, and customer value.
2. Improve the selling process to sell higher in the organization and increase revenue.

3. Increase access to information and facilitate cross-functional conversations to improve customer knowledge and experience.
4. Train all stakeholders, internal and external, to think like marketers.
5. Change the process for measuring marketing and sales programs to create more effective and predictable outcomes.

Break Down Sales and Marketing Silos

According to a recent CMO Council report, only 16 percent of sales and marketing departments believe they are “extremely” collaborative. Marketing and sales often operate as completely separate silos with little collaboration. If a company wants to be customer-focused, these two teams must work together to improve their understanding of customer needs. This involves joint planning on market strategy and major account plans. This seems obvious, yet most companies don’t take the necessary steps to resolve this problem. Let’s see what each party can bring to the table to improve the effectiveness of both sales and marketing teams.

Marketers can improve CRM system data and customer analytics to make sure that the right kind of information is being collected about customers. Improving processes for data collection, analysis, and reporting will ensure strategy and decisions are made by an informed group of customer stakeholders. Marketing must also lead *internal* branding and communications programs and *teach* everyone in the company about what it means to be marketing and customer-focused. This requires a focused and comprehensive internal branding campaign that is not event driven, but part of the company culture. When marketers facilitate discussions with people and teams across the company, everyone has a shared understanding of what drives business success, and that everyone has a role in marketing.

What about the sales department? What can salespeople do to break down the silos between marketing and sales? As the principal liaison between a company and its customers, salespeople are the primary stewards of the customer relationship. The first and most important step is to actively engage marketers in customer meetings. The marketing team cannot develop effective sales and marketing programs if they don’t have a shared experience working with customers. It is unrealistic for salespeople to expect them to create effective marketing programs with information that has been handed down or gathered only from marketing surveys. Marketers need real face-to-face time with customers in order to understand their biggest challenges and pain points. Since salespeople usually “own” the customer relationship, they should initiate this first step. The head of sales should mandate and promote a strong relationship between his/her sales team and the marketing team.

A huge benefit of joint sales meetings is sales and marketing professionals each have a different perspective, and both are equally valuable. Salespeople have an established relationship with customers and deep customer knowledge. Marketers will look not only at the immediate customer's challenges, but how these issues impact entire industries. Marketers can then apply research to understand if a customer's challenges are similar across an industry, and contrast how well your company is able to solve these issues. This will help them identify gaps in your product/service offerings, as well as create more effective marketing programs and communication to customers and industry segments. The obvious benefit for salespeople is that this will enable them to sell more effectively to more customers in an industry segment.

Sales and marketing teams should collaborate on the revenue goals and the marketing and sales plan. If the marketing department has only a target revenue number and little visibility into how the number will be achieved, how can they create effective marketing programs that will help salespeople achieve their goals? There is an old saying "Good marketing makes selling irrelevant" but this statement is seldom a reality for most businesses. Effective communication is needed by both teams. If marketing and sales teams work together on planning, strategy, execution, and reporting, it will solve most of the problems caused by operational silos. Productivity will improve, and so will sales results.

In good economic times, it's important for marketing and sales to work together to increase organizational knowledge of industries and customers. During difficult economic times, it becomes even more critical. Budgets are tighter and decision making tends to be much slower. This makes it imperative to approach the sales and marketing process in a new way that is much more collaborative and customer-centric.

Change the Sales Pitch, Win New Business

In addition to revenue generation, companies are looking for ways to cut costs and improve efficiencies. For salespeople that understand how to do both, it presents a big opportunity to expand customer relationships. Customers want to do business with people who understand their specific needs. To win complex sales, salespeople must go beyond "consultative selling." They need to dig deep to understand the issues their customers face, and offer knowledge and creative new ways to solve a customer's biggest strategic business issues and challenges. This type of strategic selling is very different from solution selling. The salesperson takes a genuine interest in providing strategic advice to help customers improve sales, or recommending operating efficiencies, or improving bottom-line performance measures.

A salesperson who is focused on delivering this kind of value to customers may recommend not only products and services, but new distribution channels, strategic alliances, or even strategic changes to the customer's business model.

This requires salespeople to have knowledge of industry issues that affect their customer's individual situations, and this is where a marketer can really help a salesperson. A good marketer can research and analyze important industry facts and trends that will help customize solutions for individual customers. If the sales and marketing team has tackled the organizational silo issue and is working collaboratively, each party brings different skills to the table and both are needed to create compelling, customized business solutions and sell at higher levels in the organization.

This reveals another benefit of a collaborative sales approach. When a salesperson sells at higher levels in an organization, it will give them exposure to several new areas of a client's business to which they previously did not have access. This can lead to increased revenue on a per customer basis without discounting prices because customers receive more value. The result is increased profitability and market share as a result of improved customer relationships and increased account penetration. This is good news for companies that are hungry and aggressive about winning new business from entrenched competitors.

Organize Around Customers, Not Products

Sales effectiveness is one of the most important measures of business growth. Despite the recession, many companies have not lowered sales expectations. Even during the most difficult period of the recession, the average sales growth target was 18 percent and targets continue to be aggressive as the economy struggles to recover. What fuels this optimism?

Nearly 75 percent of sales leaders believe that double-digit sales increases will be realized from adopting a consultative, business-centric approach to solving customers' problems. The problem is they have a difficult time executing this strategy. Why is it that only 31 percent have been successful in adopting this approach, despite the strategy and the rationale to do so? The issue is not the salesperson's style or sales methodology, but the larger systemic issue of how businesses are organized.

Here's the problem: Although sales leaders want to sell solutions (not just products or services) and sell at higher levels in their customers organizations, *their own companies are still organized around products instead of around customers*. The problem grows even worse in large companies. According to the Sales Talent Management Benchmark study, only 9 percent of companies with over 1,000 salespeople are business-centric instead of product-centric.¹ When companies are focused on selling products

instead of what customers need, it leads to all kinds of problems—and one of the biggest is unrealized sales opportunities. Another more visible issue is dissatisfied, confused customers.

When I worked for a very large company several years ago, I had lunch with one of our biggest customers and a few of our company executives. After a tense 20 minutes of conversation, the customer leaned over and whispered to me, “If I didn’t have nine sales people from your company calling on me, we wouldn’t even be talking about this problem. Don’t any of these guys talk to each other?”

Later when I told the primary salesperson about the customer’s comment, he just shook his head and responded that he was well aware of the problem. Salespeople from several different business units and from different geographies were all fighting to get a piece of the customer’s business. In essence, they were all competing against each other. He then said something equally horrifying: “I know exactly how our customers feel. I have 12 different division leaders calling on me to see how much I will be selling for their division.”

If you work in a large company, start a conversation and build a business case for how changes in the organizational structure will drive knowledge and collaboration that will lead to increased customer satisfaction and account penetration. Teams are working toward the same desired outcomes—improved customer relationships, sales, marketing and operational effectiveness, and of course, increased revenue. What gets in their way of achieving these goals is the organizational silo structure that breaks down communication. It’s also the way compensation is structured. If changes are made to the budgeting process and how revenue is recognized across company divisions, this may be the fastest way to drive change.

If you own a small to mid-sized company, you should seriously consider these facts and assess your own organizational structure. If your company is not organized around customers so that every department can work collaboratively to solve customers’ problems, your business is lacking efficiency and effectiveness—and most likely sales opportunities. It will also affect the pace of growth in your business. Organize around customers instead of products as early as possible, and you will see improvements in agility, responsiveness, and results—both internally and externally.

Collaborate, Automate, and Get Smart

As customers continuously interact with a brand, there is an increased need to share customer information across multiple teams to improve customer knowledge. This will drive improvements in customer experience, customer service, and ultimately loyalty—the key driver of business growth and profitability. Making improvements in this area makes

absolute sense, right? The reality is only 12 percent of sales and marketing teams say that they have access to integrated, real-time information about customers that would enable them to make informed decisions to improve sales and marketing programs and communication to customers.²

As we discussed, one of the issues that inhibits sharing information is organizational silos, but an equally important issue is the lack of processes and systems to share customer information.

Some businesses use CRM systems (like salesforce.com) to gather basic customer information about interactions, but what is missing is information about customer *experience* across different parts of the organization. A marketer may know which customers responded to a campaign, and sales people may know what the customer purchased, but they do not understand customer reaction and interaction with the brand as a whole. For example, how do customers find and respond to information on the company Web site? What kind of experience did they have with customer service representatives? What kinds of questions did the customer ask and what were the concerns? Were they resolved? What follow-up is required and how is this communicated to salespeople?

Customer service and support are critically important to customer experience, a responsibility that should fall under the responsibility of marketing, yet only 17 percent of marketers oversee this important function.³ The same questions asked above can be asked about communication between a customer and the billing department, fulfillment, operations, technical support, and other parts of the organization.

It is the *culmination of a customer's experiences with a brand* that drives satisfaction and loyalty. Information should be collected and shared about customer experience through a CRM system, and internal communications processes should create a closed-loop system to analyze and discuss results on an ongoing basis. But the problem with many large companies is they may collect the data but lack processes to share information and discuss the results. This leads to the next obvious problem, which is lack of results and poor ROI from marketing, sales, and customer service programs. As programs are implemented, they're not optimized, so ROI is far less than what was projected.

You can guess what happens next: finger pointing. The marketing department gets blamed for a poorly designed program, the sales team is accused of not having the right sales skills or poor follow-up, and the customer service team is charged with not having deep relationship skills. Sound familiar? Then, make a change to collaborate, automate, and get smart.

Most small businesses have basic CRM software, but if you don't, you can see by the example above that the issues of data collection, analysis, and sharing are very important. This can be done by putting the processes in place to improve collaboration,

even if the processes are manual. Determine what information needs to be tracked and reported, and schedule regular meetings to discuss key customers.

As processes are reviewed, make sure that handoffs are defined between all the departments that interact with customers, including marketing, sales, customer service, and other parts of the organization. There should also be a process regarding expectations related to documentation, last customer conversation, and next actions required. Not only will this streamline and improve efforts across teams, it will increase knowledge and cultivate organizational learning.

One of the most important conversations that teams can have is asking the question, “What drives customer satisfaction and what drives customer loyalty?” As each team answers the question, it creates a shared understanding of what each team must do, individually and collectively, to improve the value that your customers receive.

A collaborative process should also include an analysis of the solutions each customer buys, and how to cross-sell and up-sell additional solutions. An easy and effective way to increase existing customer sales is to improve your customers’ understanding of the full range of products and services your company offers. CEOs are often shocked to learn how many customers are simply not aware of the company’s full range of solutions. This realization usually occurs after learning that a piece of their customer’s business is going to a competitor. The good news is that when this issue is identified and resolved, it can create surprising increases in sales and customer profitability.

Take a moment and answer this question: *If your company implemented just one of these ideas, what difference would it make?*

Marketing Is Not a Department

If knowledge is a competitive advantage for your business, then you need a commitment to develop knowledge as a core competency. Sharp business leaders know it is wise to cultivate sales skills and knowledge in the people who work with customers. After all, personal selling and customer service are the attributes that give companies their competitive advantage. People need more than basic skills training. They need to understand company goals and the *business reasons* behind decisions. For example, if marketing, sales, and customer service levels are aligned to customer segments (remember A, B, C, and D customers?), then front-line employees need to understand why some customers are “A” customers and others are “C” or “D” so they can make better decisions about how to service them.

Several departments need training to understand how your company segments markets and targets customers. For example, what is the profile of an ideal customer? How

does your company's solution solve the needs of your customers? Why does customer loyalty and retention matter? How should customer issues be flagged and/or escalated? What is the value and importance of key customers?

Businesses must not forget to invest in the systems and training to help other stakeholders become successful. Distributors, strategic alliances, and other channel partners need training that extends beyond "features and benefits" training on products and services. Sales partners are an extension of your company, so they should have knowledge of the company's core values, customers, growth strategies, mutual goals and expectations, and a closed-loop system to communicate new ideas back to the company.

Customer stakeholders need to know what information is important to track and measure, as well as how to report and share what they learn. When everyone has the knowledge and tools to do all of these things, they become much more effective in servicing customers.

Measure Marketing, Continuously Improve

"Marketing is like a millstone around my neck."

—Anonymous CEO, McKinsey Quarterly

"Marketing is increasingly living a lie in my organization."

—Anonymous CEO, PWC Survey

"Marketing is divorced from the operational world."

—Anonymous CEO, Synesis

Executives have long suspected that much of the money they spend on marketing in their companies is wasted. Marketers are under a lot of pressure. The vast majority report that demands to improve marketing efficiencies have significantly increased. Is this news surprising? Of course not. Companies have been asking for more measureable marketing for decades. Despite the growing concern, the problem persists. The reason behind the problem: One-third of companies have little or no understanding of their true marketing costs, and very few have a disciplined process to measure marketing.

When companies fail to create a system to predict, measure, report, and improve marketing, decisions are based on assumptions, which can be misguided. As a result, sales suffer, and money that could be directed toward investments in profitable growth is squandered away.

How bad is it? In one report, only 23 percent of B2B technology companies "fully agree" that their direct marketing activities are systematically measured. Wow—direct marketing is pretty easy to measure. What does this mean for other marketing program measurement? Only 9.3 percent of marketers rate their e-metrics and measurement

capabilities as excellent.⁴ It's no wonder marketing continues to be such a problem for companies today.

Another disconnect is the budgeting process. The criteria and method that is used to budget marketing and project ROI is often incorrect. All of these factors define why we need a new approach to marketing. Executives, marketers, and finance teams must work together to change the old out-dated methods of budgeting and ROI measurement. In the remaining chapters in this section, you will learn more effective processes that will help you develop a new approach to budget and measure marketing and fix this long-standing problem at last. Is this easy? I wish I could say yes, but the processes you are about to learn require effort and discipline to execute.

Let's start by looking at the budgeting process first. The next chapter describes a holistic, collaborative, and more accurate way to budget and plan for marketing expenses. It will help you understand the true cost of marketing, which has a direct effect on how results are measured.

In Chapter 79, "ROI Optimizer: Increase the Effectiveness of How Marketing Is Measured," you will learn a new process to measure the effectiveness of your marketing using the ROI Optimizer. But this process does even more than measure marketing results. By linking and measuring all the elements in the demand chain, it actually helps you continuously improve and even predict the results of marketing and sales.

Asset-Based Marketing Measurement

Let's step back to get a broader picture to understand the context of how sales and marketing budgets are established and therefore measured. Is the budget based on individual department goals and marketing programs/campaigns, or is the budget based on the integrated activities to improve customer and market share? These are key questions.

Marketing budgets are often based on departmental budgets that are divided among project expenses to implement a marketing program or campaign. The results, or ROI, are based on the sales generated during the time the program is implemented (revenue generated less marketing expense). This method is overly simplified and is not a good measure of marketing effectiveness. Several other factors must be considered.

In a typical sales process, many people have a direct impact on the ultimate sales results. Marketers create demand. Salespeople close the deal. Call center agents fulfill orders and service customers. Fulfillment and operations teams handle distribution. Accounting invoices customers correctly and in a timely manner, and customer service agents respond to customers' problems, issues, and concerns. Departments across an organization have a role in the execution of programs.

If several parts of the organization are responsible for executing programs that drive customer satisfaction and customer experience, then it only makes sense that several departments should jointly contribute to the planning and budgeting process. Multiple teams should also weigh into how programs are measured. A company objective (increasing customer loyalty) is an integrated activity that needs the support and commitment from several departments, managers, and executives (see Figure 77.1). When mutual objectives are established, budgeting, execution, and measurement become an integrated process, which results in increased success for the entire company.

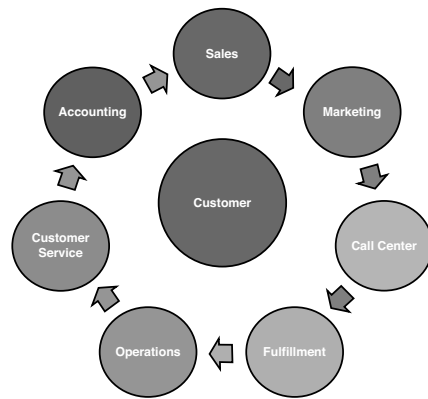


Figure 77.1 *The true cost of marketing: measuring what matters*

Holistic Marketing Measurement

Peter Doyle, author of *Value-Based Marketing*, makes a compelling case for different marketing measures other than simply increased sales and market share. He argues that businesses should focus on shareholder value rather than profit maximization, which is the typical business metric that is used. A focus on profit maximization leads to short-term sales, market share, and profit increases (all attractive goals), but it also leads to cost cutting to see a quick hit to the bottom line. *Actions like these do nothing for the long-term value for the firm.*

What if marketing was viewed as an *investment* to build the brand and customer relationships that enabled growth into new markets? Marketing assets like brand equity, customer relationships, and partner relationships are investments in long-term growth and profitability. All of these factors also impact employee satisfaction and loyalty, which result in reduced turnover and better customer satisfaction—two areas that drop directly to the bottom line. If we adopt this approach, marketing is not simply perceived as a cost or evaluated by the success of a single program. It becomes an investment in the long-term growth and profitability of the organization, and an integral component of the entire management process.

Holistic or value-based marketing requires a great deal of collaboration and consensus within a leadership team. It requires a clear and compelling vision of mutually shared goals, and it requires patience for profits. If the vision of a leadership team extends only to the next quarter, the business will never attain what it is capable of achieving.

This type of approach to budgeting and measurement has benefits that far exceed long-term growth. A holistic approach such as this helps to resolve several of the other long-standing issues with marketing discussed so far in this section. When multiple business leaders agree on strategy and mutually fund projects as investments, it changes how teams work together. It improves how people communicate and collaborate. It expands the value customers receive. Bigger problems can be tackled and solved, and this leads to deeper customer relationships.

Isn't it time to change the way we think about marketing?

Key Performance Measures

Every company uses a different set of individual or collective measurements to evaluate the health of their business. Metrics may include revenue; profitability; earnings before interest, taxes, depreciation, and amortization; cash flow; gross margin; return on sales; operating margin; and other metrics. In addition to these business metrics, there are several you can use to measure marketing:

- Percent increase in net new customers
- Percent improvement in customer satisfaction
- Customer lifetime value
- Customer retention/defect rate
- Marketing program ROI
- Conversion rate
- Return on objectives

Marketing metrics can be analyzed in several different ways to get an increasingly deeper level of granularity to help you refine your understanding of the business (see Figure 77.2). You can analyze a portfolio of products, individual products and services, industry segments, customer segments, individual customers, channel partners, marketing campaigns, and marketing programs. This data can be analyzed again by business units, divisions, and/or geographic regions. The level of analysis will depend upon the complexity of your business, the resources you have to collect this data, and the level of detail you wish to use to evaluate your business.

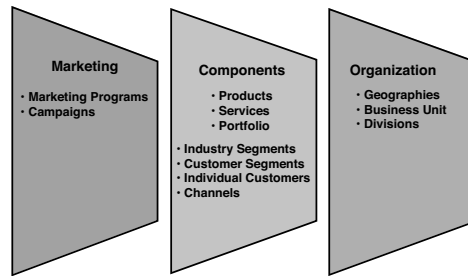


Figure 77.2 *Marketing metrics*

In addition to the holistic marketing measures previously discussed, you now have several other components and metrics that you can choose from to measure business results. Now we will look at several other methods you can use to evaluate and measure your marketing plan. The evaluation elements in the next chapter, “Evaluate: What Is Measured Improves,” are real-time marketing measures that will help you analyze and adjust your plan as it is executed.

Evaluate: What Is Measured Improves

You will be pleasantly surprised to learn that you have been automatically building a measurement and evaluation process into your marketing plan. Each step of the P•R•A•I•S•E Marketing Process has components that will help you evaluate the effectiveness of your plan as it is executed.

Purpose

Goals and objectives were defined in the first section of your marketing plan. Now that you have completed the marketing planning process, you need to revisit the goals to see if they are still relevant or if they need to be adjusted:

- Are the goals still relevant and realistic given what you have learned through your research and analysis?
- Have you established both short-term and long-term goals?
- Do you have buy-in and commitment from leaders across the business?
- Are the goals linked to the larger goals of the organization?

Goals should be specific and measurable so that you can evaluate your progress toward achieving the stated goals and update them as your business situation changes.

Mission, vision, and values are timeless but there are times when they need to be updated to reflect leadership, market, or customer changes:

- Are the vision, mission, and values of the company defined?
- How will the vision be communicated so everyone in the company is clear about where the company is headed?
- How will values become such an integral part of the business that it drives, supports, and nurtures the behavior in all employees?
- Is there congruency between the internal brand and external brand?
- Do employee performance reviews include measures of accountability and demonstration of core values?

The *SWOT analysis* that you created as part of your situation analysis is a tool that can be used in the yearly planning cycle. Use this at the start of strategic planning meetings to get a quick consensus of the company's strengths and weaknesses relative to external threats and new opportunities.

Research

Customer research is an ongoing activity. Customer surveys and interviews may only be done once or twice a year, but there are several mechanisms you can build into your plan to continually measure customer satisfaction and loyalty with respect to your product and service offerings. Interactive voice response (IVR) will help you evaluate the effectiveness of customer service agents, as well as listen and understand the issues that concern your customers. Consider how you can integrate Web-based feedback (quick surveys, blogs, forums, etc.) to stay current and connected to customers. Continuously refine your understanding of why your customers buy and what motivates them. Consider hosting a customer advisory board to get in-depth information about how to improve your business on an ongoing basis. Most important, get out of the office and in front of customers to observe them interacting with your products and services. You may learn more this way than with a dozen surveys!

As you learn through ongoing customer interactions, apply this information to improve customer experience and to increase the success of marketing communications and programs.

Customer segments should be analyzed in operations reviews so everyone can contribute their knowledge and experience from working with customers. It will also create a collective understanding of who the most important customers are to your business. Evaluate how well the CRM plan is being executed. Is the sales team doing an effective job of targeting and selling to "A" customers? Is the number of customers in this category increasing? If you had a goal to migrate "B" customers to "A" customers, was the strategy effective? What new strategies should be developed to impact customers in the "C" and "D" categories? Based upon a refined understanding of customers, will this change the target market profile?

Competitive updates are easy if you divide the responsibility for collecting this information across several people. In operations reviews, people can report changes and strategic adjustments can be made. As new competitors are identified, your team can respond quickly.

Macro-environmental trends are easier to monitor when several people are tracking various topics and issues. If this information is collected on an ongoing basis as

described in Section II, “Research,” your strategies and plan can be updated real-time in quarterly operations meetings.

Analyze

Break-even and target profit are dynamic and change as the factors that impact these measures change. Evaluate pricing for your solutions compared to industry benchmarks and competitors’ pricing. These metrics can be evaluated as financials are updated, or during the quarterly marketing and operations review.

Continuously look for new ways to add *customer experience*, thereby adding *value* and the potential to raise prices. You may wish to do the “Finding New Value” worksheets once a year to evaluate strategic changes in response to changing conditions.

Distribution channels require analysis in several areas. Were the goals for each channel met for revenue, profit, and margin? If not, what will you do to improve results? Do channels need additional training? Are there any issues related to channel conflict or compensation? Do marketing programs create too many or too few leads? For some businesses, channel partners represent the most important aspect of their marketing mix. Build relationships and create ongoing value with your trusted partners. Include them in company meetings and events and share information with them to build a mutual understanding of customers and your business.

Implement

The *Implementation Calendar and Marketing Budget* are updated as programs are executed. In quarterly reviews the program results should be reported and analyzed. The results may require changes in messaging, targeting, price, media, creative, and other areas. Marketing is a process of continuous learning by tracking results, understanding the underlying factors that created the results (whether they are positive or negative), and making adjustments.

Remember, most businesses are looking for a marketing program that will be a “magic bullet” to produce new customers. The real secret is rigorously measuring and analyzing results and making improvements based upon a closed-loop continuous learning process.

The *Marketing Program ROI* worksheet is a “what if” tool that can be used to test new marketing programs. This worksheet should be used in conjunction with the sales funnel analysis worksheet and the ROI Optimizer.

Sales funnel analysis will help you analyze how the steps in the sales cycle correlate to marketing strategy and execution. Do programs target qualified buyers? Do they generate enough leads? Do they create too many leads resulting in lost opportunity because the sales force is not staffed to follow up? Analyze the number of proposals that were created and how many were converted to closed sales. Each stage in the sales funnel should be analyzed for its effectiveness.

Strategize

Strategies should be assessed and updated in every quarterly review meeting. The performance measures and market reports on the topics previously mentioned will dictate if strategies need to be adjusted. New competitive information may require attention to competitive and pricing strategies. Trends and customer analysis may signal that strategic changes must be made. Customer feedback may reveal the need for a new service. A new product innovation may create growth opportunities in new markets. As products evolve through the lifecycle, they require new distribution channels, pricing, and marketing.

Evaluate and Execute

The *ROI Optimizer* is a process you will learn in the next chapter that will link and measure all the elements in the demand chain. It is an invaluable tool that will help you not only assess the effectiveness of marketing programs, but will also identify specific areas and dependencies in the demand chain where improvements can be made. By improving the success of marketing and sales strategies and tactics, you will be able to make better decisions and grow your business at a faster pace.

The *Balanced Scorecard* is another tool you will use to measure the effectiveness of targeted objectives. It will help you align people and processes to meet customer needs, thereby achieving financial goals. An overview of this process is described later in this section.

Culture assessments will create specific measures you can use to improve year-over-year results in several areas of your business. Several companies can help you create and administer assessments. Look for those that will link employee and customer satisfaction with business performance metrics. You can also follow the ten “Culture Rules” at the end of this section to design and monitor your own programs.

ROI Optimizer™ : Increase the Effectiveness of How Marketing Is Measured

The MarketSmarter ROI Optimizer is a methodology for connecting, visually and mathematically, all the components of the demand chain to give managers and executives the ability to dramatically improve the efficiency, effectiveness, and predictability of their entire demand chain. An organization's demand chain is comprised of the sales, marketing, and service organizations, and the activities and programs that are implemented to consumers, to a sales force, and through various channels such as distributors, wholesalers, and strategic alliance partners.

The ROI Optimizer provides a framework for planning, managing, and measuring every entity and activity within the demand chain. It is made up of five primary elements that, when linked, provide a holistic picture to gain insight about what is working and what is not working. These elements are: (1) the revenue and quantity goals for the number of products sold, sales goals for sales and distribution channels, target customer segments, and sales and marketing programs that will be implemented; (2) the products or services that you sell; (3) the sales channels that sell them (sales force and the distributors, resellers, and other channels you sell your products through); (4) the goals for target customer segments; and (5) the marketing and sales programs you will implement to reach all audiences.

An important benefit of the ROI Optimizer is that it provides a clear picture of how sales, marketing, and service organizations must work together to achieve the best results. Departments have clear objectives about what is needed to stimulate demand and support for every other section of the demand chain.

Additionally, the ROI Optimizer creates a continuous improvement cycle so people can learn from every program that is implemented and improve over time. Optimization occurs when the existing situation is analyzed for its contribution to the overall goals of an organization. If you set this up in a spreadsheet, multiple scenarios can be quickly created to evaluate different versions of what is most effective regarding the mix of products, channels, customers, and marketing and sales programs.

The first time you use the ROI Optimizer, it will take some getting used to because it's a different way of thinking about linking marketing and sales activities to the company's overall goals. But do you want to base your decisions upon linking the demand chain, or on the accuracy of your intuition? Measuring marketing and sales ROI also takes discipline, but you will see improved ROI and continuous improvement. As you learn more each time you use the ROI Optimizer, it will become easier over time to predict results.

The ROI Optimizer is a solution to the problem that plagues most organizations—particularly marketers. As you read in earlier chapters, the ability to measure marketing is the nemesis of every marketer. It's a real-time marketing tool that can significantly reduce the time to develop, justify, manage, and measure plans, and it can increase the ROI for any sales and marketing program. In short, it will help you market smarter and improve results.

ROI Optimizer™ Process

The following process will help you visually connect all the components of your demand chain to improve the efficiency, effectiveness, and predictability of marketing and sales programs. The ROI Optimizer will be created with information defined in five areas:

- Goals
- Products and services
- Sales channels
- End users
- Marketing and sales programs

Figure 79.1 depicts the basic flow of the ROI Optimizer, and the dependencies between each sections. Complete each step following the directions outlined in each section.

NOTE:

- Numbers have been rounded.
- Definitions for terms used in the ROI Optimizer are defined at the end of Step #5 "Define Marketing and Sales Programs."
- The Marketing ROI Optimizer™ is flexible and can be customized to your business needs.

Goals

Products & Services		G1	G2	G3	G4	G5
P1						
P2						
P3						
P4						
P5						

Sales/Channels		G1	G2	G3	G4	G5
S1						
S2						
S3						
S4						
S5						

Target Markets		G1	G2	G3	G4	G5
T1						
T2						
T3						
T4						
T5						

Overall Goals	G1	G2	G3	G4	G5

Programs	Cost	Impr.	Leads	Q. Leads	Wins	Revenues	ROI	Prod./Svc.	Channel	Target

Figure 79.1 The ROI Optimizer

Step 1: Set Your Goals

Define overall sales goals, which should include at least the basics: quantity and revenue. Keep in mind that the more specific your goals are, the more they can be measured and improved over time.

Goals can include the number of products you want to sell, the size or revenue goals for target customer segments (which defines the opportunity for possible sales), and specific sales goals for each of the sales and distribution channels (see Figure 79.2).

- Define revenue and quantity goals for products/services, sales channels (direct and indirect), and end user market segments.
- Make your goals quantifiable. For example:
 - Reach \$5.2 million in revenue by the end of your fiscal year.
 - Obtain 230 new customers, including service plans for 175.
 - Sell 45% of yearly revenue goals through indirect channels (\$2.3M).
 - Recruit 50 resellers by March 1st.

Overall Goals	
❶	Achieve \$5.2M in revenue for fiscal year
❷	Obtain 230 net new customers
❸	Drive 45% of revenues through indirect channels

Figure 79.2 *Define goals*

Step 2: Products and Services

- List all of your products and services.
- Map your products to the previously identified goals.
- Make sure your cumulative product goals equal your overall goals.
- For example:
 - Achieve \$1.0M in revenue from the Basic Package and 31% of Enhanced Package revenues (\$1.9M) through the direct company sales channel.
 - Attain 36% of indirect channel revenues from the Enhanced Package totaling \$840K (represents 45% of overall revenue goal).
 - Shift 100% of service fulfillment to channel partners, resulting in 64% of indirect channel revenues (\$1.5M).
 - Obtain 175 new Enhanced Package customers, all with a service plan.

Products & Services	❶ Revenues	❷ New Customers	❸ Channel %
❶ Basic Package	\$1.0M	55	0%
❷ Enhanced Package	\$2.7M	175	36%
❸ Maintenance Services	\$1.5M	175	64%

Figure 79.3 *Define products and services*

Step 3: Define Sales Channels

- Identify and list all the sales organizations and channels, both direct and indirect, that the products are sold through, including an inside sales team, major account sales, distributors, resellers, strategic partners, and other channels.
 - Depending on the complexity of your sales channels and how specifically you would like to measure your results, you should define each specific sales channel. (Note: Reports can group sales channels like online catalogs, marketing affiliates, and manufacturers' representatives so they roll up to one number for a category like "online sales channels," but each channel needs to be measured individually first.)
- Map your sales channels to the previously identified goals.
- Make sure your cumulative sales channel goals equal your overall goals.
- For example:
 - Attain \$2.9M (55%) of revenues through direct sales.
 - Attain \$2.3M (45%) of revenues through indirect channels.
 - Gain 39 new customers through Partner A, 32 new customers through Partner B.

Sales/Channels	① Revenues	② New Customers	③ Channel %
④ Direct Sales	\$2.9M	159	55%
⑤ Partner A	\$1.3M	39	25%
⑥ Partner B	\$1.0M	32	20%

Figure 79.4 Define sales channels

Step 4: Define Target Customer Segments

- Identify and list each discrete customer segment you will be targeting. Target segments may be defined by demographic, vertical industry, company size, number of employees, geography, type of asset, job title, and other criteria.
- Map your target customers to the previously identified goals.
- Make sure your cumulative target market goals equal your overall goals.
- For example:
 - Attain 46 percent of revenue from existing customers in the primary market segment (Segment A).
 - Utilize channel partners to get 46 percent of revenues from Segment A, 31 percent from Segment B, and 23 percent from Segment C.
 - Achieve 23 percent of revenue from small and medium businesses in the technology sector (Segment C) (see Figure 79.5).

Target Markets	④ Revenues	⑤ New Customers	⑥ Channel %
① Segment A	\$2.4M	110	46%
② Segment B	\$1.6M	65	31%
③ Segment C	\$1.2M	55	23%

Figure 79.5 Define target customer segments

Step 5: Define Marketing and Sales Programs

- Define what percentage of your goals (for example, revenue or wins) will be derived from marketing and sales programs versus other sources (that is, upgrades from existing customers, existing channel sales contacts, and so on).
- For example:
 - Drive 20 percent of revenues, or \$1.0 million, from marketing and sales programs.
 - Achieve 160 wins from these programs.
- List the tactical marketing and sales programs you plan to implement to achieve your *program-driven* (as opposed to overall) goals.
- For each program, include the estimated cost, projected number of impressions, leads, qualified leads, wins, revenue goals, and resulting ROI (see “Definitions” for how to calculate ROI).
- Map each program to a specific product/service, sales channel, and target market segment.
 - Note: Each program should map to a single product/service, channel, and target customer segment. If programs overlap multiple areas, repeat the program listing as needed.
- Define the goals you would like to achieve for each marketing and sales program. Note that each program needs to have its own goal, and that these will roll up to provide you with a campaign-level view.

Defining each program in this manner provides insight into the total costs associated with each marketing activity, how each program is designed to achieve the best result, and how each program is quantitatively based upon impressions, response rate, and conversion rates (see Figure 79.6). For example:

- Conduct a \$15,000 telemarketing campaign to convert 150 leads into 35 qualified leads, resulting in 15 wins to drive an estimated \$97,500 in revenues.
- Conduct a joint seminar with Channel A to target Segment A with B Package offer, resulting in \$39,000 in estimated revenues for an ROI of 3.9:1.

Programs	Cost	Imp.	Leads	Q. Leads	Wins	Revenues	ROI (n:1)	Prod./Svc.	Channel	End Users
Telemarketing	\$15k	N/A	150	35	15	\$97.5k	6.5	Enh. Package	Direct	Segment A
Email Campaign	\$5k	55k	550	65	5	\$32.5k	6.5	B. Package	Partner A	Segment B
Joint Seminar	\$10k	1.5k	150	30	6	\$39.0k	3.9	B. Package	Partner A	Segment A
Online Advertising	\$6k	1M	400	40	4	\$26.0k	4.3	Enh. Package	Partner B	Segment B
Tradeshaw	\$20k	300	75	30	6	\$39.0k	1.9	Enh. Package	Direct	Segment A
Maint. Email	\$3k	2k	75	50	15	\$30.5k	10.2	Maintenance	Partner B	Segment C

Figure 79.6 Define marketing and sales programs

Definitions

Impressions: The total number of people who are exposed to your marketing program. (Impressions could be Web page views, for example—not necessary who is “targeted.”)

Leads: The number of people who respond to the program.

Q Leads: Qualified leads fit the specific description a company uses to define a qualified lead (for example, interest and ability to purchase).

Wins: The number of closed sales/contracts.

ROI (n:1): Return on Investment calculated by dividing the estimated revenue by cost. (For example, 10:1 ROI means the return was 10 times the investment.)

Top-Down and Bottom-Up Analysis

By taking a cumulative view of all programs, you can ensure that your programs are sufficient enough to meet your previously stated program-driven goals for revenues for each product/service, channel, and target market. Perform an analysis on your anticipated results by reviewing the cumulative results broken down by product/service, channel, and end-user markets.

For example: The overall revenue goal of \$5.2 million and \$1.0 million is from the Basic Package. If you anticipate 20 percent of that revenue to come from marketing and sales programs, your tactics for the Basic Package need to account for \$200,000 in revenues. However, the programs only provide estimated revenues of \$71,500, which prompts the questions:

- Is your Basic Package revenue goal realistic?
- Can you achieve more than 80 percent of your revenue goal for the Basic Package from non-marketing related activities?
- What other marketing and sales activities can be added to make up the shortfall?
- Do you have enough of a budget to support the additional programs that would be required to meet the revenue goal?

This analysis should be repeated for every product/service, sales channel, and target market. The ROI Optimizer tool provides an immediate insight into whether your programs are sufficient to meet your goals.

In addition, while performing the analysis of the bottom-up estimates versus the top-down goals, you need to continuously check your assumptions to make sure they make sense (see Figure 79.7). For instance:

- Does Partner A have the expertise and contacts to drive 150 leads at a joint seminar?
- Is online advertising the best method for driving revenues from the Enhanced Package?

Products & Services			① Revenues	② New Customers	③ Channel %
④ Basic Package			\$1.0M	55	20%
⑤ Enhanced Package			\$2.7M	175	36%
⑥ Maintenance Services			\$1.5M	175	64%

Sales/Channels			① Revenues	② New Customers	③ Channel %
④ Direct Sales			\$2.9M	159	55%
⑤ Partner A			\$1.3M	39	25%
⑥ Partner B			\$1.0M	32	20%

Target Markets			① Revenues	② New Customers	③ Channel %
④ Segment A			\$2.4M	110	46%
⑤ Segment B			\$1.6M	65	31%
⑥ Segment C			\$1.2M	55	23%

Overall Goals										
④ Achieve \$5.2M in revenue for fiscal year										
⑤ Obtain 230 net new customers										
⑥ Drive 45% of revenues through indirect channels										

Programs	Cost	Impr.	Leads	Q. Leads	Wins	Revenues	ROI	Prod./Svc.	Channel	End Users
Telemarketing	\$15k	N/A	150	35	15	\$97.5k	6.5	Enh. Package	Direct	Segment A
Email Campaign	\$5k	55k	550	55	5	\$32.5k	6.5	B. Package	Partner A	Segment B
Joint Seminar	\$10k	1.5k	150	30	6	\$39.0k	3.9	B. Package	Partner A	Segment A
Online Advertising	\$6k	1M	400	40	4	\$26.0k	4.3	Enh. Package	Partner B	Segment B
Tradeshaw	\$20k	300	75	30	6	\$39.0k	1.9	Enh. Package	Direct	Segment A
Maint. Email	\$3k	2k	75	50	15	\$30.5k	10.2	Maintenance	Partner B	Segment C

Figure 79.7 Top-down and bottom-up analysis

Demand Chain Optimization

Once you have created your ROI Optimizer, it can be evaluated and optimized. Because elements in the map are linked and quantified, everything can be measured. This means that every time you execute a program, it can be improved the next time. Most businesses don't measure marketing, and if you don't, the goal is to start now. You can only get better if you begin to track and measure now. The ROI Optimizer can simplify and automate the process, and help track real results to analyze programs and adjust assumptions for future planning.

Schedule quarterly reviews to share results and assess the next steps in improving performance. Demand generation is dynamic, not static, so don't plan once and wait to change strategies and tactics until next year. Update the ROI Optimizer quarterly, and monthly if you execute many programs and have the ability to measure often. As you apply the ROI Optimizer process, you create a culture of accountability, high performance, and continuous improvement.

The Balanced Scorecard

The missing links between strategy development and strategy execution are communication and alignment. The Balanced Scorecard and Strategy Map are fabulous tools that will help you improve these two critical links. It will create and communicate a shared understanding of strategy, resulting in alignment. Alignment across multiple teams enables greater flexibility in creating and communicating new strategies based on changing market, competitive, and technological conditions.

A few years ago, *Fortune Magazine* published a shocking statistic that stated only ten percent of employees understand their company's strategy.¹ This is consistent with other findings. Research from Harvard professors Robert Kaplan and David Norton, creators of the Balanced Scorecard, reveals that 95 percent of employees are not aware of, or do not understand, their company's strategy.² Furthermore, their research also discovered that 85 percent of executives typically spend less than one hour per month discussing strategy. With statistics like this, it's no surprise that most companies complain about their inability to execute strategy.

The Balanced Scorecard is a more meaningful and effective method for describing, measuring, and communicating strategy than traditional methods. In fact, it is so effective that nearly 70 percent of the Fortune 500 have adopted it. But you don't have to work in a large company to reap the rewards from using the Balanced Scorecard. One of the advantages to small and mid-sized companies is that the process will be easier to manage. There are many benefits of the Balanced Scorecard. It will help you:

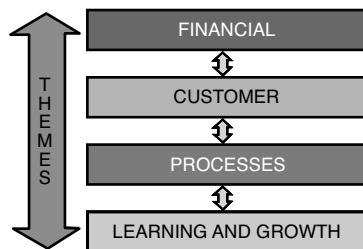
- Translate strategy into operational terms.
- Describe and measure both leading and lagging indicators.
- Describe and measure intangible assets.
- Uncover a flawed strategy or one that is missing critical elements.
- Facilitate budget decisions by focusing on holistically funding initiatives.
- Define time-based measures of the strategy.
- Illustrate a holistic view of the organization.

Balanced Scorecards have four distinct perspectives: Financial, Customer, Process, and Learning and Growth. Strategy Maps translate the strategy, objectives, initiatives, and measures into the four quadrants. Succinctly summarized it would answer the question:

What skills and knowledge do people need (learning and growth) to create and implement strategic processes (internal processes) that will create value for our customers (customer value), thereby achieving our financial goals (financial)? Answering each part of this question will link and align strategic initiatives and goals in each of these four areas.

Strategy maps can be developed around strategic “themes,” which are the three to four overarching goals for your business. For example, if a theme is to “increase customer loyalty,” then you would need to consider the knowledge and training that employees need to achieve the goals of this theme. It may include training to understand customer lifetime value (CLV), customer segmentation, and other factors. Processes to measure CLV, segmentation, customer profitability, and CRM would need to be established. In the customer sector, you would need to determine what customers value the most so they can be retained and identify the programs to nurture customer relationships. In the financial sector, you would create financial targets and objectives that are tied to increased profitability as a result of increasing customer loyalty.

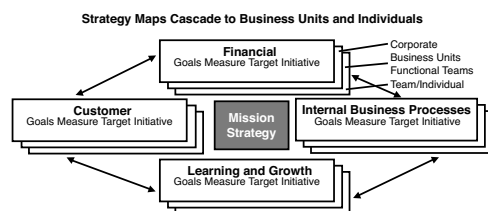
For each theme that is developed, establish objectives, strategies, and programs. Work top-down and bottom-up to make sure each of the areas are aligned to achieve the stated objective (see Figure 80.1)



Source: Adapted from “The Balanced Scorecard: Translating Strategy into Action,” Robert S. Kaplan and David P. Norton. Permission to reproduce granted by author.

Figure 80.1 *The Balanced Scorecard*

The overall business strategy map is created first. The strategy map cascades to other stakeholder groups, such as divisions, business units, and/or teams, so they can align their objectives to the overall organization objectives (see Figure 80.2). This creates alignment of objectives across the entire company, and it also creates accountability and ownership as objectives cascade to the individual level.



Source: "The Balanced Scorecard: Translating Strategy into Action," Robert S. Kaplan and David P. Norton.
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Figure 80.2 Strategy map cascade

The Balanced Scorecard translates strategy map objectives into strategic initiatives, measures, and targets. The strategic initiatives form the action plan that enables the targets to be achieved, and execution of the strategy is managed through execution of initiatives. On completion of strategy development, it cascades to teams and individuals where strategy is translated into individual performance metrics.

Table 80.1 summarizes how a low-cost airline might describe their objectives in the customer and internal process categories.³

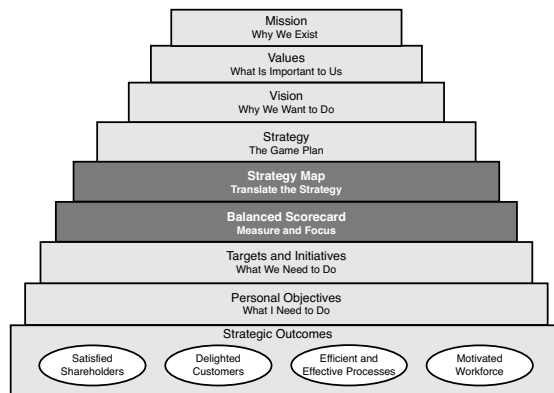
Table 80.1 Translating Strategy into Action

Objective (What is the strategy intended to do?)	Measurement (How is performance—success or failure—monitored against objectives?)	Target (What is the level of performance or rate of improvement needed?)	Initiative (What key action programs are needed to achieve targets?)
Fast ground turnaround	—On ground time —On-time departure	—30 minutes —90 percent of the time	—Cycle time optimization
Attract and retain more customers	—# Repeat customers —# of customers	—70 percent —Increase 12 percent annually	—Implement CRM system
Flight is on time	—FAA on-time arrival rating	—#1	—Quality management
Lowest prices	—Customer ranking	—#1	—Customer loyalty program

As initiatives are executed, they are measured against the targeted performance measures. Over time, this process enables an organization to become more precise in predicting and measuring strategy execution.

As you can see in Figure 80.3, the Strategy Map and Balanced Scorecard follow a process that is aligned to the P•R•A•I•S•E Marketing Process. Mission, vision, and

values create the context and foundation. This is followed by strategy, implementation, and measurement. The two processes implemented together will help you link planning, strategy, execution, and evaluation metrics to continuously improve results.



Source: "Strategy Maps: Converting Intangible Assets Into Tangible Outcomes," Robert S. Kaplan and David P. Norton. Permission to reproduce granted by author.

Figure 80.3 *Balanced Scorecard and Strategy Map Process*

What Is Measured Improves

The ROI Optimizer, Balanced Scorecard, and Strategy Maps are tools you can implement to improve planning and execution. There are similar components in the processes:

- Visually translate strategy to operational terms by mapping it
- Align the organization and its activities to the strategy
- Link measures across the organization and demand chain
- Increased success of strategy execution

The Balanced Scorecard combined with the ROI Optimizer and other methodologies you have learned throughout the P•R•A•I•S•E Marketing Process will increase the effectiveness of strategy development, communication, and execution. The tools and processes are not difficult to use, but they do take discipline to develop and manage. Like your

marketing plan, after they are complete, they are continuously updated as strategy is executed. If you like the concepts of the Balanced Scorecard and Strategy Maps, I suggest you read Kaplan and Norton's books on these subjects. A complete listing of their books can be found at www.MarketSmarter.com.

A business can no longer govern by simple measures of revenue, profitability, and margin. You can't manage what you can't measure, and strategy must be measured differently now than it was in the past. Chapter 81, "The Art and Science of Execution," focuses on *how* things get done.

The Art and Science of Execution

The final part of this section will describe how you can create a culture of execution. The process will explain how to increase efficiency, effectiveness, and business results by aligning people, processes, and operations to your plan, which is the roadmap to successful business growth.

The word “execution” has generated a lot of buzz the past few years, but what does it really mean? The best description I have seen is from Larry Bossidy, chairman and former CEO of Honeywell, and international and vice chairman of GE. It can be found in the book he coauthored with Ram Charan, *Execution: The Discipline of Getting Things Done*:

Execution is a systematic process of rigorously discussing how's and what's, questioning, tenaciously following through, and ensuring accountability. It includes making assumptions about the business environment, assessing the organization's capabilities, linking strategy to operations and the people who are going to implement the strategy, synchronizing those people and their various disciplines, and linking rewards to outcomes. It also includes mechanisms for changing assumptions as the environment changes and upgrading the company's capabilities to meet the challenges of an ambitious strategy.

I had an opportunity to talk with Larry Bossidy a few years ago, and he shared his thoughts on how process-based strategy and execution have given the companies he has lead a competitive advantage.¹ You can apply the same concepts to improve the effectiveness of your business. The following article shows what he had to say.

Former GE Chief Shares His Thoughts on Management Trends

Reece: You have written one of the best and most concise books I have read regarding how to run a more effective company. Why do you believe leaders have such a difficult time executing on what many believe are basic leadership skills?

Bossidy: I think CEOs are being pulled in lots of different directions and as a consequence, they don't apply themselves to what will ultimately decide whether they keep their job or not. It isn't that these principles are new notions, but they are more complicated to execute than they were ten years ago just because of the marketplace in which we are in. So if they don't pay enough attention on one hand and it's more difficult to implement on the other, then there are performance issues, and as a consequence, CEO turnover is up higher than it's ever been before.

Reece: Do you see this trend continuing?

Bossidy: I think the answer is yes. CEOs are conducting themselves very differently than they did five years ago. They know this is a relatively slippery slope, and that they have to pay more attention to things than in the past, so I think that will improve performance. On the other hand, I think the world gets ever more competitive. It's challenging and turnover may not be as high as it was the last three years, but it will be high.

Reece: You describe execution as much more than tactically getting things done. Is the heart of execution really planning and executing against that plan?

Bossidy: The heart of execution is making sure things happen. In other words, it has to be a discipline we call creating and sustaining and energizing around making things happen. There are so many companies that philosophize and wonder and have unimplementable ideas. And the ones who are successful are those who get an idea, do an evaluation whether it will fit in the company, put a timetable on it, and get it done.

Reece: How do you keep your plan alive in the organization?

Bossidy: Most assumptions made during planning don't turn out as expected because we are not able to see things clearly. Keep it refreshed and put a contingency plan together. Quarterly, sit down and look at the plan and identify those things that have changed and what midcourse corrections are needed to keep it alive and relevant. For example, if you have a big target and the world falls apart, you change the target. Don't have people chasing a target that is

never going to happen. So you keep the challenge refreshed as well so people have a chance to find fulfillment.

Reece: What specific methods do you use to evaluate both strategy and execution?

Bossidy: Did we make our goals? Did we keep our commitments that we said we were going to make? There are so many companies that commit to goals they never make. And they find lots of reasons they didn't make them including lots of excuses. The fact of the matter is you judge how well you are doing by whether you made your commitments or not.

Reece: Is there a specific scorecard or key indicators that you use?

Bossidy: Yes, and the metrics change every year. I want three measures all across the company. Those companies with ten goals, ten measurements, don't know what they are talking about. It's too many for people to concentrate on.

Reece: As a CEO, you have been very involved in marketing in your organizations. What do you believe are the biggest marketing challenges businesses face today?

Bossidy: Selling to product teams that demand more. They want economically priced products and they also want a better product built for them. The quality standard has gone up. Also, companies once kept customers for years. Loyalty is not near what it used to be.

Reece: You provide several examples throughout your book of companies that chose the wrong strategy at the wrong time. How would you suggest companies create an accurate strategy given these uncertain times?

Bossidy: With a lurch back to realism. Basically, strategies that failed were unrealistic to begin with. In other words, if you look at companies that are going into an entirely different area that they know nothing about and there are different customer dynamics, they don't succeed. That's why we use the AT&T story in the book. Yes, they had a big strategic problem in the sense of a declining telephone business, but they didn't know anything about cable.

Reece: I have read about your case for companies to eliminate the COO position in their companies. How is this being received?

Bossidy: Theory is this: The CEO can't be divorced from the things the COO is doing. Often times when that exists the CEO is involved in external matters and strategy, and the COO is involved in operations, and that's a dangerous separation to make. The CEO is supposed to be involved with both of those things. I think it's unnatural to divide them, and sometimes when they are divided, there

is a friction that begins to develop. The CEO and COO each have their camp and it doesn't provide for a very efficient and effective organization.

Reece: As you consider your vast career as a CEO, what do you consider to be the single most important concept you use to govern your leadership and how do you want to be remembered?

Bossidy: Two things. You don't ever think of a legacy until you retire. But if I had a legacy, it was one, that I grew a lot of people who learned to run their own companies as CEO. I have a lot of pride in that. And two, I think I have a reputation for being fair and equitable. Not everybody liked me, but I was straightforward and candid with everybody.

Reece: What's next for you?

Bossidy: Writing another book. I run a venture capital company in California and oversee a couple of companies. I'm on a couple of boards. I'm as busy as I want to be. But I don't have the 7-to-9 schedule every day anymore. You have to keep growing. You hope the day you die you learn something. You make your own life dynamically.

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Successful execution of your marketing plan is dependent on the processes you put in place to manage it. You have learned several processes to keep your marketing plan updated throughout this book. Now you will learn a system that brings everything together to help you evaluate your plan and integrate it with other areas of your business.

Real-Time Marketing Planning

Real-time marketing planning is the process of making ongoing updates to sections of the plan so that it is always fresh and responsive to changing market conditions. In today's market, once-a-year planning is not effective. It needs to be linked to operational processes so the planning process becomes of the responsibility of everyone, not just marketing. Most companies have a quarterly operational review, and this is the best possible way to integrate marketing, planning, and operations.

Figure 80.1 integrates each step of the P•R•A•I•S•E Marketing Process into a yearly and quarterly operations review. The top headings define the sections of your marketing plan and how often they should be updated. The bottom section describes the types of meeting to accomplish each task, and recommends the roles of people who should participate.

The *research* and *analyze* components of the plan can be updated on an ongoing basis using the process outlined in Section II. Depending on your company's size and structure, individuals or teams can gather and report on these items.

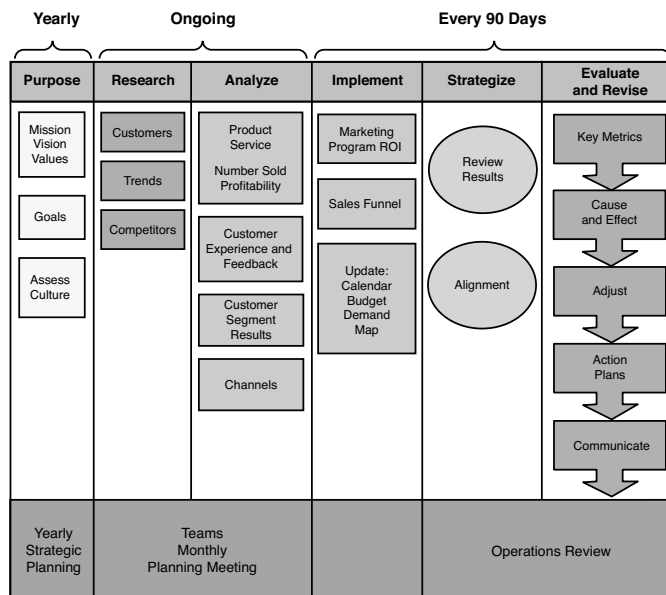


Figure 82.1 Real-time planning process

One of the most important outcomes of this planning process is collaboration and alignment of team members. It creates more accountability and ownership when cross-functional teams are involved in the process of strategy development, reporting, and adjusting the plan based on results. It creates an entirely different level of engagement than traditional methods of planning.

Overlay this process with your business operations process and make adjustments as needed for your business. If you have a very small business, use the resources you have so that responsibility of sales and marketing does not fall to just one person.

Create a Culture of Execution

Consulting firm McKinsey & Company believes that there are seven key elements that drive successful business practice, all of which begin with the letter “S.” Strategy, Systems, and Structure are viewed as the “hardware,” while Style (common thinking and behavior), Skills, Staff, and Shared Values are considered the “software” of business success. It’s interesting that four of the seven attributes are “soft” elements, yet comprise the majority of business success criteria. These attributes describe a company’s culture and they are the “glue” to drive successful execution of your plan.

Extensive research proves that company culture drives business performance. It’s a fact that companies that focus on creating a thriving culture are the most successful. A culture that values accountability and execution requires commitment. It also helps to have a framework. The ten principles are short, concise guidelines that you can use to create a culture that is focused on execution, integrity, and accountability.

If your goal is to create a high-performance company, you cannot choose to implement just a few of these principles and hope for the same results as you would if you followed all of them. Implement these top ten “rules” to create a healthy, innovative, and responsive company where *Culture Rules!*

Culture Rules! 10 Principles to Drive Business Success... and Have More Fun

1. It’s the Economics, Stupid.

Rule number one is to create passionate believers. This starts at the top. The CEO and senior executives must passionately believe that culture is the most important driver of a company’s ability to execute and win in the market. Otherwise, culture initiatives will fail to get off the ground, let alone sustain any momentum. If senior leaders don’t get it, forget it. They must be act on and support culture change—not just talk about it.

I learned this lesson the hard way. Several years ago, I worked in a company where we were beginning a large cultural change effort. Some of the top executives were on board and some weren’t. The CEO clearly understood the importance of culture but his

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ideas were not shared by everyone on the executive team. One day, one of his direct reporters (who was third in command in the company) pulled me aside during a meeting and asked, “Why are you working on that fluffy people shit?” Clearly this individual was not on board. But this one person was responsible for leading thousands of people and responsible for half of the company’s revenue. If he didn’t believe in the value of culture, how could the program possibly be successful? Although the CEO was a strong believer, somehow his passion and enthusiasm were not embraced by even those closest to him.

One of the questions I am asked most often is, “How do I convince company leaders that we need to focus on developing our culture?” If you want to be the catalyst for change in your company, I recommend that you start by making a *business case* for change. The best place to start is by simply sharing the facts about how culture is the driver of business growth. There is a preponderance of evidence to support this fact which will help you get even the most conservative business leaders on board. All the data points to one simple fact: *Companies with strong corporate cultures outperform other companies.*

Some of the best research on the link between company performance and culture was done by management and leadership expert John Kotter of Harvard Business School. He and colleague John Heskett conducted a study to correlate the financial results of culture improvement programs. Here are the results:¹

- Revenues grew more than four times faster.
- Job creation rates were seven times higher.
- Stock prices grew 12 times faster.
- Profits were 750 percent higher.
- Net income grew more than 700 percent.
- Return on equity increased.
- Sales rates improved.
- Customer satisfaction more than doubled.

In another study, Success Profiles, a performance measurement company, studied the business practices of more than 600 companies over eight years and found a critical link between business practices related to culture and performance outcomes including employee turnover, profit per employee, and revenue growth.²

Denison Consulting is another organization that has done extensive research to link culture to superior business performance. In a study of 950 businesses, Daniel Denison and colleague William Neale found a correlation between culture and bottom line financial performance measures including profitability, quality, innovation, sales growth, market share, employee satisfaction, and customer satisfaction.³

So aside from the commonsense reasons to create a healthy company culture, you now know key financial facts to create a business case for change. If you believe that the culture in your company drives business success, start by helping others understand what culture means and why it's important.

2. Walk the Talk

Leadership flows from the top down in organizations. Leaders inspire and teach others to lead through their own actions. Great leaders possess extraordinary communication skills and foster trust through an open and transparent leadership style. They let people know what is expected of them and why it matters. They energize people by describing the larger vision while focusing on short-term accomplishments and quick wins that create momentum. They set milestones and follow through to make sure people keep their promises, commitments, and deadlines. If a roadblock prevents a person from executing the plan, a leader helps him or her create an alternative solution that will work under the changed circumstances.

Leaders take every opportunity they can to lead by example and “walk their talk.” If they say risk and innovation are important, they not only show this in their actions, but also encourage and support others who take initiative. A culture of risk and innovation can only be created by allowing people to make mistakes, and even celebrating them if they lead to positive change.

Leaders turn every situation into an opportunity to teach others. By addressing an issue in front of a team, people learn how to make decisions and take initiative quickly and effectively. The lessons learned will help everyone, both individually and collectively, improve their performance over time. This is the essence of a learning organization.

Senior leaders must be decisive; once a commitment is made, urgency and action plans must be made and followed through. One of the biggest frustrations in companies both large and small is indecision. It can paralyze a department, a division, or even an entire company.

Leaders know that competitive advantage is temporary, so their goal is always to create a flexible, adaptive organization. They teach others how it's done through systems, processes, and actions.

3. Integrity, Accountability, and Trust

If your goal is to create a culture of execution, then integrity, accountability, and trust must be woven into the fabric of the company culture. These values are the foundation for getting things done.

Accountability is doing what you say you will do. If leaders demand accountability, then they are accountable to others. They keep their promises and feel a sense of personal responsibility to do so. Personal accountability doesn't just create better results in the area of execution, it creates a culture of trust. Trust, in turn, creates confidence. When people trust and believe in each other and in the senior leaders they follow, they begin to see what's possible. They have increased faith in the company purpose and vision. They begin to expect what they believe in—and guess what? Science proves that people get what they expect.

Live by the Golden Rule, which is to do unto others as you would have them do unto you. Yes, this sounds like the basics your mother taught you, and she was right. Be nice, be fair, don't lie. It's easy enough to say the words, but action is everything. Integrity is about honesty and truthfulness.

These personal characteristics are in short supply these days. Consumer skepticism is at an all-time high, and who can blame folks for being skeptical? Executives from Enron, Qwest, Tyco, and other once-respected firms are now in jail. The life savings for loyal employees in some of these companies has been wiped out. Other industries have also been hit hard. Banks and mortgage companies created an unrealistic housing market, causing it to crash. Well-established companies like Lehman Brothers and Merrill Lynch experienced devastating losses or ceased to exist. U.S. automakers, once a pillar of strength in America, now depend on the government for bailouts as the industry reinvents itself. We are in our first global recession and the stock market has reacted with volatile swings. U.S. unemployment levels have reached a 14-year high with over 15 million Americans unemployed, nearly 10 percent of the U.S. workforce.

Trust was once a given, but now it seems more and more people are from Missouri, the "Show Me" state: They need to be shown they can trust others before they do. So what can you do? Create a company that values transparency, and then make it real by fostering open and honest communication. If you do this, it will cultivate a culture of accountability, trust, and integrity, and you will be doing your part to help rebuild faith in business.

4. Create a Compelling Vision

If you want to create a kick-butt culture but you're not certain where to focus your efforts first, here is the answer. Research proves that companies that clearly define their mission, vision, and guiding principles, and communicate them consistently across the organization, have significantly higher profit per employee than companies that do not. A survey by Success Profiles found that the average profit per employee increased from

\$7,802 to \$27,401 in companies that make mission, values, and communication a best practice in their organization.

One of the most interesting results in the Denison study was that one attribute—mission—stood out more than any others, impacting six out of the seven performance measures.⁴ These are profitability, sales/revenue growth, market share, quality, employee satisfaction, and customer satisfaction.

This study is fabulous news for companies that are driven by purpose. The key to driving strategy and execution is a message that communicates the higher purpose of the organization. This is accomplished by creating a compelling vision that inspires everyone toward a common purpose and mission.

Bring the vision alive by making it visible in as many ways as possible. For example, post a strategy map or vision board on the walls of conference rooms. Frame visual reminders and pictures that celebrate achievement toward milestones. For example, Zappos has an entire wall framed with T-shirts that celebrate the company's million dollar milestones...from 1 million to the first \$1 billion.

Strategy describes how a company will achieve its vision and purpose. It communicates what must be achieved and the initiatives and tactics describe how it will be implemented. Priorities and personal objectives are linked to strategy. Through regular dialogue, employees understand the link between purpose, strategy, and their own activities. When performance metrics are tied to the execution of activities, this creates personal accountability and a stake in the outcome.

In a high-performance culture, people make commitments focused on priority objectives. There is active discussion about what to do, as well as what to stop doing. This dialogue creates not only focus, but alignment, because there is strong communication about what must be collectively achieved.

5. Product Myopia Is the Death Spiral

One of the biggest reasons behind a company's inability to innovate and adapt to change is a structural flaw. It is caused by organizing the company around products, not customers. Often this creates product or service silos that only accentuate the problem because each department or division has a myopic view of its own products and markets. It drives people to defend their turf and focus on achieving revenue targets for their division instead of creating an integrated portfolio of solutions to fulfill customer needs. It wastes precious internal resources and is counterproductive to developing solutions that customers need. The result is lost opportunity—that is, revenue.

A result of aligning around customers instead of products is customer knowledge. A company will stay one step ahead of customers because it understands their needs so well. Because the company understands customer needs so well, it is more keenly aware of the broader market of substitutes available to customers, which makes it more competitive, flexible, innovative, and responsive. In contrast, a product-focused company will always be spinning to catch up to changing customer needs and market conditions.

If you look closely at the most innovative product/service companies (Google, Apple, and Zappos, for example), you will observe that the focus is not actually on the cool *products*, it's on fulfilling *customer needs*. Google delivers a simple user interface for search, making it as easy and intuitive as possible for people to find what they are looking for. Apple delivers customers an *experience* that drives the need for products consumers didn't even know they needed. Zappos is not just a shoe store; it is a service company that happens to sell shoes and clothing.

6. Love Is the Killer App

When a company treats employees, customers, shareholders, vendors, and suppliers, and the community with equal respect, they build long-term sustainable competitive advantage. Do you remember the Firms of Endearment case study? The companies that embraced and honored all stakeholders returned 1,025 percent to investors, versus 122 percent for the S&P 500.

All five stakeholder groups are important to the success of a business; however, I do think employees deserve some special attention. After all, they are on the front line with customers every day, so if your goal is to provide great customer service, you have to realize that this is not possible without your employees. They also interact with vendors and suppliers, and they are the face to the community and shareholders. Employees are a critically important component of your brand. Everything they do and say is a direct reflection on the quality of your brand.

Invest in employees by providing them with education and training so they can learn new ways to create even more value for your company. Create a cross-functional training program so people will understand the business holistically. Some of your best ideas will come from people after you do these things.

Celebrate successes often. Reward and recognize employees for the things they do to make your company better. When times are tough, engage them in the problem-solving process. This fosters loyalty in the toughest of times when folks are overworked, and it will help you retain your best employees in the best of times when other businesses try

to win them over. You will be surprised at the lengths people go to support a mission they believe in and associates they call their friends.

Give your employees respect, live by the Golden Rule, and give them lots of love. Yes, I said love. Think about it: Most people spend far more time with coworkers than they do with their own family, so you should love them like family. You'll be amazed at what you get in return. Remember, you get what you give.

7. Feedback Is the Breakfast of Champions

What do you suppose is the number-one reason for poor performance? It's probably not what you think. The answer is poor or insufficient performance feedback.

A study by The Conference Board reveals that poor or insufficient performance feedback is a surprising 60 percent of the reason for low performance. This fact is substantiated by other studies as well. Companies that give employees ongoing feedback experience higher revenue growth. In fact, businesses scoring high in this area experience above 50 percent revenue growth per year. Companies that performed well in feedback and engagement saw revenue growth jump from 18.6 percent to 113.1 percent.⁵

When Jack Welch was CEO of GE, he consistently drilled the value of performance feedback into executives and managers. Performance reviews are not a once- or twice-a-year event. He rightly contends that if someone is not performing well and needs to be fired, it should never come as a surprise. Employees value ongoing feedback, and when leaders get into the habit of giving regular feedback, they find that employees will actively seek feedback and be more engaged. Not only does it make more sense to develop employees, it's every leader's responsibility. If you want a great culture, make this principle a central part of your plan.

8. Relentless Communication

If 95 percent of a company's strategy is not executed, what is one of the primary reasons for this abysmal statistic? The best way to answer this question is to ask another question: How well do people understand what the strategy is? Think about it: If people don't understand the strategy, how can they possibly be expected to execute it?

The most common mistake companies make is insufficient communication. Businesses must learn to share the plan and encourage people across the organization to ask questions so they really understand it. Sharing is not a presentation of the company's highlights in an all-hands meeting once a quarter. People need to hear about the strategy *all the time*. They need to understand where the company is going and why. They need feedback about the

specific results of programs they have already executed. If results fail to achieve the expected goals, communicate *why*. Engage them in resolving issues and developing new ideas. Don't be afraid to confront the facts and realities. It's what people don't know that makes them fearful.

Most importantly, remember that communication is a two-way street. It doesn't happen through a monologue, but through the opportunity to interact and ask questions. Improved execution is the result of people understanding what the strategy is and what their role is in making it happen. This sounds like commonsense wisdom but statistics prove otherwise. Perhaps if more companies knew that increased communication drives increased financial performance, they would build a strong communication plan into their business plan.

Success Profiles found another benefit of communication. Companies that have strong communication programs that educate, inform, and engage employees see a drastic reduction in employee turnover. Businesses that do not score well in this category see a direct correlation in employee turnover and company performance. They had 25.8 percent employee turnover versus only 10.2 percent in companies that score high in this area. As you can see, companies with poor communication had nearly twice the employee turnover, so even slight improvements in the frequency and clarity of communication have a profound impact on employee turnover.

Here's a simple rule of thumb: It's simply impossible to "over communicate" your company direction and strategy.

9. Link Planning to Operations

You now know that the best way for a company to grow its business is to have a plan. How often should the plan be updated? The answer is all the time. When a plan is completed, it must be evaluated, measured, and adjusted based on what was learned. Throughout this process, you have learned several processes for real-time planning. The mechanism to update strategy and the plan is two meetings that link planning and operations. This is the most simple and effective way to accomplish this important task:

1. **Monthly Strategy Meeting:** Do you know that 85 percent of executives typically spend less than one hour per month discussing strategy? It's not enough. Set aside two to four hours for a strategic discussion once per month. Discuss and analyze critical issues affecting the business. Select only one or two topics so that the discussion is focused and progress is made. You will learn that another important outcome of this meeting is greater alignment across teams.

2. **Quarterly Operations Meeting:** Set aside one or two days once a quarter, preferably offsite. The agenda should include a review of results against the objectives, an analysis of the cause, and adjustments to the plan. Look ahead to the short- and long-term strategy and objectives and what must be accomplished. Review elements of the plan such as trends, customers, and competitors making adjustments as necessary.

It's imperative that research and reports are distributed in advance of both meetings. People need to come prepared to actively participate and discuss issues. Encourage a creative dialogue that focuses on problem solving and innovation.

10. Marketing Is Not a Department: It's a State of Mind

Yes, of course, marketing is a department, but it's much more than that. It's a perspective. Do you recall Peter Drucker's wisdom? He said the most important components of a business are marketing and innovation. If you create a culture where everyone thinks like a marketer, this stimulates innovation to solve more customer needs.

Marketing is a state of mind, a perspective that needs to be learned and shared by *everyone* in the company so it is integrated into the culture. This is how companies win. When you get everyone thinking about customers, your company has to become more innovative and competitive. In fact, you won't be able to stop it.

How do you get everyone to be more customer-focused? Give them education, training, and a process for closed-loop feedback. Encourage people to spend time observing customers using your products and services. Make sure there are mechanisms and processes in place so people can share what they learn.

One of the most powerful things you can do to stimulate a marketing mindset companywide is get customers engaged in the business. Ask customers to join all-hands meetings to share their opinion about what they like and listen to their suggestions for areas that can be improved. You won't believe what this does for your employees—and for your customers, who will feel like they are a real partner, a valuable part of your team and your company's success.

Evaluate and Execute

P • R • A • I • S • E™ Marketing Process



Summary: Section VI

- ✓ Define the key performance measures for your business, including specific marketing measures.
- ✓ Evaluate the major components and decisions made throughout the planning process. Use the evaluation components in the P•R•A•I•S•E Marketing Process model outlined in this section to guide you.
- ✓ Use the ROI Optimizer to link all the elements of your demand chain—products and services, sales teams, channels, target markets, and marketing programs.
- ✓ Check for top-down and bottom-up alignment.
- ✓ Consider using the Balanced Scorecard as a tool to drive alignment across the organization. Evaluate how it will help you communicate strategic direction and track priorities and key measures.
- ✓ Use the Real-Time Planning Process to identify the most critical areas of the plan to update and define the process to do so.
- ✓ Use the 10 principles in “Culture Rules!” as a guide to develop a culture plan and internal branding campaign with senior leadership and develop the cultural mechanisms that will drive accountability, execution, and financial performance.
- ✓ Define a process to review, communicate, and update your plan.

Now It's Up to You

You now have everything you need to create profitable and sustainable growth in your business. You know how to evaluate your marketing plan, in whole and in part, using several processes and performance measures. You have also learned how the ROI Optimizer, Balanced Scorecard, and Strategy Maps will help you describe, measure, and communicate strategy so that people can understand and execute it. Execution is not hard when you know the ingredients that make it successful.

You now have in your hands the principles and processes to create a real-time marketing plan, a roadmap for increasingly higher levels of growth in your company. You have also learned to create a company with purpose, character, and a culture people really love and want to be a part of.

Now it's time to put it to work. As you develop and implement your plan I would love to hear about your discoveries, challenges, successes, and results. *My inspiration comes from knowing how YOU benefited from the experience of learning and applying something new.* Good luck!

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Appendix

Marketing Plan Template

Cover Page: Insert your company logo and the time frame for the plan. Optional: Insert the date the plan was created and by whom.

Page Two: Executive Summary

This should be a one- to three-page summary written after everything else is complete. Include a definition of the plan, purpose, and audience.

I. Purpose

Company Purpose

- Mission
- Vision
- Values

Company Goals

- Summarize one- to three-year goals.

Situation Analysis

- Brief overview of company's current situation (may include market and competitive factors, or reference to past performance)
- Key issues and business drivers
- Brief product and service description (if not stated already)
- SWOT Analysis

II. Research

Market Opportunity Analysis

Market Analysis

- Market and industry analysis (market situation, needs, trends, growth)

Company Analysis

- Market share, size, and growth potential
- Resources/Alliances
- Product analysis (sales, profits, etc.)

Customer Analysis

- Revenue/Profits by segment

Summarize A, B, C, D Customer Analysis

- Summarize buyer behavior/customer wants and needs.
- Summarize findings from primary research and “Why People Buy” worksheet.
- Summarize actions to refine understanding of customers.

Macro-Environmental Analysis

- Summarize findings from research into macro-environmental issues that are relevant (legal/political, economic, social/cultural, demographic, ecological/professional, technological).
- Define contingency plans as needed.

Market Segmentation and Target Markets

Market Segments

- Market sizing

Primary and Secondary Target Markets

- Define specific details of primary and secondary target markets.

Competitive Analysis

- Define major competitors.
- Define competitive situation summarizing key observations; use the Competitive Information Worksheet as a guide.

III. Analyze

Products and Services

- Summarize products and services (include features, benefits, and value proposition).
- Product strategies.

Pricing Strategy

- Summarize observations from expansion and vulnerability analysis.
- Summarize decisions and observations from Pricing Map.
- Pricing analysis (break-even, target profit, and so on).
- Pricing strategies:
 - Finalize upon completion of Strategize section.

Distribution Strategy

- Current channels (size and importance).
- Identify future channels for growth.
- Strategic alliances.
- Distribution strategies:
 - Finalize upon completion of Strategize section.

IV. Strategize

Sales Analysis and Projections

- Summarize revenue, profit, and key performance indicators, including historical figures and projected revenue for one- to three-years.

Sales Objectives

- Summarize sales projections.
- Summarize sales objectives and plans.

Sale Strategy

- Define strategies to achieve sales objectives (includes details for specific customers, industries, geographies, etc.).
- Summarize the sales plan. (Use the Sales Strategy and Planning Guide.)

Marketing Objectives

- Summarize marketing objectives.

Marketing Strategies

- Define positioning strategy.
- Summarize target market, customer, product, price, distribution, promotion, competitive, growth, and innovation strategies.

V. Implement

Tactical Implementation Plan

Marketing Programs

- Summarize new media, social media, and traditional media promotion strategies.
- Define tactical programs and plan:
 - Include description, resource needs, timeline, estimated cost, and projected ROI.

Marketing Budget

- Summarize and/or insert Marketing Budget.

Implementation Calendar

- Summarize and/or insert Implementation Calendar here.

Measuring Marketing and Sales Effectiveness

- Marketing program ROI.
- Sales funnel analysis.
- Define key marketing and business metrics.

VI. Execute and Evaluate

Execute

- Align marketing plan to operating plan.
- Integrate with Balanced Scorecard (if applicable).
- Define real-time components of marketing plan.
- Create a timeframe for periodic reviews and updates; link it with operational planning.
- Summarize how plan will be executed, including key processes and roles and responsibilities.
- Define the communication plan to key stakeholder groups.
- Define Culture Plan.

Evaluate

Financial Metrics

- Operating cash flow
- Net profit/net income
- Return on sales
- Other metrics

Evaluation Components: Summary measurement criteria in each step of P • R • A • I • S • E Model and plan for ongoing evaluation:

- Purpose
- Research
- Analyze
- Implement
- Strategize
- Execute and Evaluate

Marketing ROI Optimizer

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