

MARKETING & SALES PRACTICE

Demystifying social media

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As the marketing power of social media grows, it no longer makes sense to treat it as an experiment. Here's how senior leaders can harness social media to shape consumer decision making in predictable ways.

The problem

Companies invest millions of dollars in social media, with little understanding of how it influences consumers to favor their brands or buy their products.

Why it matters

Without knowing how social media affects consumer behavior, companies run the risk of aiming it at the wrong targets, wasting time and money on ineffective efforts, and generally failing to harness its potential.

What to do about it

Understand social media's core functions: to monitor, respond, amplify, and lead consumer behavior. Then look for the best opportunities to carry out those functions along the journey that consumers embark upon when they make purchasing decisions.

Executives certainly know what social media is. After all, if Facebook users constituted a country, it would be the world's third largest, behind China and India. Executives can even claim to know what makes social media so potent: its ability to amplify word-of-mouth effects. Yet the vast majority of executives have no idea how to harness social media's power. Companies diligently establish Twitter feeds and branded Facebook pages, but few have a deep understanding of exactly how social media interacts with consumers to expand product and brand recognition, drive sales and profitability, and engender loyalty.

We believe there are two interrelated reasons why social media remains an enigma wrapped in a riddle for many executives, particularly nonmarketers. The first is its seemingly nebulous nature. It's no secret that consumers increasingly go online to discuss products and brands, seek advice, and offer guidance. Yet it's often difficult to see where and how to influence these conversations, which take place across an ever-growing variety of platforms, among diverse and dispersed communities, and may occur either with lightning speed or over the course of months. Second, there's no single measure of social media's financial impact, and many companies find that it's difficult to justify devoting significant resources—financial or human—to an activity whose precise effect remains unclear.

What we hope to do here is to demystify social media. We have identified its four primary functions—to monitor, respond, amplify, and lead consumer behavior—and linked them to the journey consumers undertake when making purchasing decisions. Being able to identify exactly how, when, and where social media influences consumers helps executives to craft marketing strategies that take advantage of social media's unique ability to engage with customers. It should also help leaders develop, launch, and demonstrate the financial impact of social-media campaigns (for insight into the world's biggest social-media market, see "Understanding social media in China," forthcoming on mckinseyquarterly.com).

In short, today's chief executive can no longer treat social media as a side activity run solely by managers in marketing or public relations. It's much more than simply another form of paid marketing, and it demands more too: a clear framework to help CEOs and other top executives evaluate investments in it, a plan for building support infrastructure, and performance-management systems to help leaders smartly scale their social presence. Companies that have these three elements in place can create critical new brand assets (such as content from customers or insights from their feedback), open up new

channels for interactions (Twitter-based customer service, Facebook news feeds), and completely reposition a brand through the way its employees interact with customers or other parties.

The social consumer decision journey

Companies have quickly learned that social media works: 39 percent of companies we've surveyed already use social-media services as their primary digital tool to reach customers, and that percentage is expected to rise to 47 percent within the next four years.¹ Fueling this growth is a growing list of success stories from mainstream companies:

Creating buzz: Eighteen months before Ford reentered the US subcompact-car market with its Fiesta model, it began a broad marketing campaign called the Fiesta Movement. A major element involved giving 100 social-media influencers a European model of the car, having them complete “missions,” and asking them to document their experiences on various social channels. Videos related to the Fiesta campaign generated 6.5 million views on YouTube, and Ford received 50,000 requests for information about the vehicle, primarily from non-Ford drivers. When it finally became available to the public, in late 2010, some 10,000 cars sold in the first six days.

Learning from customers: PepsiCo has used social networks to gather customer insights via its DEWmocracy promotions, which have led to the creation of new varieties of its Mountain Dew brand. Since 2008, the company has sold more than 36 million cases of them.

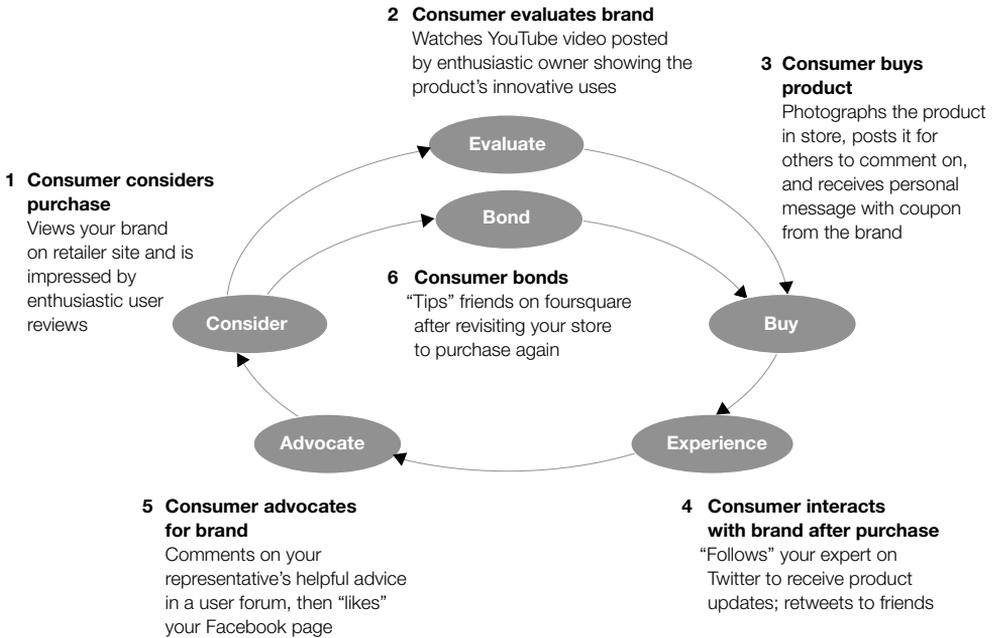
Targeting customers: Levi Strauss has used social media to offer location-specific deals. In one instance, direct interactions with just 400 consumers led 1,600 people to turn up at the company's stores—an example of social media's word-of-mouth effect.

Yet countless others have failed to match these successes: knowing that something works and understanding how it works are very different things. As the number of companies with Facebook pages, Twitter feeds, or online communities continues to grow, we think it's time for leaders to remind themselves how social media connects with an organization's broader marketing mission.

¹ See “What marketers say about working online: McKinsey Global Survey results,” mckinseyquarterly.com, November 2011.

Exhibit 1

Marketers can tailor their use of social media for each stage of the consumer decision journey.



For more on social media's relationship to the consumer decision journey, see the interactive exhibit, narrated by coauthor David Edelman, in this article on mckinseyquarterly.com.

Marketing's primary goal is to reach consumers at the moments, or touch points, that influence their purchasing behavior. Almost three years ago, our colleagues proposed a framework—the "consumer decision journey"—for understanding how consumers interact with companies during purchase decisions.² Expressing consumer behavior as a winding journey with multiple feedback loops, this new framework was different from the traditional description of consumer purchasing behavior as a linear march through a funnel. Social media is a unique component of the consumer decision journey: it's the only form of marketing that can touch consumers at each and every stage, from when they're pondering brands and products right through the period after a purchase, as their experience influences the brands they prefer and their potential advocacy influences others (Exhibit 1).

The fact that social media can influence customers at every stage of the journey doesn't mean that it should. Depending on the company and industry, some touch points are more important to competitive

² See David Court, Dave Elzinga, Susan Mulder, and Ole Jørgen Vetvik, "The consumer decision journey," mckinseyquarterly.com, June 2009.

advantage than others.³ What's more, our work with dozens of companies adapting to the new marketing environment strongly suggests that the most powerful social-media strategies focus on a limited number of marketing responses closely related to individual touch points along the consumer decision journey. Exhibit 2 depicts the ten most important responses, range from providing customer service to fostering online communities. One of those ten—monitoring what people say about your brand—is so important that we see it as a core function of social media, relevant across the entire consumer decision journey. The remaining nine responses, organized in three clusters in the exhibit, underpin efforts to use social media to respond to consumer comments, to amplify positive sentiment and activity, and to lead changes in the behavior and mind-sets of consumers.

1. Monitor

Gatorade, a sports drink manufactured by PepsiCo, has been diligently working toward its goal of becoming the “largest participatory brand in the world.”⁴ It has created a Chicago-based “war room” within its marketing department to monitor the brand in real time across social media. There are seats where team members can track custom-built data visualizations and dashboards (including terms related to the brand, sponsored athletes, and competitors) and run sentiment analyses around product and campaign launches. Every day, all of this feedback is integrated into products and marketing—for example, by helping to optimize the landing page on the company's Web site. Since the war room's creation, the average traffic to Gatorade's online properties, the length of visitor interactions, and viral sharing from campaigns have all more than doubled.

Such brand monitoring—simply knowing what's said online about your products and services—should be a default social-media function, taking place constantly. Even without engaging consumers directly, companies can glean insights from an effective monitoring program that informs everything from product design to marketing and provides advance warning of potentially negative publicity. It's also critical to communicate such feedback within the business quickly: whoever is charged with brand monitoring must ensure that information reaches relevant functions, such as communications, design, marketing, public relations, or risk.

³Readers interested in a detailed approach for understanding which touch points matter—based on research techniques that reveal what consumers are seeing, saying, and doing—should read David Edelman, “Branding in the digital age: You're spending your money in all the wrong places,” *Harvard Business Review*, December 2010, Volume 88, Number 12, pp. 62–69.

⁴Comment by Carla Hassan, Gatorade's senior marketing director, consumer and shopper engagement. For more, see Adam Ostrow, “Inside Gatorade's social media command center,” *mashable.com*, June 15, 2010.

Exhibit 2

Social media enables targeted marketing responses at individual touch points along the consumer decision journey.

	1. Monitor social channels for trends, insights	2. Respond to consumers' comments	3. Amplify current positive activity/tone	4. Lead changes in sentiment or behavior	
Steps in the consumer decision journey	Consider	Brand monitoring	Crisis management	Referrals and recommendations	Brand content awareness
	Evaluate				Product launches
	Buy				Targeted deals, offers
	Experience		Customer service	Fostering communities	Customer input
	Advocate			Brand advocacy	
	Bond				

Source: Expert interviews; McKinsey analysis

2. Respond

Valuable though it is to learn how you are doing and what to improve, broad and passive monitoring is only a start. Pinpointing conversations for responding at a personal level is another form of social-media engagement. This kind of response can certainly be positive if it's done to provide customer service or to uncover sales leads. Most often, though, responding is a part of crisis management.

Last year, for example, a hoax photograph posted online claimed that McDonald's was charging African-Americans an additional service fee. The hoax first appeared on Twitter, where the image rapidly went viral just before the weekend as was retweeted with the hashtag #seriouslymcdonalds. It turned out to be a working weekend for the McDonald's social-media team. On Saturday, the company's director of social media released a statement through Twitter declaring the photograph to be a hoax and asking key influencers to "please let your

followers know.” The company continued to reinforce that message throughout the weekend, even responding personally to concerned Tweeters. By Sunday, the number of people who believed the image to be authentic had dwindled, and McDonald’s stock price rose 5 percent the following day.

Responding in order to counter negative comments and reinforce positive ones will only increase in importance. The responsibility for taking action may fall on functions outside marketing, and the message will differ depending on the situation. No response can be quick enough, and the ability to act rapidly requires the constant, proactive monitoring of social media—on weekends too. By responding rapidly, transparently, and honestly, companies can positively influence consumer sentiment and behavior.

3. Amplify

“Amplification” involves designing your marketing activities to have an inherently social motivator that spurs broader engagement and sharing. This approach means more than merely reaching the end of planning a marketing campaign and then thinking that “we should do something social”—say, uploading a television commercial to YouTube. It means that the core concepts for campaigns must invite customers into an experience that they can choose to extend by joining a conversation with the brand, product, fellow users, and other enthusiasts. It means having ongoing programs that share new content with customers and provide opportunities for sharing back. It means offering experiences that customers will feel great about sharing, because they gain a badge of honor by publicizing content that piques the interest of others.

In the initial phases of the consumer decision journey, when consumers sift through brands and products to determine their preferred options, referrals and recommendations are powerful social-media tools. A simple example is the way online deal sites such as Groupon and Gilt Groupe provide consumers with credit for each first-time purchaser they refer. Our research shows that such direct recommendations from peers generate engagement rates some 30 times higher than traditional online advertising does.

Once a consumer has decided which product to buy and makes a purchase, companies can use social media to amplify their engagement and foster loyalty. When Starbucks wanted to increase awareness of its brand, for example, it launched a competition challenging users to be the first to tweet a photograph of one of the new advertising posters

that the company had placed in six major US cities, providing winners with a \$20 gift card. This social-media brand advocacy effort delivered a marketing punch that significantly outweighed its budget. Starbucks said that the effort was “the difference between launching with millions of dollars versus millions of fans.”⁵

Marketers also can foster communities around their brands and products, both to reinforce the belief of consumers that they made a smart decision and to provide guidance for getting the most from a purchase. Software company Intuit, for example, launched customer service forums for its Quicken and QuickBooks personal-finance software so users could help one another with product issues. The result? Users rather than Intuit employees answer about 80 percent of the questions, and the company has employed user comments to make dozens of significant changes to its software.

4. Lead

Social media can be used most proactively to lead consumers toward long-term behavioral changes. In the early stages of the consumer decision journey, this may involve boosting brand awareness by driving Web traffic to content about existing products and services. When grooming-products group Old Spice introduced its Old Spice Man character to viewers, during the US National Football League’s 2010 Super Bowl, for example, the company’s ambition was to increase its reach and relevance to both men and women. The commercial became a phenomenon: starring former player Isaiah Mustafa, it got more than 19 million hits across all platforms, and year-on-year sales for the company’s products jumped by 27 percent within six months.

Marketers also can use social media to generate buzz through product launches, as Ford did in launching its Fiesta vehicle in the United States. For example, social media played an integral role in the success of “Small Business Saturday,” the US shopping promotion created by American Express for the weekend immediately following Thanksgiving (for American Express CMO John Hayes’s perspective on that launch, see “How we see it: Three senior executives on the future of marketing,” on mckinseyquarterly.com). In addition, when consumers are ready to buy, companies can promote time-sensitive targeted deals and offers through social media to generate traffic and sales. Online menswear company Bonobos, for example, provided an incentive for its Twitter followers by unlocking a discount code after its messages were resent a certain number of times. As a result of

⁵ See Claire Cain Miller, “New Starbucks ads seek to recruit online fans,” nytimes.com, May 18, 2009.

this effort, almost 100 consumers bought products from the site for the first time. The campaign delivered a 1,200 percent return on investment in just 24 hours.

Finally, social media can solicit consumer input after the purchase. This ability to gain product-development insights from customers in a relatively inexpensive way is emerging as one of social media's most significant advantages. Intuit, for example, has its community forums. Starbucks uses MyStarbucksIdea.com to collect its customers' views about improving the company's products and services and then aggregates submitted ideas and prominently displays them on a dedicated Web site. That site groups ideas by product, experience, and involvement; ranks user participation; and shows ideas actively under consideration by the company and those that have been implemented.

Converting knowledge to action

Despite offering numerous opportunities to influence consumers, social media still accounts for less than 1 percent of an average marketing budget, in our experience. Many chief marketing officers say that they want to increase that share to 5 percent. One problem is that a lot of senior executives know little about social media. But the main obstacle is the perception that the return on investment (ROI) from such initiatives is uncertain.

Without a clear sense of the value social media creates, it's perhaps not surprising that so many CEOs and other senior executives don't feel comfortable when their companies go beyond mere "experiments" with social-media strategy. Yet we can measure the impact of social media well beyond straight volume and consumer-sentiment metrics; in fact, we can precisely determine the buzz surrounding a product or brand and then calculate how social media drives purchasing behavior. To do so—and then ensure that social media complements broader marketing strategies—companies must obviously coordinate data, tools, technology, and talent across multiple functions. In many cases, senior business leaders must open up their agendas and recognize the importance of supporting and even undertaking initiatives that may traditionally have been left to the chief marketing officer. As our colleagues noted last year, "we're all marketers now."⁶

⁶See Tom French, Laura LaBerge, and Paul Magill, "We're all marketers now," mckinseyquarterly.com, July 2011.

Consider the experience of a telecommunications company that proactively adopted social media but had no idea if its efforts were working. The company had launched Twitter-based customer service capabilities, several promotional campaigns built around social contests, a fan page with discounts and tech tips, and an active response program to engage with people speaking about the brand. In social-media terms, the investment was relatively large, and the company's senior executives wanted more than anecdotal evidence that the strategy was paying off. As a starting point, to ensure that the company was doing a quality job designing and executing its social presence, it benchmarked its efforts against approaches used by other companies known to be successful in social media. It then advanced the following hypotheses:

- If all of these social-media activities improve general service perceptions about the brand, that improvement should be reflected in a higher volume of positive online posts.⁷
- If social sharing is effective, added clicks and traffic should result in higher search placements.
- If both of these assumptions hold true, social-media activity should help drive sales—ideally, at a rate even higher than the company could achieve with its average gross rating point (GRP) of advertising expenditures.⁸

The company then tested its options. At various times, it spent less money on conventional advertising, especially as social-media activity ramped up, and it modeled the rising positive sentiment and higher search positions just as it would using traditional metrics. The company concluded that social-media activity not only boosted sales but also had higher ROIs than traditional marketing did. Thus, while the company took a risk by shifting emphasis toward social-media efforts before it had data confirming that this was the correct course, the bet paid off. What's more, the analytic baseline now in place has given the company confidence to continue exploring a growing role for social media.

In other cases, social media may have a more specific role, such as helping to launch a new product or to mitigate negative word of mouth. Similar types of analyses can focus on mixing the impact of buzz, search, and traffic; correlating that with sales or renewals (or whatever

⁷There's no shortage of methods purporting to measure social media's presence and impact. The company in this example used BuzzMetrics, a suite of tools developed by NM Incite (a joint venture between Nielsen and McKinsey).

⁸Gross rating points measure the size of the audience a specific media vehicle reaches. To calculate them, multiply the percentage of the target audience an advertisement reaches by the number of times it airs.

the key metric may be); and then gauging the result against total costs. This approach can give executives the confidence and focus they need to invest more money, time, and resources in social media.

As these social-media activities gain scale, the challenges center less around justifying funding and more around organizational issues such as developing the right processes and governance structure, identifying clear roles—for all involved in social-media strategy, from marketing to customer service to product development—and bolstering the talent base, and improving performance standards. New capabilities abound, and social-media best practices are barely starting to emerge. We do know this: because social-media influences every element of the consumer decision journey, communication must take place between as well as within functions. That complicates lines of reporting and decision-making authority.

If insights from monitoring social media are relevant to nonmarketing functions such as product development, for instance, how will you identify and disseminate that information efficiently and effectively—and then ensure that it gets used? If you spot an opportunity to have a meaningful conversation with a key influencer, how will you quickly engage the right senior executive to follow through? If you recognize a fast-moving service concern, how will you respond rapidly and openly—and when should you do so outside the traditional service organization? Senior executives across the company must recognize and begin to answer such questions.



Social media is extending the disruptive impact of the digital era across a broad range of functions. Meanwhile, the perceived lack of metrics, the fear, and the limited sense of what's possible are eroding. Executives can identify the functions, touch points, and goals of social-media activities, as well as craft approaches to measure their impact and manage their risks. The time is ripe for executive-suite discussions on how to lead and to learn from people within your company, marketers outside it, and, most of all, your customers. ○

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