Social media
New game, new rules, new winners
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Social media

New game, new rules, new winners

The speed at which social media has taken off has been unprecedented in the history of technological change. It has taken just seven years for Facebook to reach 750 million users worldwide and this is not the only social media site to have attracted large numbers of users in a very short space of time. This massive take-up is having a profound effect on the way in which customers seek information and make purchase decisions. So how can companies take advantage of the opportunities presented by social media to make their mark on this vast audience? And what drives customers to actively engage and follow some brands on social media sites and not others?

In Q2 2011, Ernst & Young conducted quantitative and qualitative research on 36 UK and international flagship brands with the aim of addressing these questions. Through the research, we have identified five key characteristics of ‘socially adaptable’ and successful brands, which we believe all organisations can adapt and learn:

► Facilitate open dialogue
► Engage proactively
► Connect beyond product
► Deliver integrated experiences
► Collaborate and co-develop

Our research also shows that companies need to make organisational changes in order to fully embrace the ‘new game’ of social media. From our work with clients, we have identified the three critical areas companies need to focus on to support a coherent and sustainable social media strategy:

► Spotting the ‘golden nuggets’ of data and generating value from them coordinating social and traditional channels
► Coordinate social and traditional channels
► Empowering employees to engage with communities

These areas could make the difference between being a winner or a loser in the ‘new game’ of social media.
New game
Social media, the next competitive battle ground

Social media is here to stay
When compared to previous technological advances which have had a profound and lasting effect on society and commerce, the speed of adoption experienced by social media is unparalleled. While it took radio 38 years and the Internet seven years to reach an audience of 50 million, Facebook achieved the same milestone in its third year.

As a result, for many people, interacting with friends, family members and colleagues through social media sites and applications is now a part of everyday life. Blending social interaction with technology and user generated content; social media is now permeating almost every age and demographic grouping.

Figure 1: Percentage of internet users using social networks by age group

<table>
<thead>
<tr>
<th>Age 65+</th>
<th>7%</th>
<th>4%</th>
<th>13%</th>
<th>22%</th>
<th>26%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 50–64</td>
<td>11%</td>
<td>16%</td>
<td>25%</td>
<td>36%</td>
<td>46%</td>
</tr>
<tr>
<td>Age 30–49</td>
<td>25%</td>
<td>36%</td>
<td>48%</td>
<td>58%</td>
<td>61%</td>
</tr>
<tr>
<td>Age 18–29</td>
<td>67%</td>
<td>73%</td>
<td>76%</td>
<td>83%</td>
<td>86%</td>
</tr>
</tbody>
</table>

Increasing penetration of social media usage over time across all age groups

Source: Based on data from Pew Research Center’s Internet & American Life Project Surveys, September 2008–May 2010. All surveys of adults 18 and over.
Meet your new customer

In 2007, ‘Gen Y’, the digital natives, (born post 1980) and Gen X who also have a strong
digital affinity accounted for around 46% of the UK adult population. By 2016, Gen X
and Gen Y will also hold the majority of buying power in the economy and exert greater
influence over the purchasing decisions of others. Growing up surrounded by digital
technologies, these generations are frequently seen as early adopters and innovators of
the latest technological advances. They are a driving force behind a major shift in the way
today’s consumers engage with brands and the decision-making process they follow prior
to making a purchase.

Figure 2: The unstoppable rise of the Digital Natives

![Graph showing the rise of Digital Natives as a percentage of the UK adult population from 2010 to 2020.]

Source: UK population forecasts based on data from Office of National Statistics.

Buying behaviour has changed ... forever

Marketers have for a long time understood the impact word-of-mouth referrals and
recommendations have on a brand and its commercial success. However, beyond the
obvious amplification of word-of-mouth recommendation by a customer, social media
is having a profound effect on the way in which customers seek information and make
purchase decisions.

Today’s customers actively engage their peers through social media platforms such as
Facebook and Twitter, advising them on their future purchase decisions. As a result,
consumers are increasingly using social media channels to help make purchase decisions.
Forrester research found that 54% of peoples’ buying behaviour is directly influenced
by what others say about a brand, and 60% of customers would change their purchase
decision in response to negative feedback from within their social network. Put simply,
social media now trumps traditional marketing when it comes to driving the buying
behaviour of customers.
Research in the Harvard Business Review (December 2010) goes one step further, suggesting that the traditionally accepted deductive decision making ‘funnel’, whereby the customer begins with a wide choice of potential brands to fulfil their needs, and then reduces the number of options at each stage of the buying process until a decision is made, no longer applies in a socially driven world. Rather than narrowing their choice of brand/product from an initially larger group, today’s socially engaged consumers undertake an iterative buying approach whereby they start with a narrow set of brands based on their own knowledge and experience of a category or sector, then through their networks, seek additional recommendations and solutions, widening the decision making funnel. Based on the strength of these recommendations, the customer then refines the number of options under consideration until a purchase decision is made. Post purchase, customers use their networks to seek reassurance on their purchase decision which then drives future buying intentions.

**The battle has only just started**

Given the important role that social media is already playing in customer purchasing decisions and the way in which customers engage with brands, it is not surprising that marketing spend on social media continues to increase, and is forecast to grow by more than 300% by 2016.

![Figure 3: Forecast percentage of marketing budget spend on social media](image)

Source: Forrester

However for a social media strategy to be effective, it requires more than simply growing or reallocating spend from other media channels. For brands to be successful in this new social world they need to understand how customers expect them to engage, behave and interact in a social world – they need to understand the essence of being a social brand.
New rules

Successful social brands act differently

Some brands are more ‘sociable’ than others

Why is it that some brands appear to be more ‘sociable’ on networking sites like Facebook, Twitter and YouTube? What drives customers to actively engage and follow some brands and not others? What characteristics do leading, ‘socially adaptable’ brands exhibit, and can these characteristics be adopted by those brands that are currently seen by customers as ‘socially disengaged’?

In Q2 2011, Ernst & Young conducted quantitative and qualitative research on 36 UK and international flagship brands with the aim of addressing these questions. Key analytics were taken from social media sites Facebook, Twitter and YouTube to determine the characteristics of socially adaptable brands versus those brands which appeared socially disengaged.

The research showed that in general, there are large differences between sectors, with consumer product brands often commanding huge followings, whereas utilities brands tend to have a much more limited social media presence. More interestingly, we found that within sectors, there were large variations as well. There are already clear ‘leaders’ and ‘laggards’ when it comes to using social platforms to drive engagement between a brand and its customers. Through the research, we identified that socially adaptable and successful brands exhibited five key characteristics, and that these characteristic transcend sectors and geographies. Finally, through the work we have undertaken with our clients, we believe that all brands can adapt and learn these five characteristics, improving their ability to meaningfully connect and deepen relationships with their customers.

Figure 4: The level of social engagement between brand and customer on social media site by sector¹

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of customers socially engaged with brand (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>51,600</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>51,523</td>
</tr>
<tr>
<td>Utility</td>
<td>200</td>
</tr>
</tbody>
</table>

1. By the level of social engagement, we mean here how many users follow or ‘like’ a brand on one of the three social media sites.
Socially adaptable brands exhibit five characteristics

Figure 5: The five characteristics of socially adaptable brands

Harness the power of collaborative development.
Relinquish control and allow your community freedom of expression.
Let customers choose how they wish to engage and be consistent in your interactions with them.
Build relationships with individual members and the wider community.
Be relevant and facilitate deeper shared experiences.

1. Facilitate open dialogue
While over 60% of brands researched had an official presence on Facebook, Twitter and YouTube, a great majority were heavily controlling the content on these channels. On Facebook, for example, only slightly over half of the brands allowed users to initiate a discussion. An example of the benefits of an open dialogue is Twitter, where brands which retweeted user comments had 264% more followers than those which didn’t. Despite this, only 30% of researched brands retweeted messages on their page.

Figure 6: Open dialogue on Twitter generates stronger customer following

Twitter pages which include tweets from both the brand and customer have a greater number of followers.
This goes to the heart of why winning in the ‘new game’ is fundamentally different. Unlike traditional communication channels, such as in-store, the website or TV advertising, where the brand owns or pays to use a channel, providing the ‘right’ to control the message, in a social world, it is the community as a whole, and not the brand that owns the channel. Put simply, the brand is one of many participants in the community. Obviously, it is an influential and important member of that community, but that does not give it the right to control and censor the views of other community members.

The area of complaints management is a case in point, where brands have traditionally had the luxury of being able to keep their mistakes between themselves and their customer. For most organisations, there is no imperative to publicly highlight where they may have got it wrong. Social media is already bringing an end to this era of complaint privacy, and will continue to do so. Customers are no longer willing to complain through discrete and private channels such as letter correspondence – they are already starting to post their dissatisfaction publicly on social sites, expecting organisations to be able to identify and action the complaint quickly and effectively. For organisations who can operationally adapt to the new game, this represents a commercial opportunity to publicly demonstrate their brands’ empathetic, responsive and nurturing attributes, not only to the customer, but to the customer’s friends, family and work colleagues in real time via a social platform.

Our research also highlighted many instances of brands removing negative customer comments and feedback from their sites. Clearly, brands with no defined capability to properly manage this feedback felt threatened and unable to respond effectively, instead decided to delete the feedback. However this is the last thing any brand should do. Few would believe it would be acceptable to ignore a customer’s complaint if it had been written in a formal letter, so why should feedback be considered inferior when provided via a social media site? We found that deletion of customer feedback merely fuels more feedback from the customer. Critically these negative interactions are being played out publicly in front of customer’s friends and family members.

An example of the dangers of censoring customer feedback was evidenced on the Facebook page of a major UK mobile telecommunications provider, who had deleted a negative comment about their service by a user. The user in question responded by posting at least one negative comment per day on the brand’s Facebook page (and continues to do so), visible to the over forty thousand community members.
2. Engage proactively

We consistently found a positive relationship between the ability of brands to be proactive and engage with their customers, and the size and strength of the customer following.

Exhibit 7: The relationship with proactive brands and the size of their customer following

Currently some social media platforms, such as Twitter, lend themselves to a higher frequency of interaction between the brand and the community, whereas other platforms, such as YouTube, where the investment cost (time, money etc.) in creating new content is generally much higher, the frequency of interaction is typically lower. However, the quality of interaction was more important than the quantity, with strong engaging content generating the highest number of likes, followers or uploads. It’s not so much a matter of how much a brand engages, it’s a matter of how well it engages.

Leading brands exhibiting the ‘proactive’ characteristic went further than creating and sharing engaging high quality content, they also invested time to engage with individuals. With around 75% of Twitter content generated by just 5% of users, leading brands can identify key ‘network influencers’ in their communities and build and manage those relationships carefully. Moreover, every interaction with community members is an opportunity to demonstrate a brand’s true values to the customer and the wider community. A flower company which has recently been monitoring Twitter identified key influencers and then offered to send them free flowers if they were having a bad day. Given that these tweeters were happy to share their negative feelings across social networks, it is no surprise that they also shared their delight and surprise at being cheered up by this gesture.
During our research we came across our own memorable example of engaging proactively. A colleague posted genuine feedback on a high street fashion retailer’s Facebook site that she was unhappy with a garment recently purchased from their online store. Within an hour, the retailer contacted her by phone to find out how they could rectify the situation. This single example is now likely to be her personal benchmark for how leading social brands (regardless of sector) proactively engage with her.

3. Connect beyond product

Brands that connect with their customers with content that is not directly linked to their products generate stronger and broader engagement. These brands successfully utilise social media to create value for the community as a whole and not just for themselves.

Our research highlighted that in general, consumer product brands are leading the way in generating relevant and engaging social content, despite their brands typically having to manage many of the complexities highlighted above. For example a tea brand allows customers to interact directly with its farmers in Africa, while a global food brand with over 20 million fans, makes its Facebook site accessible with different language options and consistently runs interactive content such as the ‘World’s Fan of the Week’ competition, where the lucky winner has their photo showcased in the brand’s profile picture.

When customers engage with a brand through a social network, they do so very publicly in front of their friends and family members. They are very much associating themselves with that brand and its values, and are implicitly advocating the brand across their network. These customers are typically more emotionally engaged with the brand and are seeking a deeper social and shared experience through the brand with like-minded people.

For example, a leading automotive company has created a unique social experience for its community members by encouraging members to share the positive emotions they associate with their vehicles through their social media site. The brand’s social media site replicates an owner’s club atmosphere, where customers proudly share their ownership experiences, uploading photos and videos of their cars at memorable moments in their lives such as on holidays or bringing their newborn baby home from hospital in their car. The result of this type of deeper shared experience is that the brand becomes more than just a functional product in the minds of its customers, something which is especially important for emotional products.

4. Deliver integrated experiences

Customers increasingly expect the freedom to move seamlessly across channels, being able to interact with a brand in the manner that suits their situation and objective at a given point in time. Customers also expect the organisation to be consistent in its interaction. They expect to achieve the same outcome whatever channel they choose to use for the interaction, and, importantly, they feel the same about that outcome regardless of the channel. Our research highlighted that even within social media channels, brands which are integrated and allow the customers to choose and move across social platforms demonstrated stronger engagement.
We found that some sectors, such as Utilities, tend to build their social media strategy around a single platform, whereas other sectors, such as telecoms, have generally developed a presence across the main social media platforms, with all platforms having equal status in terms of how they are used to engage with customers. Neither of these approaches is successful in attracting and engaging followers. Instead, leading multi-channel brands with the highest level of engagement and following, are building their social media strategy around a single ‘destination’ platform from which they primarily manage their customer engagement, while allowing customers to move their interactions onto other channels and platforms as it suits them.

Figure 8: Integration across social media channels generates stronger customer engagement

A global drinks manufacturer recently evidenced the power of creating an integrated social media experience. Rather than viewing its social media platforms in isolation, it created an integrated multi-channel advertising campaign that used each platform in a unique way, but delivered a consistent message across the channels. Anchoring the campaign in a successful TV advert with music and vibrant colours, which was launched on YouTube, receiving more than 87 million views. This anthem was then linked on the brand’s other social media sites with additional photos and videos. The brand received more than 830,000 new Twitter followers within one week, and contributed to a 5% sales increase.

Another aspect of an integrated channel experience is the seamless transition between online and offline channels. We are already seeing examples of this approach in action, such as a global electronics retailer that encourages in-store staff to provide customers at home with technical product support and advice through its Twitter site.
5. Collaborate and co-develop

We found evidence of significant customer engagement and user generated content on social sites when brands actively engaged their community in the review and development of products and services. Brand advocates often show an interest in being involved in a product or service beyond its consumption and use, and co-development provides this opportunity for them, along with the possibility of being publicly recognised in some way for their contribution. When executed well, collaboration and co-development has the advantage of strengthening the relationship with the customers and attracting free development resources.

For users to invest their time in co-development, the collaboration must be transparent, and requires the brand to exhibit many of the social characteristics already discussed, such as proactively responding to suggestions and input, and managing negative feedback in a positive and empathetic manner.

A leading global PC manufacturer we work with uses analysis from socially engaged users and non-users in its product and service development. The community co-develops ideas and suggestions, providing critical input to help shape the product early in its design phase. It also allows commercial managers to assess the likely appetite for a product, thereby helping allocate scarce R&D resource to those products which are likely to achieve the greatest commercial success.

Another example that the research found is how a clothing retailer used social platforms to preview its new season fashion lines, creating a sense of excitement across the community members, who were getting a ‘sneak preview’ of what would be hitting the shops in the coming weeks and months. As importantly, the community feedback acts as a gauge which can be used by internal purchasing teams as to the popularity of certain product lines, providing an early, pre-sales view of which lines are likely to be most commercially successful in different regions and geographies.
Social media: New game, new rules, new winners
New winners

Adapting to the ‘new game’

The capability to succeed

Many companies want to take advantage of the huge opportunities presented by social media, but do not yet have the organisational structure or the capabilities they need to support their brands effectively in a social world. This is where Ernst & Young can help. We understand how to derive commercial value from social media and quantify it. Through our work with clients, we have identified the following three areas, critical to supporting a coherent and sustainable social media strategy.

Spotting the ‘golden nuggets’ of data and generating value from them

Many organisations are facing an explosion in the quantity of data that is now available to them as customers, products and channels proliferate. Social commerce simply adds to this challenge, especially as the frequency of interaction between brands and social communities of customers and followers increases. So the challenge for organisations is to identify which bits of data in those millions of social interactions are relevant to them, and which are just ‘noise’. In other words, how can companies spot the ‘golden nuggets’ of data that they can act on to improve their business?

To address this challenge, a publisher and retailer of language programmes decided to invest in software to analyse the text and sentiment of web-based user comments. By tracking user movements throughout its site, and user comments on social media sites, the company was able to understand how online consumers viewed it, and how they saw competitors. This feedback fed directly into new and improved marketing campaigns as well as a redesign of its web layout and method of interacting with customers on digital platforms. Two years on, the brand has experienced a 4% rise in online order value, and a 13% rise in revenue per web visitor, both of which are directly attributable to its social media data analysis.

To add to this challenge, customers are becoming more aware of the potential value of their data to organisations, and are therefore less willing to provide it freely without seeing a return for their ‘loss of privacy’. To demonstrate this return, social commerce will further drive brands down the road of ‘mass personalisation’, as customers demand products and services that are better tailored to their situation, location and need. Delivering this requires a capability to provide the latest most relevant data and insight on a member or customer to the touchpoint or channel that is interacting with them, requiring data to flow freely across organisational functional domains.
Coordinating social and traditional channels

Until now, organisations have managed channels as separate entities, so that if a customer contacts a call centre, any follow-up to that query will be kept within the telephony channel. However, around 66% of online consumers now engage in some form of cross-channel shopping. Multi-channel experiences also increase customer engagement. For example, customers who watched the Football world cup on more than one platform were engaged for an additional three hours a day. Companies leading in digital have reacted to these consumer expectations. For example, global clothing brand have applied QR codes to their items so that you can ‘like’ a product on Facebook by scanning a QR code in store.

Organisations which continue to adopt traditional functional domains to manage their customer interaction will be left paralysed, unable to follow and respond to the thread of multi-channel interactions with the customer. New organisational models and ways of working will be required to support a brand’s relationship with its customers, such as allowing employees to follow and move across channels with their customers.

Furthermore, customers will expect communication and interaction in near real-time. Generous service level agreements which provide organisations with a ‘cushion’ to balance their available resource with customer demand are either a thing of the past, or where they continue to exist, will be measured in seconds not days. Global brands will also face the added complexity of managing language and cultural difference across their social media platforms, requiring the effective routing of customer interactions through social networks to employees who can handle the query.

Empowering employees to engage with communities

Communicating in a social world poses a whole new set of challenges to organisations and their brands. Communications on social media sites are often to multiple members, are visible by many more, by their nature are in writing and can be retrieved in the future. If an employee makes a comment on a company’s Facebook page, that comment can then be read and retrieved by anyone, at any time. The challenge is to balance the need for communications to fit in with a company’s ‘tone of voice’ guidelines, with the need to respond quickly to user comments.

Organisations currently try to satisfy these competing requirements in different ways. Tailored messaging to many customers, as typified by public and media relations, undergoes multiple levels of internal reviews and sign-offs before being released. This restricts its responsiveness. The alternative, pre-approved scripted responses, although timely, lack authenticity in a social world.

We believe that leading organisations allow employees to interact with customers with a high degree of freedom underpinned by guidelines and values consistent with the brand promise and positioning in the market. Employees will assess the context, situation and profile along with previous interactions with the customer, and respond in a manner they feel appropriate. Brands will continuously monitor the social interactions through ‘light touch’ quality control processes. Employees will receive feedback and coaching from these quality reviews to improve consistency across the brand. Some brands that operate in highly regulated industries, such as financial services, will require more stringent controls to ensure compliance, which could include restrictions around the nature of interaction their employees are allowed to have with customers through social media platforms.
The new game favours the brave

Social media is changing the world, and there is no going back. Technological and demographic trends are likely to further accelerate the impacts of social commerce on organisations and their brands in coming years.

Leading brands across sectors and geographies are positively embracing this change. Recognising that the old rules no longer apply, they are seeking to exploit the opportunity presented by social media to build direct, deeper and more relevant relationships with their customers and users. They use these relationships to generate insight from their social interactions with customers, and rigorously apply this insight to their commercial advantage.

Our research suggests that many brands have not yet adapted to social commerce; some will catch up, others won’t. The last time organisations and brands faced such a fundamental change in how their customers engaged and make purchase decisions was during the ecommerce revolution a decade ago. Some brands led the ecommerce revolution, some successfully adapted to it, there were however a number of high-profile casualties.

The new game therefore favours the brave. The winners will be those organisations and brands that seek out the commercial opportunities presented by social commerce and embrace the changes required to adapt to the changing ‘norm’ around them.
Social media: New game, new rules, new winners
How is Ernst & Young positioned to help?

Please contact Richard Ingleton (ringleton@uk.ey.com), Yunus Ozler (yozler@uk.ey.com), Mark Bennett (mbennett1@uk.ey.com) or Daniel Birke (dbirke@uk.ey.com) at Ernst & Young if you are interested in further exploring our social media or digital offerings. We would be happy to assist your organisation in identifying social media and digital opportunities across customers, suppliers, investors, leadership and employees.

Sources

‘Older Adults and Social Media’, Pew Research, August 2010.


The digitisation of everything

Digital data opportunities

Digital in utilities

For more information about our views on Digital and to see more, please contact your local Ernst & Young office or visit www.ey.com
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