



Chapter 15: CRM in Social Media

Overview

Topics discussed:

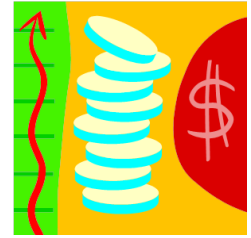
- Social Media Landscape
- How does Word-of-Mouth (WOM) on Social Media Impact Brands?
- How to Measure the Return of Investment (ROI) of Social Media?
 - Measuring the Influence of a Social Media User
 - What Drives the Influencers?
 - Creating a Successful Social Media Campaign
 - Social Media Performance at HokeyPokey
- How does Social Media Impact Brand Sales?
- Are Social Coupons Profitable?

Social Media Landscape

- Not long ago, social media did exist, now it's a multi-billion dollar global industry
- Global active social media users in January 2017 estimated to be over 2.7 billion (Digital in 2017 Global Overview report) or 37% global penetration
- Global active mobile users: 34% or 2.5 billion active users
- As of June 2017, Facebook: 1.23 billion users logging on daily. Keep in Mind the population of world: 7.5 billion people
- 16% of the world's population has access to internet, of which 14% is using Facebook.

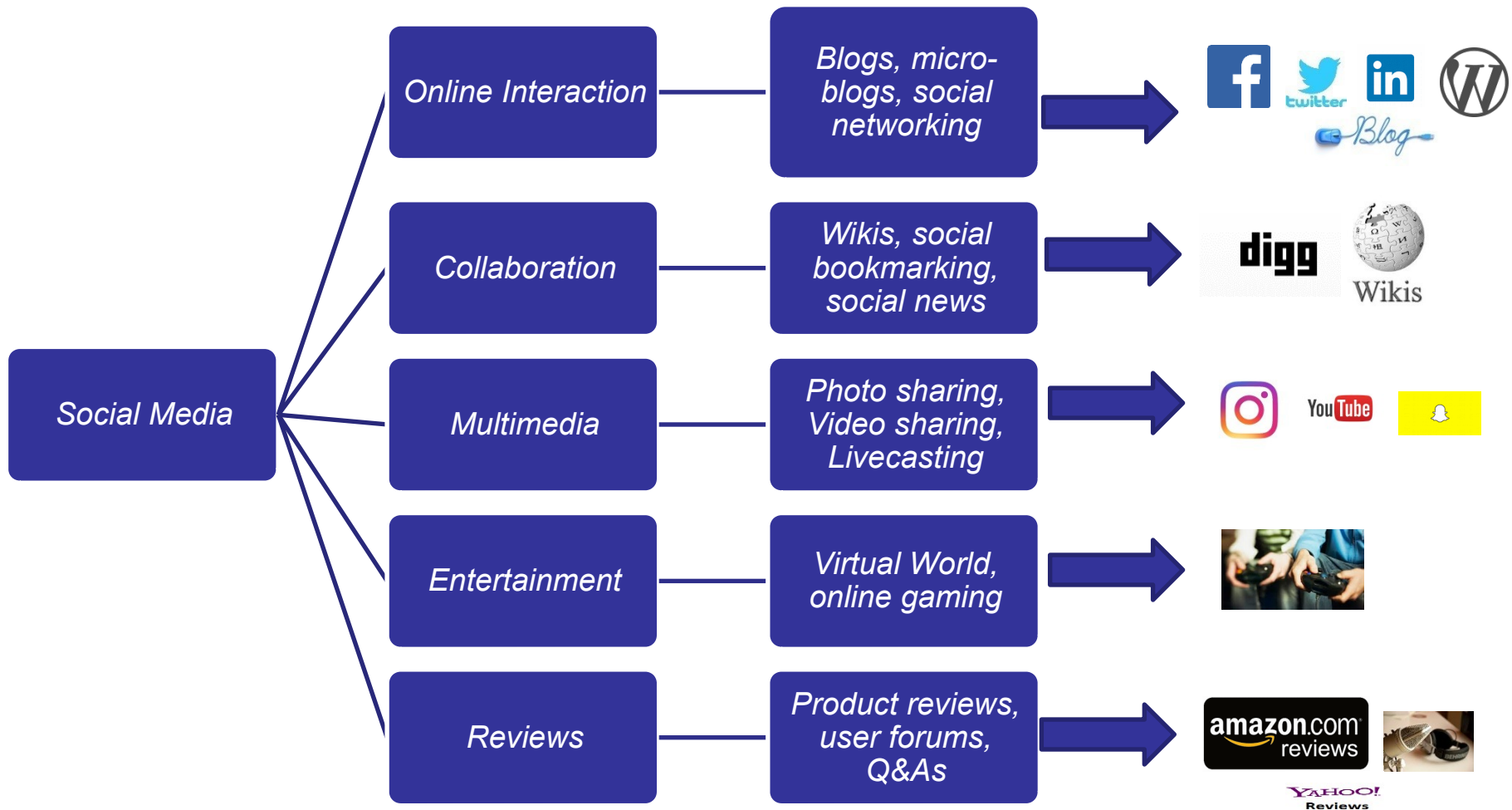
Social Media and Marketing

What does it mean for business?

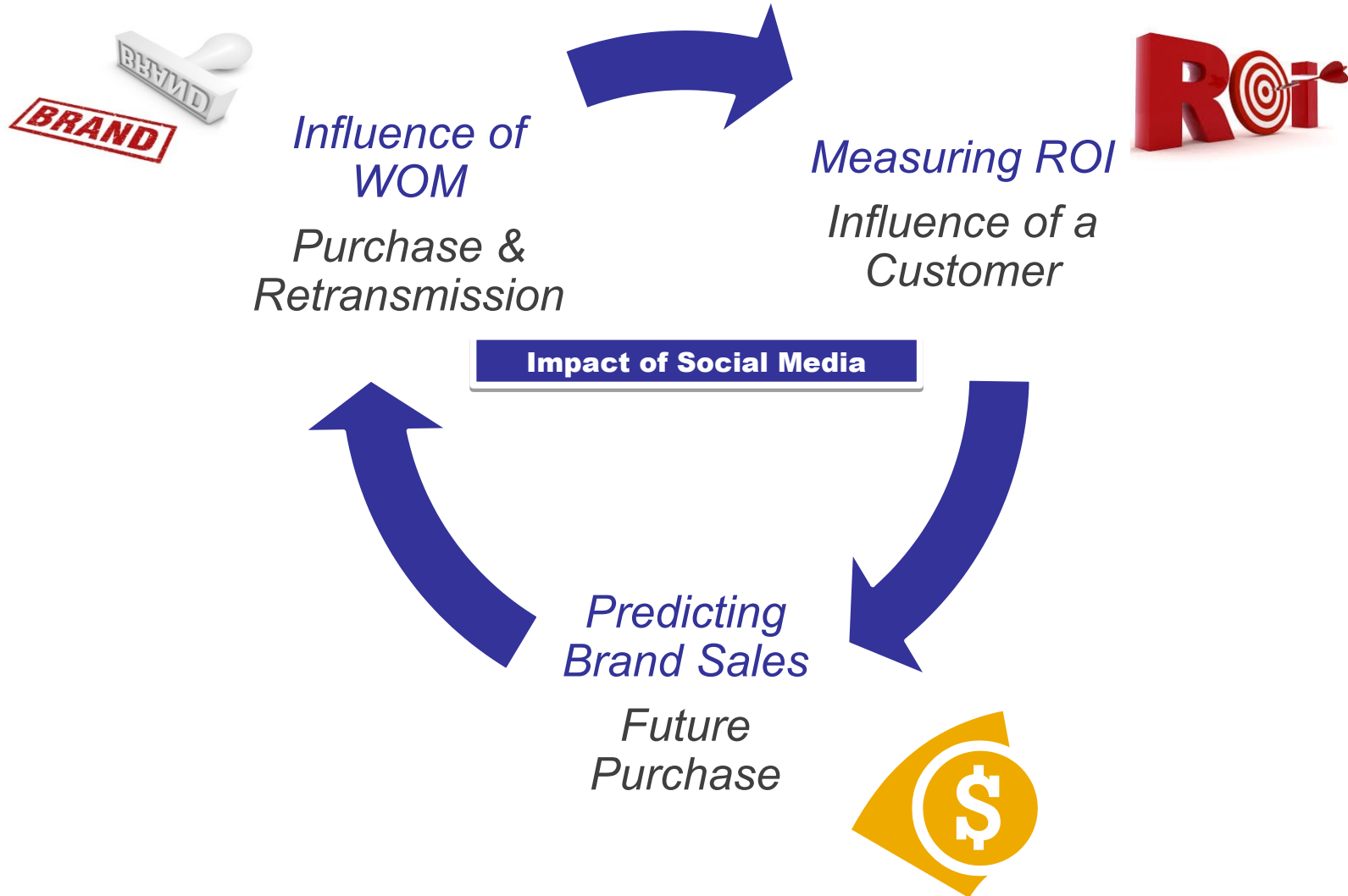


- Business community considers social media to be a necessary tool
- The Digital in 2017 Global Overview report: Total value of global B2C e-commerce in 2016 > \$1.9 trillion
- By the numbers: **5** new profiles – of a business' potential customers – are created on Facebook every second.
- **300 million** photos – of potential services or products provided by firms – are uploaded daily.
- “Like” and “share” buttons – of potential products and services – are viewed across nearly **10 million** websites daily.
- **42%** of those marketing for businesses say Facebook is crucial to their business survival.

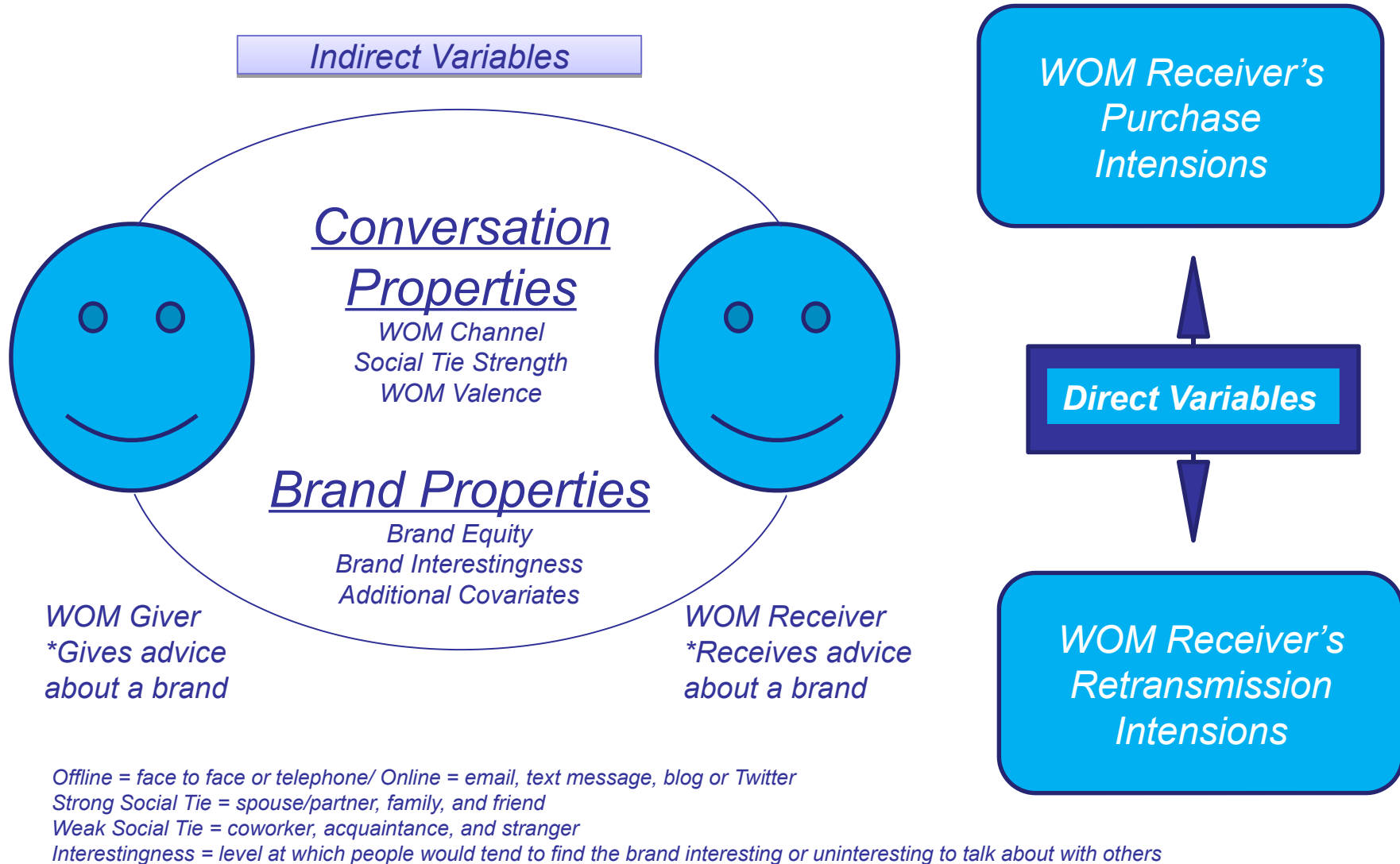
Social Media Landscape



How does Word-of-Mouth (WOM) on Social Media Impact Brands?



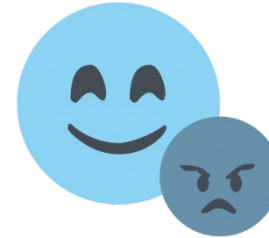
WOM Conversation About a Brand



WOM Conversation Content



Neutral WOM conversations typically contain strictly informational content about a brand



Mixed WOM includes brand sentiment with both positive and negative elements.

WOM Valence is the primary influence on purchase and retransmission intentions

How Does Word of Mouth on Social Media Impact Brands?



- Brands with strong social elements and those that stimulate emotional response tend to be shielded somewhat from the adverse impact of negative (NWOM) on purchase intentions
- Brands with high brand equity disproportionately benefit from WOM because of greater resulting purchase intentions
- More interesting brands disproportionately benefit from WOM by avoiding the propagation of negative WOM.

Positive WOM about a brand is ***more likely to be retransmitted*** than negative WOM

Negative WOM has a negative and absolute ***greater effect on purchase intentions*** than positive WOM

Implications for Marketers

- Brand managers should carefully consider types of WOM most relevant
- Marketers should mitigate **mixed WOM**
- Marketers should encourage mixed WOM if goal is to stimulate more WOM.
- Marketing managers should know that WOM marketing is commonly discussed and frequently practiced in the context of **eWOM** (social media sharing, posting consumer-generated content).
- Marketers should carefully consider how to implement **WOM marketing that travels offline**
- WOM can impact the customer's desired usage of a product or service, and possibly increase the usage of a product or service by other customers.

How to Measure the Return of Investment (ROI) of Social Media?

- How can an individual's influence be captured in monetary terms in a social network?
- Is it possible to quantify the intangible benefits to the brand generated through the halo effect of influencers in the social media?
- What is the impact of an influential individual on social media on the company's bottom line, in monetary terms (i.e., profit), and in subsequent sales generated?
- Can the intangible effect and monetary impact of a customer's influence be predicted ahead of time so that the firm can use these influencers to generate a profitable buzz in the future?

Measuring the Influence of Social Media Users



First, the **CIE** (Customer Influence Effect) is determined by taking into consideration three essential components regarding a WOM instance.

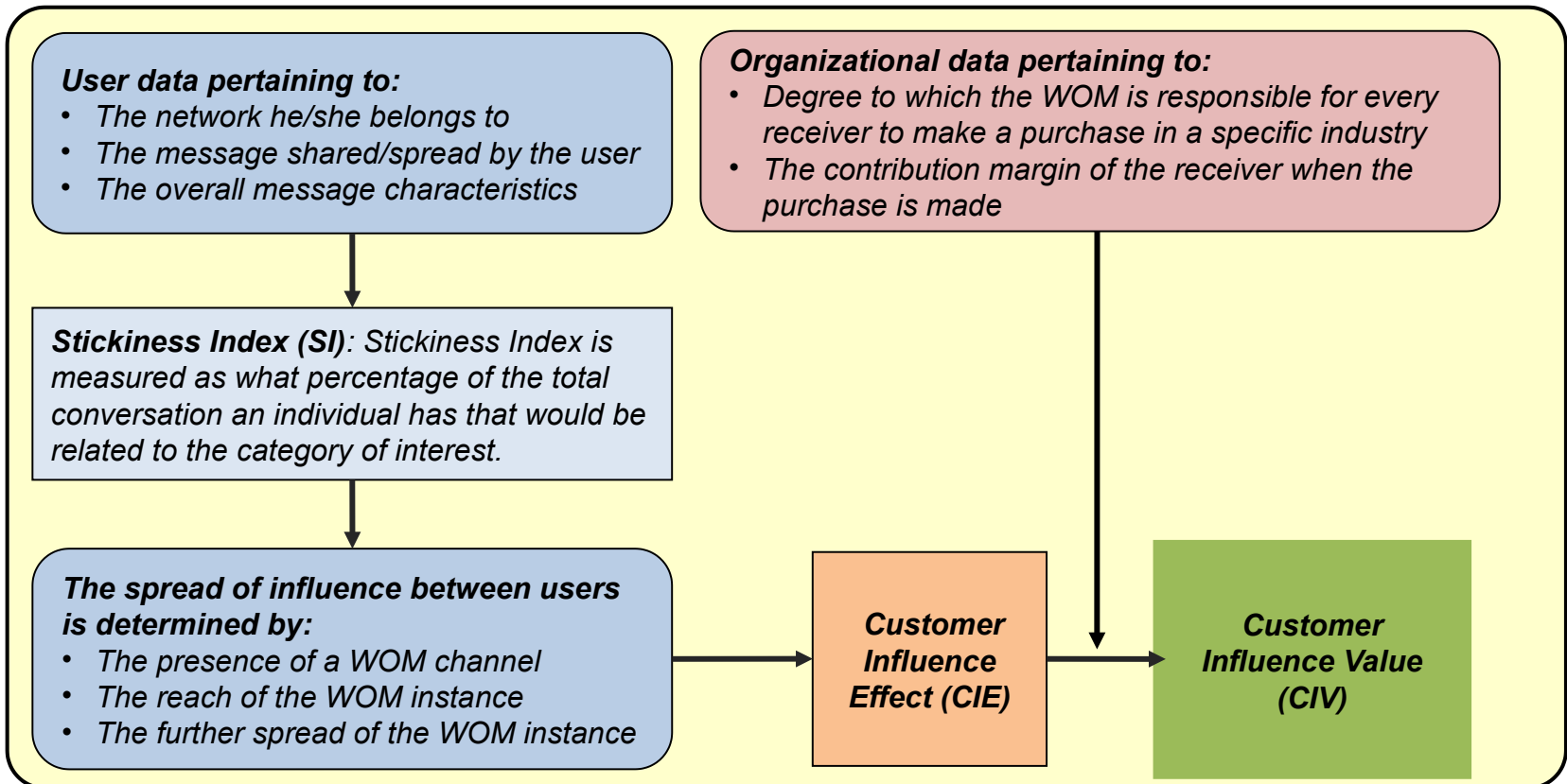
- Whether there is a connection between two users
- If there is, was the receiver aware of the WOM message being spread?
- If yes, did the receiver spread the message to other users?

*In other words, CIE refers to the **net spread of an instance of WOM** attributable to an individual user in a (social) network.*

Measuring the Influence of Social Media Users (Contd.)

- Second, to link the influence of an individual to the monetary value contributed, the **customer influence value (CIV)** metric was developed.
- Customer Influence Value refers to the monetary value of customers' influence on other acquired customers and prospects

Conceptual Approach to Measure CIV



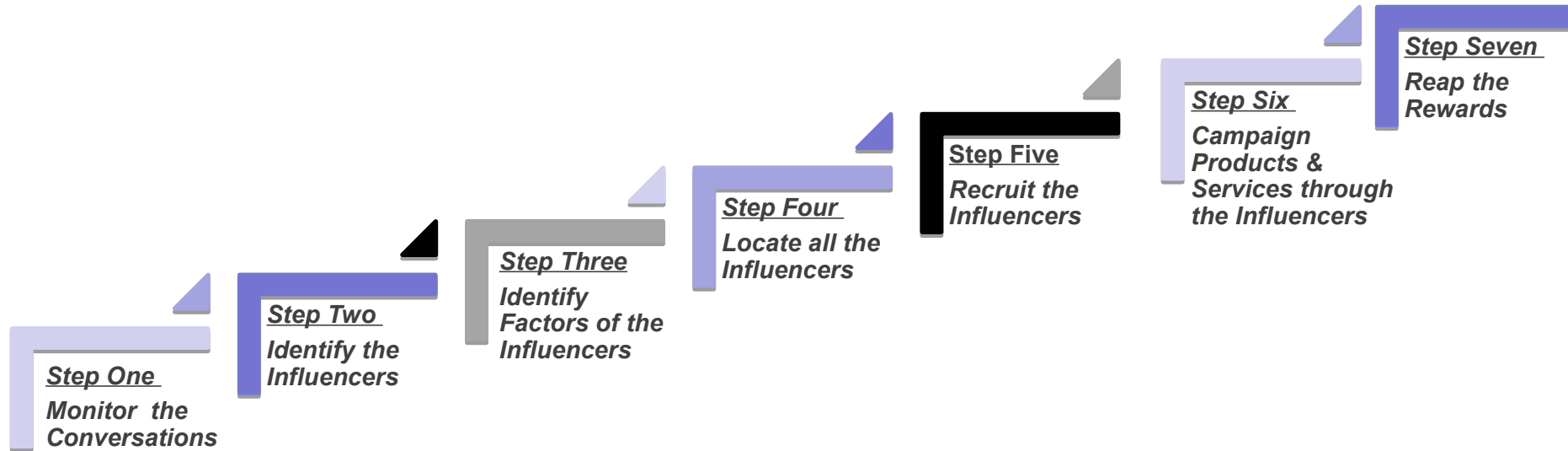
What Drives the Influencers?

- Businesses can use the drivers to locate all the influencers throughout the desired social media platforms so that the brand/product/service can be communicated to have the maximum reach
- This step ensures moving beyond simply “listening” to conversations on social media platforms, to actively engaging in the identification of brand ambassador(s)

Select Drivers of Influencers

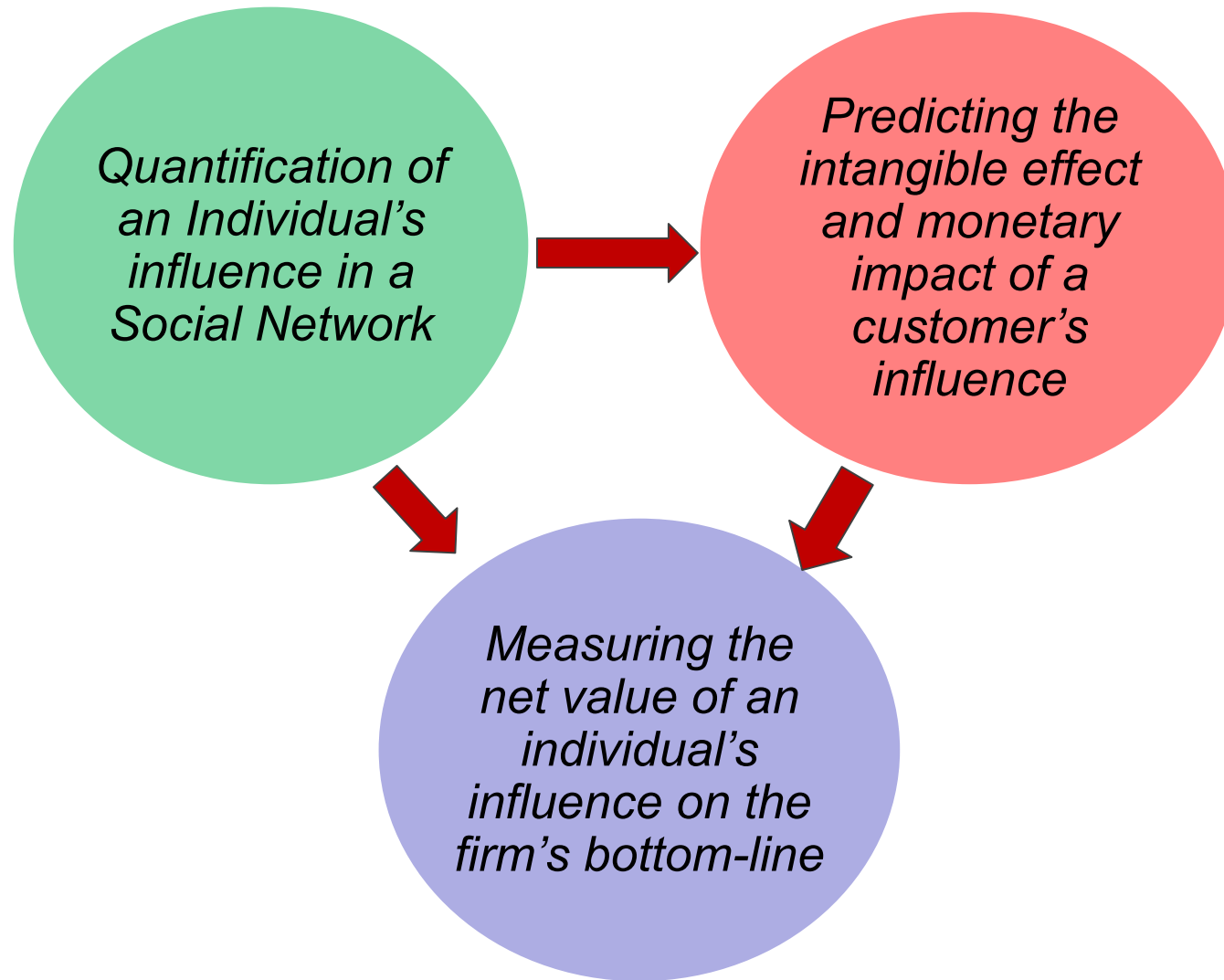
Activeness Compatibility	<ul style="list-style-type: none">• Number of times the influencer and their network friends "see and "share" a message
Host Clout	<ul style="list-style-type: none">• Number of user connections and number of users "following" an influencer
Talkativeness of Receiver	<ul style="list-style-type: none">• How often is the influencer's message is being retweeted & "hashtagged"
Generosity	<ul style="list-style-type: none">• Like-mindedness and similarities shared by the influencer with their network friends

Creating a Successful Social Media Campaign – A Seven-Step Influencing Framework



Source: V. Kumar and Rohan Mirchandani (2012), "Increasing the ROI of social media marketing," *MIT Sloan Management Review*, 54 (1), 55-61.

Social Media Performance at HokeyPokey



Social Media Performance at HokeyPokey (Contd.)

HokeyPokey created an online social game – Share Your Brownies, and invited the ideal candidates to participate in the game.

Creations on the Wall allowed customers to create and name their ice cream creations with which they could identify themselves.

Users tweeted their ice cream flavors/creations, and all winning creations were shared with all HokeyPokey parlors.

All relevant discussions were tracked and influencers were incentivized with Brownie Points when their followers or friends made a purchase or discussed the creation online.

At the end of Share Your Brownies campaign, HokeyPokey witnessed an increase of

- *49% in brand awareness,*
- *83% in return on investment (ROI), and*
- *40% in sales revenue*

How does Social Media Impact Brand Sales?



Background

Examine how social media activities such as sampling, following and commenting influence brand sales in music industry

Analyzed time-series data for 36 music artists over a 73 week period

Used Billboard Hot 100 Chart to ensure that artists in sample meet a threshold of popularity

Modeling Framework for Relationship between Social Media Attributes and Brand Sales

$$\text{SALES} = f(\text{Social Media Attributes, Control Variables})$$

Social Media Attributes

PLAYS

*Number of views/visits
to an artist's social
media page*

FANS

*Number of people who
Like, Follow, or
Subscribe to artist*

WOM

*Number of comments
posted on an artist's
social media page*

Control Variables

*Number of days since the last
track/album release by artist*

*Total number of albums released
by artist thus far*

Effect of the Social Media Attributes



*Social sampling (**PLAYS**), followers (**FANS**) and comments (**WOM**) reinforce each other, such that the increase in one of the social media activities positively influences the others*

*An increase in brand sales (**SALES**), which typically accompanies an increase in awareness, has a positive influence on all the three activities*

*An increase in the number of albums (**ALBUMS**) by the artist increases the odds of new consumers becoming aware of the artist or energizes existing fans increasing the likelihood of following or commenting on the artist's social media websites*

Effect of the Social Media Attributes (Contd.)



Value of sampling decreases at a decreasing rate

Samples reduce consumer willingness to pay for the original – reducing the overall sales



Social following has a positive effect on brand sales

Attractiveness of a brand increases as the number of consumers following a brand increases



Value of Social WOM increases at a decreasing rate

Positive relationship between SWOM and brand sales diminishes at higher levels, and becomes negative

Managerial Implications

Rather than focusing on the number of followers on social media websites, brand managers should strive to encourage participation on social media

Artists should carefully evaluate the benefits of sampling (concert attendance, merchandise sales, radio playtime, etc.) against the lost sales

Brand managers should focus their energies on engaging their existing followers and striking the right level of consumer engagement

Brands need to keep refreshing their portfolios by introducing new offerings while effectively managing their social media activity

Are Social Coupons Profitable?



- What are social coupons?
 - “Deal-of-the-day” websites that feature discounted gift certificates usable at local or national retail outlets.
 - E.g.: Groupon.com, LivingSocial.com, Snapdeal.com
- Why are they so popular?

Consumers

- Savings opportunities ranging from 50 to 90%
- Incentive to try various product/service offerings at a lower price point

Social coupon service providers

- Consumers pay for the coupon before redeeming it
- Businesses offering the coupon pay the service provider nearly 50% of the revenue generated from the redeemed coupons

Businesses

- Opportunity to acquire & retain customers
- New way to increase profits

Are Social Coupons Profitable? (Contd.)



Issues worth looking into....



Are social coupons profitable for the businesses?



What factors lead to a more (or less) profitable social coupon launch?



How can businesses strategically manage the factors to maximize social coupon profitability?

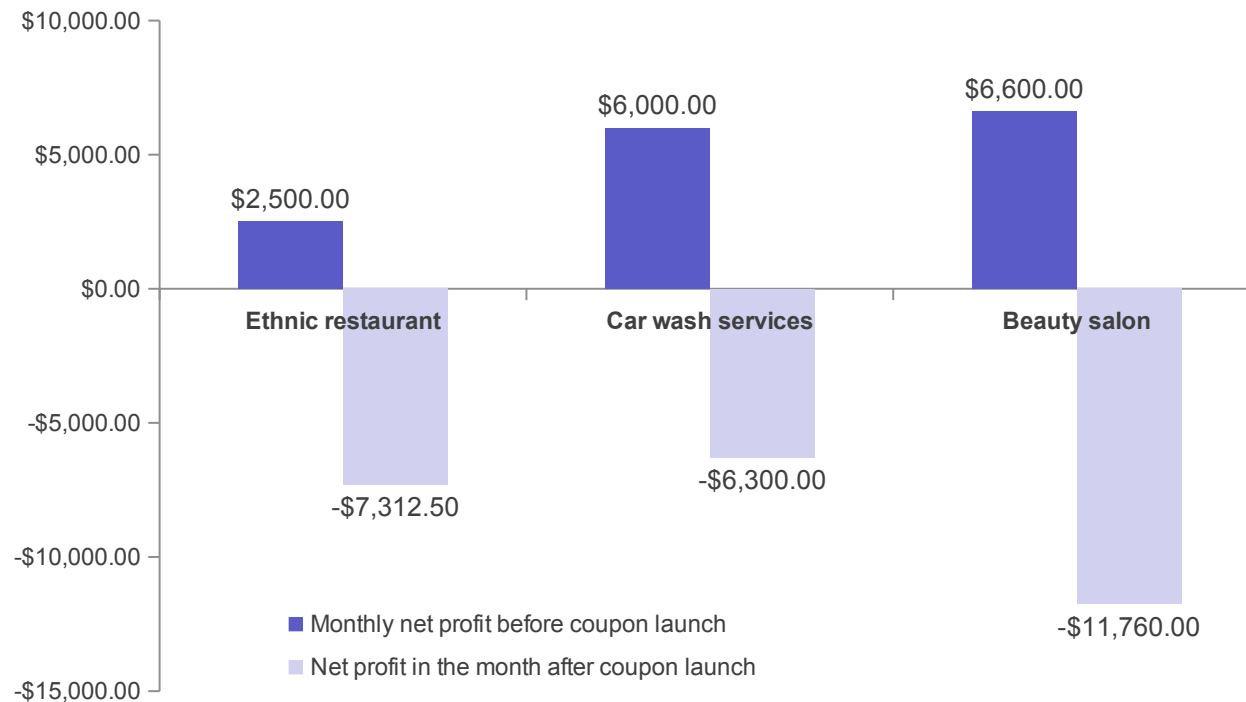
Details of the study....

Analyzed the social coupon launches of an ethnic restaurant, a car wash service, and a beauty salon

Tracked their subsequent performance for the next 12 months to ascertain the effectiveness of social coupons in customer acquisition, customer retention and generating incremental profits

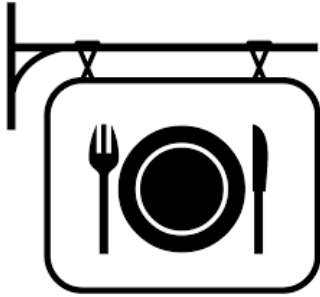
Immediate Impact of Social Coupon Launch on Profits

- All three businesses sustained substantial losses immediately after the coupon launch
- Profits at the end of the month of coupon launch fell between 1 to 3 times that of normal net profits earned before any coupon launches



Source: V. Kumar and Bharath Rajan (2012), "Social coupons as a marketing strategy: a multifaceted perspective." *Journal of the Academy of Marketing Science*, 40 (1), 120-36.

Immediate Impact of Social Coupon Launch on Profits (Contd.)



Restaurant

Will be able to recover only \$1,164 or 12% of the shortfall in profits



Car wash

*Will be able to recover the shortfall in profits between Month 15 and Month 16.
Any revenue and profit generated after Month 16 is pure profit for the business*



Beauty salon

Will be able to recover the shortfall in profits between Months 98 and 99. From Month 99 onward the business can start to see incremental revenue generation from the launch of the social coupon

How to Ensure Profitability in Social Coupon Campaigns?

00PS!

Customer acquisition does not always lead to profits

- *Even though new customers lead to an increase in the customer base, the loss incurred by the business in “acquiring” them (through deep discounts) far outweighs the benefits of having them*
- *Can explore up-selling and/or cross-selling*

00PS!

Deep discounts could become dearer to businesses

- *One-time deep discount **is not** a permanent discount. Customers will not be ready to pay a higher price the next time.*
- *Can launch coupons that are valid only on “lean” business days*

00PS!

Social coupons can cannibalize revenue from existing customers

- *Existing customers could also use the coupons! Also encourages deal-seeking behavior among existing customers.*
- *Businesses could offer coupons only to prospects, and not to existing customers*

Summary

- *Social media landscape can and does drive business world*
- *Social media WOM is valuable for brand growth, ROI and consumer product purchases*
- *Influence of WOM is the essence of social media*
- *Businesses can design their own advertising campaigns around social media landscape to attract and engage consumers when used strategically*
- *Social coupons are beneficial to businesses, social coupon providers and consumers. But when used to up-sell or cross-sell services or products, they may offer a higher ROI and build a wider, loyal customer base*