

Secrets to Growing Revenue with Social Media

Consumers' social media use is surging faster than any other online activity over the past year, and more brands are investing in social strategies to connect with customers. But the question remains: Are these investments paying off? The answer is yes and no – **some companies are generating incremental revenue from social media and some are not.** While sometimes overhyped, large numbers of people are being influenced to buy products through social media (see Figure 1). For example, you can see that almost a third of the consumers that L.E.K. Consulting surveyed (29.6%) have discovered a new brand after a friend "liked" it on a social media platform.

Figure 1

Social Media Activities Used to Make a Purchasing Decision*

"Have you ever..."	% Agree
Seen a movie after watching the trailer on YouTube or its Facebook page?	34.9%
Purchased a product you hadn't before considered from sites like Groupon, Living Social or Gilt?	34.8%
Read consumer reviews on sites like Yelp to help you with a purchase decision?	34.7%
Discovered a new company or brand after a friend became a 'fan' or posted a positive comment on Facebook, MySpace, Twitter, etc.?	29.6%
Visited a company's social media page or followed it on Twitter to learn more about it?	25.1%
Sought your friends' advice on a purchase decision through Facebook, MySpace, etc.?	23.6%
Learned about a new store, restaurant or other destination because a friend checked-in on Foursquare or similar location-based social network?	18.4%
Bought a song or album after listening to it on the band's MySpace or Facebook page?	18.2%
Posted a question about a product on a company or brand's social media page?	15.5%
None of the above	20.0%

*Survey respondents are U.S. social media users
Source: L.E.K. Social Media Survey (August 2011)

As a result, brands are frantic to amass large numbers of fans and followers on Facebook and other social networks. However, only some of them are finding that a "like" on Facebook actually leads to incremental revenue (see Figure 2).

L.E.K.'s research shows that Red Bull gets a 13% lift in incremental revenue after engaging a fan on Facebook, while Oreo, Sony, and Whole Foods get a 7% increase. But others are not getting the same incremental boost. For example, consumers reported that their spending decreased by 1% after becoming a fan of Starbucks (they may already be caffeine addicts who can't drink any more).

Long-Term Brand Linkage Through Social Media

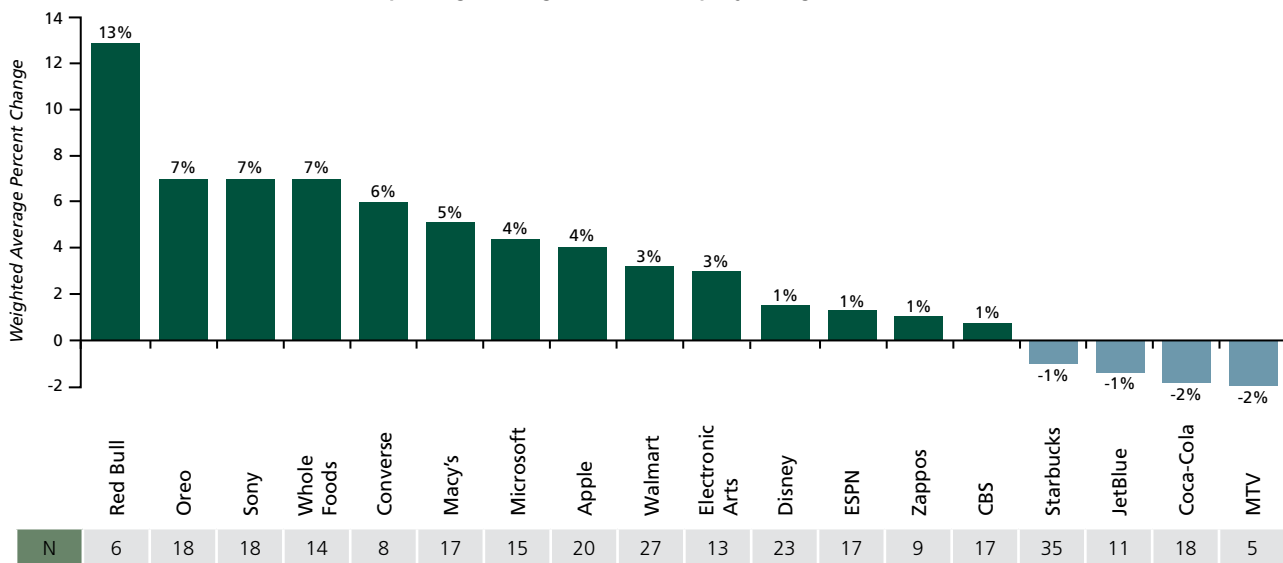
L.E.K. has uncovered common themes among select companies that have found ways to translate likes, follows and fans into purchases. Brands that are generating revenue through social media typically incorporate two core strategies:

1. They give users a real reason to engage with their social media outposts on a regular basis. The more consumers visit a brand's social sites, the higher the chances of either a purchase or referral. Successful brands attract repeat visitors by using special offers and deals that are profitable for both them and their customers. Rewarding fans with group discounts and benefits encourages them to share a brand's content, supporting customer acquisition. Winning brands like Disney and Red

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Figure 2

How Has Your Annual Spending/Viewing with Each Company Changed Since You Became a Fan on Facebook?



Source: L.E.K. Social Media Survey (August 2011)

Bull also consistently offer fresh new content through social sites to keep consumers coming back. Disney draws on its rich trove of movie content to provide pictures, fun facts, multimedia downloads and product updates on its Facebook pages, garnering thousands of shares with each piece of content posted. While Red Bull does not have a similar content store to draw on, the energy drink brand has reinvented its Facebook page as a full media site offering slickly produced videos, a Red Bull TV channel, games, mobile apps, photos and tweets from the athletes they sponsor, all of which are refreshed regularly.

2. They feature as much consumer-generated content as possible. Successful brands recognize that *only* featuring their own content can be both dull and expensive. Oreo incorporates multiple social platforms into its brand site and makes user content a key priority through its Oreo Moments Gallery. The company makes its products socially relevant by encouraging users to submit photos, videos and stories of their Oreo experiences to the Gallery. These submissions become free positive endorsements of Oreo products and are easily shareable across the web.

There is no single factor that converts a consumer's social media activity to a purchase. Rather, there is a complex interaction among several key elements that together determine a com-

pany's success or failure in turning a social media user into a customer. These elements include attracting site visitors and then keeping them engaged, entertained and excited once they are on a social platform. L.E.K.'s research shows that consumers who use social networks more frequently report higher levels of engagement with brands and products, particularly when these companies' social media efforts achieve the following:

- 1) Support user and friend referrals and reviews,
- 2) Provide engaging and updated content, and
- 3) Offer exclusivity and deals.

Once companies engage a user, they need to monetize this relationship by providing purchase opportunities. Getting users to convert into paying customers is the "missing step" for many brands when courting consumers through social networks. Different businesses will succeed with different combinations of tactics, but the strategies we outline provide a strong foundation for companies hoping to turn social media investments into true revenue generators.

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