EXECUTIVE INSIGHTS

VOLUME XV, ISSUE 22

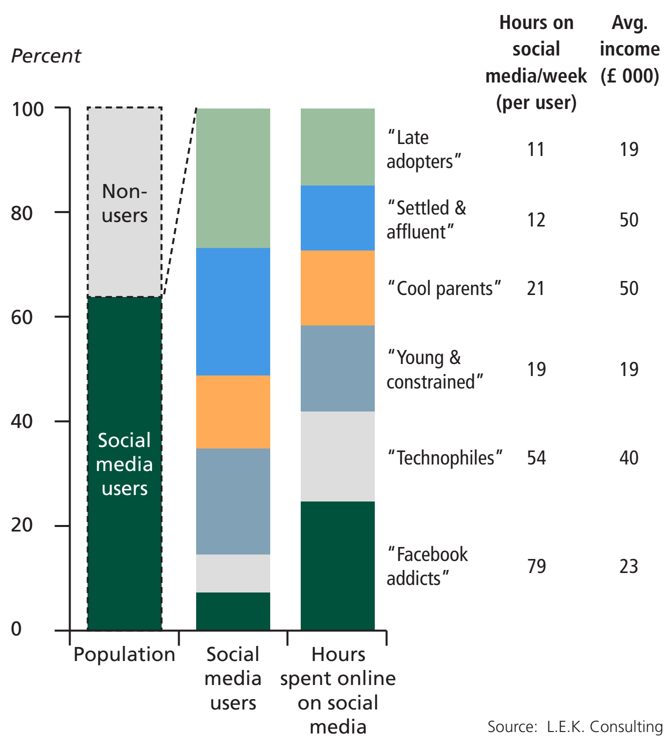
Overcoming Common Mistakes in Social Media Strategy

Businesses are currently ascending the steepest portion of the learning curve of how best to monetize social media. For many, the technology has proved useful as a tool for providing customer service, but has stubbornly resisted attempts to use it to drive incremental revenue. Given the sums already invested, converting users into paying customers remains a crucial missing step for many brands and retailers.

One reason is that the online landscape is changing so quickly that yesterday's wisdom is often today's myth, and well-intentioned mistakes are common. L.E.K. Consulting recently surveyed over 2,000 regular social media users in the U.K. about their online behavior and how it correlates with purchasing habits. We discovered some surprising insights. Drawing on that research, we have laid out four social media myths and how businesses can avoid relying on them when forming their social media strategy.

Figure 1

Segmentation of Social Media Users and Hours by Cluster



Source: L.E.K. Consulting

Myth 1: Because Social Media is Inclusive, Social Media Strategies Should Be Too

Social media is a bustling, garrulous forum where all segments of society meet on equal terms. That is part of its appeal. But it is also what makes it a difficult place to target the right consumers for your business. As part of our survey, we performed a segmentation study of online users in the U.K. and identified six key consumer segments. (see Figure 1). We found that three segments account for approximately 60% of social media usage, despite the fact that together they represent a far smaller proportion (about one third) of all social media users. We termed these three segments "Facebook addicts" (25% of hours spent on social media sites), "technophiles" (18%) and "young and constrained" (17%). These segments are generally younger and have a lower average annual income than other users. While that is fine for companies with a value, youth-oriented proposition, it is bad news for companies trying to target an upmarket, affluent consumer base.

Overcoming Common Mistakes in Social Media Strategy was written by **Jonathan Simmons**, a Partner and Head of L.E.K.'s European Retail and Consumer Products Practice and edited by **Maria Palm**, a Partner in L.E.K.'s European Media, Entertainment & Technology Practice. Please contact us at retail@lek.com for additional information.

However, the good news for those companies with an upmarket or older proposition is that the two most affluent and older segments we identified - termed by us "settled and affluent" and "cool parents" - still make reasonable use of social media and also are a meaningful proportion of social media users. This means that they can be reached if companies appropriately target their social media strategies.

Myth 2: To Be a Credible Online Player, Businesses Must Build a Robust Presence on Many Different Sites

The markets love even niche social media companies, valuing many of them at upwards of a billion British pounds. But the truth is that while these sites are fun, innovative, and beloved by their users, their value to businesses is unclear. According to our research, social media usage is heavily concentrated in the U.K. around only two sites: Facebook, which is by far the leading presence, and YouTube, whose success is probably assisted by links from Facebook (see Figure 2). This concentration is true (with some variations) across all of the social media user segments we identified. So, for the time being at least, these two sites are where British businesses should concentrate their efforts. A broad social media presence across other sites is likely to lead to diminishing returns and wasted expenditure: outside of these two sites, a company's social media presence needs to be specifically tailored to the usage, and requirements, of its target customers.

While this finding can help British companies focus their social media spend appropriately, and hence maximize marketing return on investment, it also represents a potential threat to marketing effectiveness should these two sites seek to leverage their strong positions through the costs of doing business with them.

Myth 3: To Get a Return From Social Media, it's Important That Your Users "Like" You

Many businesses relentlessly chase "likes" and "follows" for their social media presence, to the point of even bulking the numbers with accounts set up by bots. Our data shows the benefits of "likes" and "follows" aren't what they seem, and an excessive focus on these metrics may divert resources from more profitable tactics: In response to the question "How much more likely are you to purchase a product if you saw that it had a lot of followers, likes or fans?" the net balance of more likely against less likely was only marginally positive, as shown in Figure 3 (and significantly less of a driver than other factors discussed later in this paper). In addition, although approximately 75% of users who have "liked" a company on Facebook are pre-disposed to buy that company's product, the rate for "non-likers" is still 50%. That differential is unlikely to guarantee companies significant return on the investment to build "likes" and "follows" in the first place. What's more,

Figure 2

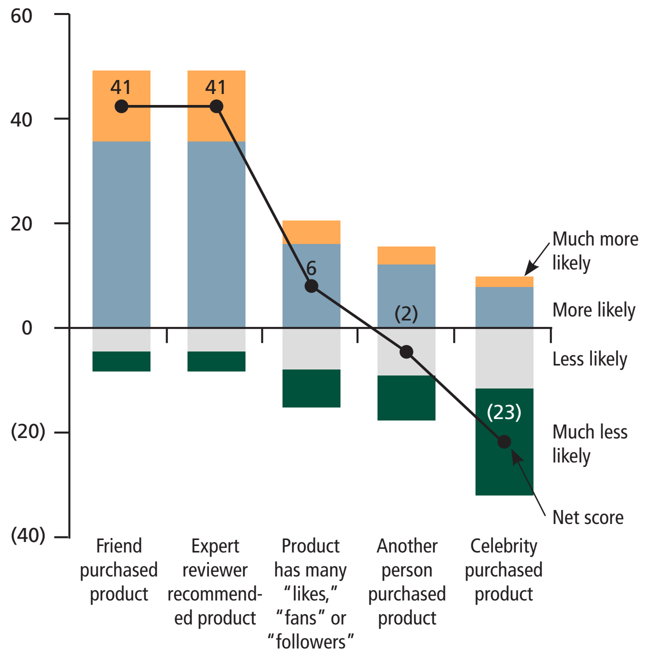
Word Cloud Of Social Media Usage (By Hours)

Source: L.E.K. Consulting

Figure 3

"How Much More Likely Are You to Purchase a Product if You Saw on Social Media"

Percent



Source: L.E.K. Consulting

social media users are a fickle bunch; Facebook users "like" an average of only 11 companies at one time, and churn around 30% of these a year. So it is both expensive to gain "likers" and expensive to keep them, with the returns of doing so unclear.

Given this, companies need to identify the appropriate tactics and metrics given their bespoke social media strategy. For example, our research found that two key influencers on purchasing by social media users are: 1) seeing on a social media site that friends had purchased that product, and 2) seeing video product demonstrations on YouTube – so it seems it would be far better for companies to divert resources to, and measure achievement of, these metrics rather than chasing "likes" or "follows."

Of course, direct revenue generation is not the only use of social media or, indeed, the only expectation of social media users, and our research examined other aspects of social media strategy, such as service response. Nonetheless, we believe companies should understand the limitations of "likes" and "follows" as a metric of social media success.

Myth 4: Celebrity Endorsements Make Your Social Media Presence Credible

Social media, through its varied interactions and exchanges, is a great leveler; where else can a celebrity ask a stay-at-home mom for advice on toothpaste? However, our research found that celebrity endorsement of products via social media failed to influence users' purchasing habits, and in fact may cause users not to buy that product. Why is that? Perhaps social media is seen as a peer-to-peer forum which should not be "degraded" by paid-for celebrity comments. Given this, it is interesting to see that users are likely to respond favorably to an "expert" endorsement, such as a testimonial from a renowned chef, doctor or academic (so it is fine if the expert is also a celebrity). Social media users are also highly likely to trust each other, with around 65% of social media users making purchases aided by customer review sites.

Companies should be targeting an appropriate endorsement strategy, focusing on experts and product purchasers. This again would be a more productive tactic, and a better metric to track, than the numbers of "follows" or "likes." Finally, our research has indicated what companies need to do to encourage customer reviews: offer points or monetary rewards, demonstrate in a tangible way how feedback will be used in future product development and simply say thank you for feedback via personalized messages.

How To Build a Myth-Free Social Media Strategy

Social media is a noisy, nebulous, fast-evolving digital space. However, our research has demonstrated that it can be analyzed, and its effectiveness understood, in similar ways to more established marketing and communication channels. And this analysis and understanding can lead to the development of winning social media strategies.

Leading companies with data-driven social media strategies are retaining customers, generating new ones and driving incremental value. Our experience of working with these companies suggests that winning strategies avoid common myths, and focus instead on differentiation, utilizing continually evolving tactics that target the right consumers in a cost-effective way. In order for your company to use social media successfully, you should ensure that you:

1. Know which of your customers use social media, how they use it, and therefore what your social media strategy should deliver in order to create value for both your customers and for you.

2. Understand which social media sites your target segments are actually using and tailor your coverage appropriately. Measure and assess the return on investment (either quantitative or qualitative) from individual sites, particularly the large ones. Monitor this closely and regularly and adapt your 'social media marketing mix' as appropriate.

3. Define your performance indicators for your social media strategy, and develop tactics to deliver these. This is likely to include user reviews, expert endorsements and video content on YouTube, and may not include the numbers of "likes" or "follows."

4. Put in place the right incentives to capture user-generated feedback, and assess its value. Incentives could include points or monetary rewards; inclusion of views in new product development; and, perhaps easiest of all, saying thank you.

Different businesses will succeed with different combinations of these tactics. Whatever course your business chooses, you will find that avoiding common myths around social media takes you a long way towards turning social media investments into value creation for the business. And what's not to "like" about that?

For further information contact:

London
40 Grosvenor Place
London SW1X 7JL
United Kingdom
Tel: +44 (0) 20.7389.7200
Fax: + 44 (0) 20.7389.7440

Milan
Piazzale Biancamano 8
20121 Milano
Italy
Tel: +39 (02) 8646.2761
Fax : +39 (02) 8646.2791

Munich
Neuturmstrasse 5
80331 Munich
Germany
Tel: +49 (89) 922.0050
Fax : +49 (89) 922.0520

Paris
3 rue Paul Cézanne
75008 Paris
France
Tel: +33 (0) 1.4703.1950
Fax : +33 (0) 1.4296.1138

Wroclaw
ul. Pilsudskiego 13
50-048 Wroclaw
Poland
Tel: +48 (71) 790.16.30
Fax : +48 (71) 790.16.35

International Offices:
Bangkok
Beijing
Boston
Chennai
Chicago
Los Angeles
Melbourne
Mumbai
New Delhi
New York
San Francisco
São Paulo
Seoul
Shanghai
Singapore
Sydney
Tokyo