

February 18, 2009

Justifying Social Marketing Spending

by Michael Greene
for Interactive Marketing Professionals



February 18, 2009

Justifying Social Marketing Spending

by **Michael Greene**

with Emily Riley, David Card, Ina Mitskaviets, Emily Bowen, and Jennifer Wise

EXECUTIVE SUMMARY

With economic turbulence causing executives to tighten marketing budgets, interactive marketing professionals have to go the extra mile to justify their investments. While only 31% of social marketers plan to increase their social marketing budgets by more than 10% in 2009, social media should be part of all marketers' plans, particularly tactics that are free or require more time than budget. Social marketers should concentrate on using the inexpensive and free tools that energize their active and influential customers and create a personal engaging experience in an unsettling market, resulting in success toward the back of the traditional marketing funnel.

TABLE OF CONTENTS

- 2 **Key Questions**
- 2 **Social Media Has Become Mainstream**
 - Social Marketing Budgets Are Still Experimental
- 6 **Making The Case For Social Marketing**
 - Social Marketers Struggle To Find Revenue-Generating ROI
 - Social Marketers Must Focus On The End Of The Funnel

RECOMMENDATIONS

- 9 **Inexpensive Tools Can Create Long-Term Value**
- 10 **Supplemental Material**

NOTES & RESOURCES

Forrester analyzed data from the JupiterResearch/ClickZ Social and Mobile Marketing Executive Survey (2/08); the JupiterResearch/NPD Group Entertainment and Media Consumer Survey (8/08); the JupiterResearch/NPD Group Individual User Survey, (6/08); and the JupiterResearch/NPD Retail Consumer Survey, (4/08).

Related Research Documents

- ["Social Media Measurement"](#)
October 16, 2008
- ["Social Media Consumption"](#)
September 23, 2008
- ["Social Marketing Scorecard, 2008"](#)
July 17, 2008

KEY QUESTIONS

Social marketing champions must be able to answer three key questions if they hope to justify investment in turbulent economic times:

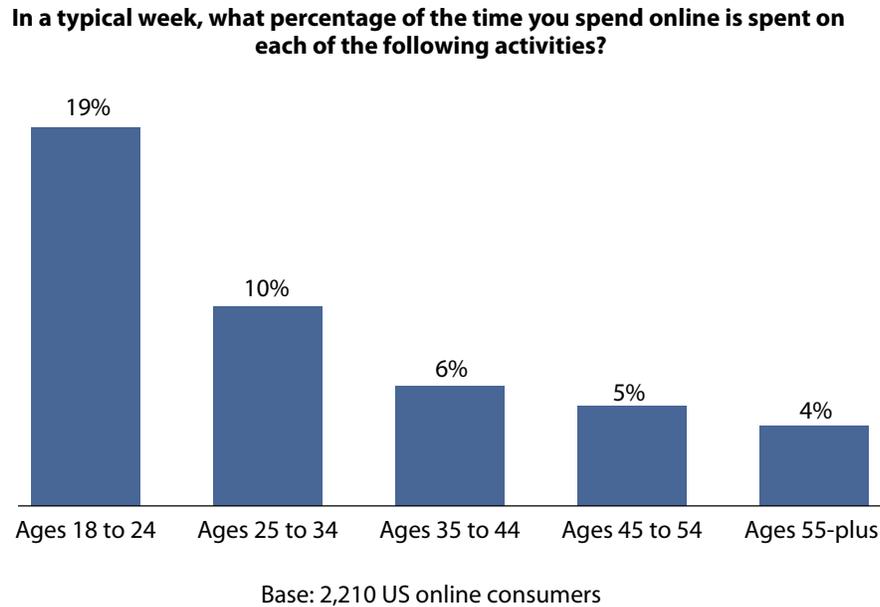
- **Where does social media fit into the media usage landscape, and how is that evolving?**
- **What kinds of costs do social marketers face?**
- **Where in the marketing funnel should social marketers focus in order to maximize their ROI?**

SOCIAL MEDIA HAS BECOME MAINSTREAM

Although consumers may pull back from some forms of paid content during a downturn, social media consumption has become a mainstream part of Internet usage. Three trends will remain, as follows:

- **Social media has become imperative for reaching young adults.** Adults, ages 18 to 24, overindex across the board on social activities. This should be no surprise given the fact that young adults spend nearly one-fifth of their online time using social networking sites (see Figure 1). Although more efficient site navigation tools may make individual visits briefer, network effects and the growth of third-party applications are creating lock-in that will keep users coming back. However, 11% of online adults say they get what they need from just one social networking site, suggesting a desire for niche communities to serve different associations and interests.
- **Social media isn't just for the young anymore.** Older adults have embraced social media, making social marketing a viable tool for reaching more than just teens and young adults. While adults over 45 have most deeply embraced mature types of social media such as blogs, 16% of these older adults visit a social networking site at least monthly.
- **Social networks have emerged as the center of social activity.** Often social networks act as hubs for many forms of social media consumption, including sharing photos and video and playing social games. While social networks inspire greater activity than other forms of social media, a substantial number of social networkers follow general trends in social media consumption and remain relatively passive users (see Figure 2). Even as social networks become an important center of viral activity, marketers should not ignore more traditional forms of customer contact — such as email — especially when reaching out to older users.

Figure 1 Adults 18 To 24 Spend Nearly One-Fifth Of Their Online Time On Social Networking Sites



Source: JupiterResearch/NPD Group Entertainment and Media Consumer Survey (8/08)

53562

Source: Forrester Research, Inc.

Social Marketing Budgets Are Still Experimental

Social marketing has become an industry buzzword; however, it remains puny in dollar value compared with other forms of marketing with half of all social marketers spending less than 5% of their online marketing budgets on social marketing (see Figure 3). Throw social into the mix with high-cost TV and print marketing, and social only accounts for fractions of a percent of marketing spend for many major brands. Additionally, few marketers are planning drastic increases in social marketing spending in 2009 (see Figure 4). However, a large portion of marketers do use social marketing tactics and tools, they just tend to gravitate toward those that don't have large media buying costs associated with them, such as blogs (43%) and discussion forums (23%).

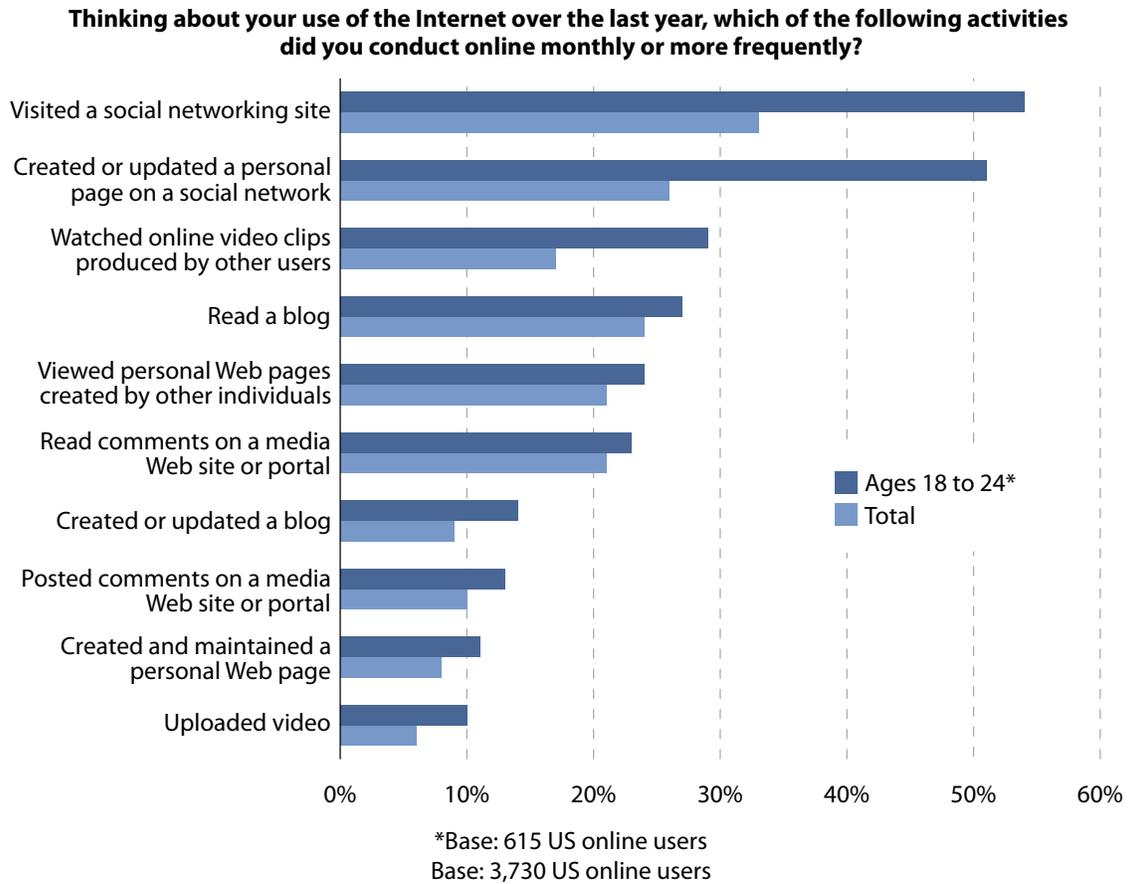
Social marketers aren't spending a lot of money on their campaigns, but that doesn't mean that social tools don't have costs. Social tools fall into two main categories:

- **External development intensive.** Tools such as viral videos, widgets, and proprietary communities tend to require relatively high levels of investment in creative development and technical maintenance while requiring relatively lower levels of input from employees. In many cases, agencies or specialized developers such as Clearspring (for widgets) or LiveWorld (for communities) handle much of the work behind these social tools. With the exception of communities, these tools generally require relatively small amounts of long-term, ongoing

support from marketers. Externally developed tools are ideal for marketers with relatively thin internal expertise in social marketing who want to enter the social sphere by outsourcing much of the effort. However, these tools will surpass the budgets of many social marketers with marketers spending anywhere from \$10,000 for a widget to more than \$100,000 a year for a proprietary community.

- **Time intensive.** Creating tools such as blogs and podcasts and joining third-party communities are typically long-term marketing efforts that require deep employee time investment but relatively low levels of monetary investment. For example, a company blog typically requires upfront costs for blogger training and a small yearly hosting fee, but most of the cost actually comes in the form of the blogger’s time and thought. These time-intensive tools are ideal for marketers who are ready to internalize social marketing and would rather invest in developing skill sets that employees can leverage over the long term rather than generating one-off campaigns.

Figure 2 User Adoption Of Social Media



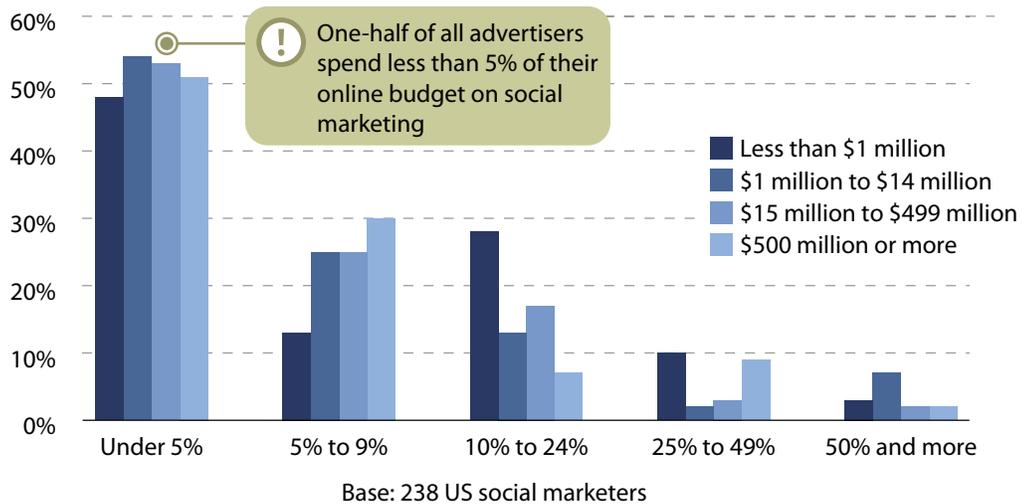
Source: JupiterResearch/NPD Group Individual User Survey (6/08)

53562

Source: Forrester Research, Inc.

Figure 3 Regardless Of Company Size, Social Marketing Receives Limited Budget Allocation

What percentage of your 2008 online marketing budget is dedicated to social marketing?



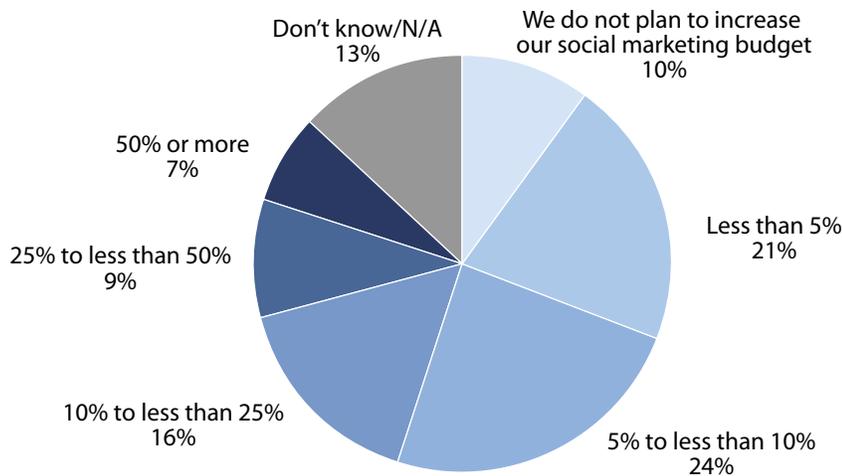
Source: JupiterResearch/ClickZ Social and Mobile Marketing Executive Survey (2/08)

53562

Source: Forrester Research, Inc.

Figure 4 Social Marketer Planned Budgetary Increases For The Next 12 Months

By how much do you plan to increase your spend on social marketing in the next 12 months?



Source: JupiterResearch/ClickZ Social and Mobile Marketing Executive Survey (2/08)

53562

Source: Forrester Research, Inc.

MAKING THE CASE FOR SOCIAL MARKETING

In times of economic distress, marketers need to examine the effectiveness of their efforts. Although short-term experimentation can help marketers discover best practices for long-term implementation, marketers need to keep two basic goals in mind, as follows:

- **Cutting costs.** Social marketers should examine whether social marketing allows them to cut costs by either reducing internal headcount or outsourced services or by decreasing traditional marketing expenses incurred through media buys. Although social marketing campaigns remain relatively inexpensive, they typically do not replace more traditional marketing expenditures. Most social marketing campaigns require some sort of development and many social media tools require promotion, only adding to media buying budgets. Social marketers have found more success in using social marketing tools to decrease headcount or outsourced personnel-heavy services — especially in industries that require lots of customer service. Customers supporting each other can be a big cost saver. For example, Australian enterprise software company Atlassian set up an online forum so its users could help answer technical questions, eliminating thousands of costly calls to its technical support center.
- **Creating revenues.** Driving top-line growth is a distinct challenge. Marketers need to be able to understand their social marketing efforts as part of their broader marketing campaigns and use social tools not only to sell directly to consumers but to help consumers sell to each other by energizing advocates and influentials. For example, American Express created The Dish, an online community where cardholders could recommend restaurants that accept American Express cards, reaching a consumer passion point (dining) while driving card use.

Social Marketers Struggle To Find Revenue-Generating ROI

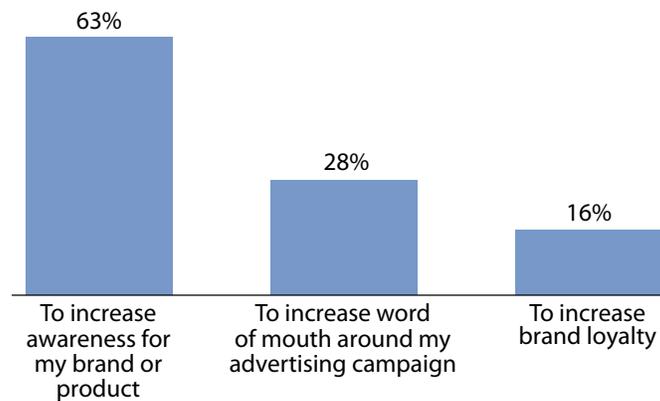
Only 8% of social marketers are satisfied with the ROI of their social marketing campaigns. This is no surprise, given that social marketers consistently fail to align their goals with the right execution or the right measurement metrics. Three key factors lie behind this challenge, as follows:

- **Effective social marketing measurement remains elusive.** Despite overwhelmingly favoring brand goals, 53% of social marketers rely on clicks — a traditional direct response metric — to measure their social marketing campaigns. Engagement metrics are catching on with more sophisticated social marketers, but marketers must align back-end metrics they really care about such as sales, lift in brand awareness, or lift in purchase intent with patterns in user engagement.
- **Efficiency and scale are problematic when using social tools to build awareness.** Sixty-three percent of social marketers consider increasing brand awareness the primary goal of their social marketing campaigns (see Figure 5). While some social tools such as viral videos and widgets can be effective at increasing awareness, these tools are typically relatively expensive compared with other social media tools and are very difficult to scale compared with traditional media buy campaigns. Additionally, unlike ad buys, these tools come with no audience guarantees making it difficult to set expectations and ultimately deliver ROI.

- **Creating awareness virally is largely hit or miss — and mostly miss.** Contrary to the belief of many social marketers, “going viral” is not a type of campaign but a side effect of successful social campaigns. While social marketers can increase the odds of viral pass-along by executing a campaign with great creative, a well-targeted audience, and proper empowerment of consumers to pass along messages, marketers should consider any viral pass-along as an added bonus to their campaign impressions, not a primary objective.

Figure 5 Social Marketers Chiefly Focused On Short-Term, Relatively Low ROI Goals

When thinking about your recent social marketing campaigns, what are your primary goals?



Base: 238 US social marketers

Source: JupiterResearch/ClickZ Social and Mobile Marketing Executive Survey (2/08)

53562

Source: Forrester Research, Inc.

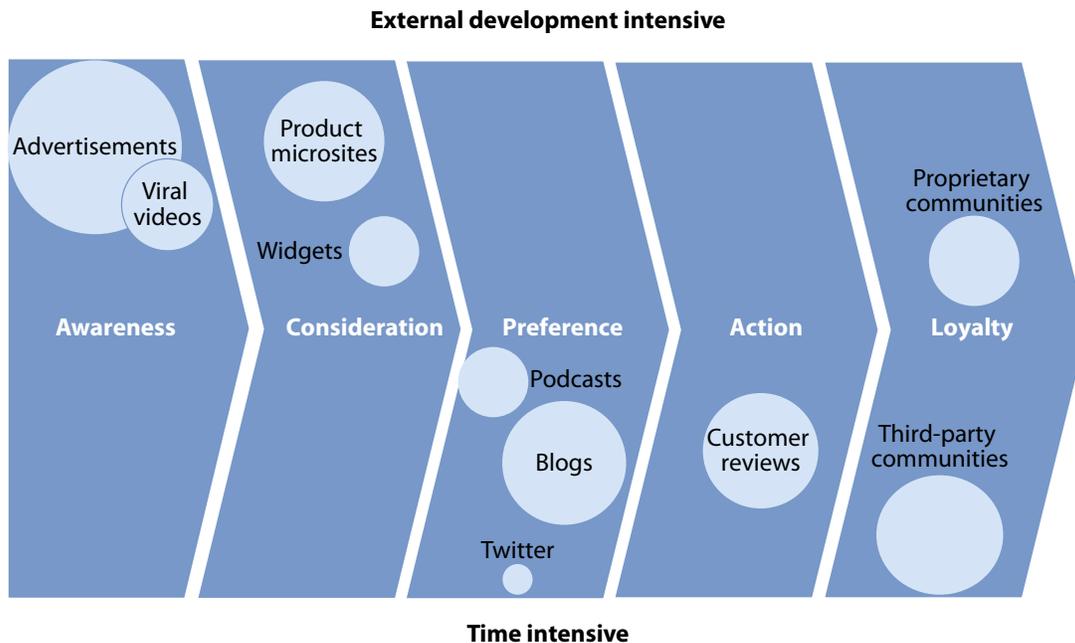
Social Marketers Must Focus On The End Of The Funnel

Most social marketers are applying the wrong tactics to the wrong objectives. Scalable media buys are the more efficient way to raise awareness. Social marketers can find greater success by focusing on three areas where consumers rely most on each other (see Figure 6):

- **Preference.** Building brand or product preference is hard for a brand to do without the help of vocal influencers, those category experts who serve as a trusted resource for their friends and families. Social marketers should provide influencers with the tools to help their friends make the jump from mere consideration to preference by giving them the tools to close the gap and keeping them actively involved in the brand. Tools such as blogs and podcasts can help keep active, influential users engaged by providing them with deep information they can then use to make their sales pitch to others. Marketers should then empower engaged influencers to spread the word by supporting product parties or supplying them with coupons to pass on to friends.

- Action.** Creating a purchase is highly challenging for many brand social marketers; however, social marketers with an online retail element can effectively harness the power of social media by enabling product reviews on their Web sites. Sixty-four percent of online buyers find user reviews important when making an online purchase, and 47% of online users overall say that information provided by other consumers is more important to them than information provided by marketers. While there is a risk that customers will be turned off by inevitable negative reviews, many users have moved past the consideration and preference phases by the time they look at retail site reviews and are looking for social affirmation of their product selection. Reviews help users feel comfortable with their selections and reaffirm choice by portraying social acceptance. Building this sense of confidence in a user’s choice is essential, especially as consumer budgets shrink with the declining economy.
- Loyalty.** Social marketers should not ignore the power of social marketing to build long-term brand loyalty with current customers. Communities can help by allowing active customers to support each other and by making these consumers feel listened to and empowered. Marketers who successfully embrace product or marketing ideas popular in communities will be most successful at reinforcing loyalty. For example, Mars created a community for its most passionate customers, using their insights to refine marketing campaigns and develop new products. To evaluate these efforts, social marketers should look to long-term metrics like lifetime customer value in order to understand how their efforts are affecting the bottom line.

Figure 6 Aligning Social Tools With Marketing Funnel



Note: Bubble size indicates level of consumer adoption.

RECOMMENDATIONS

INEXPENSIVE TOOLS CAN CREATE LONG-TERM VALUE

Social marketers can succeed by keeping costs low and focusing on where social marketing can add the most value. Social marketers should:

- **Build insight to help focus goals.** Marketers should start by using ad hoc buzz monitoring products such as Google Trends to learn what their most active customers are saying about their brand and then join the conversation in an inexpensive, transparent manner by joining an existing third-party community or starting a blog. Then, take into account existing information from loyalty programs and Web sites to figure out which customers potentially have the highest social value. This process will help marketers assess customer pain points as well as identify a potentially powerful group of customers.
- **Use free and inexpensive tools during execution.** Marketers have a variety of inexpensive tools that can help them achieve their social goals. Blogs and podcasts are inexpensive ways to distribute the deep information influential customers crave. Consumer product reviews drive purchases by reaffirming customer product preferences, and joining existing communities lets existing customers know that the brand cares about their opinions and helps create long-term loyalty.
- **Invest in turning your most active customers into energized advocates.** After assessing the needs of your most active customers by listening to their online conversations and combing data from loyalty programs and your Web site, marketers should reach out to active customers through tools such as blogs and podcasts. Marketers should then help these customers energize their social graph by educating them on new product updates, helping them spread the word through special events such as sponsored parties, and cultivating loyalty through building advocate communities where active customers can reinforce each other's brand allegiance.
- **Be patient in creating long-term brand value.** Relatively cheap social marketing applications rarely match the short-term effectiveness of large-scale media buys. However, commitment to social marketing can result in long-term victories by cultivating brand advocates, enhancing brand loyalty, and crowdsourcing innovations. Marketers should temper their short-term expectations and instead invest in evaluating the long-term benefits of reinforcing brand advocacy and loyalty.

SUPPLEMENTAL MATERIAL

Methodology

In April 2008, JupiterResearch designed and fielded the JupiterResearch/Ipsos-Insight Retail Consumer Survey to online consumers selected randomly from the NPD Group US online consumer panel. A total of 2,231 US individuals responded to the survey. Respondents were asked approximately 30 closed-ended questions about their behaviors and preferences regarding online travel. Respondents received an email invitation to participate in the survey with an attached URL linked to the Web-based survey form. The samples were carefully balanced by a series of demographic and behavioral characteristics to ensure that they were representative of the online population. Demographic weighting variables included age, gender, household income, household education, household type, region, and market size. Additionally, JupiterResearch took the unconventional step of weighting the data by AOL usage, online tenure, and connection speed (broadband versus dial-up), three key determinants of online behavior. Balancing quotas are derived from JupiterResearch's Internet Population Model, which relies on US Census Bureau data and a rich foundation of primary consumer survey research to determine the size, demographics, and ethnographics of the US online population. The survey data is fully applicable to the US online population within a confidence interval of plus or minus 3%.

In this survey effort, JupiterResearch worked with its research partner, NPD, on the technical tasks of survey fielding, sample building, balancing, and data processing. NPD is one of the largest market research companies in the US and maintains a general research panel of 4 million individuals, of which 750,000 are kept "active." The active panel receives surveys while inactive panelists are rested. This rotation in and out of active status helps keep panelists fresh and prevents burnout. Panel-based market research enables researchers to have baseline knowledge of each survey respondent, increase survey participation rates, and permit careful rationing of survey fielding to reduce survey burnout.

In February 2008, JupiterResearch conducted the JupiterResearch/ClickZ Social and Mobile Marketing Executive Survey, a formal survey of online advertisers about their social marketing and mobile marketing practices. A total of 313 qualified US social advertisers completed the survey. Respondents received an email invitation to participate in the survey, with an attached URL linked to the Web-based survey form. As an incentive, respondents were entered into a sweepstakes to win a \$50 gift certificate from Amazon.com and would also receive the aggregate survey results.

In this survey effort, JupiterResearch worked with Incisive Media's ClickZ network on the technical tasks of sample building and survey fielding. Incisive Media is a fast-growing specialist business information provider operating in eight core markets, delivering key information to defined target audiences across a variety of platforms including magazines, conferences and exhibitions, Web sites, newsletters, contract publishing, and databases.

In August 2008, JupiterResearch designed and fielded the JupiterResearch/NPD Group Entertainment and Media Consumer Survey to online consumers selected randomly from the NPD Group US online consumer panel. A total of 2,210 US individuals responded to the survey.

Respondents were asked approximately 30 closed-ended questions about their behaviors, attitudes and preferences as they relate to consuming media and entertainment online. Respondents received an email invitation to participate in the survey with an attached URL linked to the Web-based survey form. The samples were carefully balanced by a series of demographic and behavioral characteristics to ensure that they were representative of the online population. Demographic weighting variables included age, gender, household income, household education, household type, region, market size, race, Hispanic ethnicity, online tenure, connection speed, and student status. Balancing quotas were derived from JupiterResearch's Internet population model, which relies on US Census Bureau data and a rich foundation of primary consumer survey research to determine the size and demographics of the US online population. The survey data is fully applicable to the US online population within a confidence interval of plus or minus 3%.

In this survey effort, JupiterResearch worked with its research partner, NPD, on the technical tasks of survey fielding, sample building, balancing, and data processing. NPD is one of the largest market research companies in the US and maintains a general research panel of 4 million individuals, of which 750,000 are kept "active." The active panel receives surveys while inactive panelists are rested. This rotation in and out of active status helps keep panelists fresh and prevents burnout. Panel-based market research enables researchers to have baseline knowledge of each survey respondent, increase survey participation rates, and permit careful rationing of survey fielding to reduce survey burnout.

In June 2008, JupiterResearch designed and fielded the JupiterResearch/NPD Group Individual User Survey to online consumers selected randomly from the NPD Group US online consumer panel. A total of 3,730 US individuals responded to the survey. Respondents were asked approximately 40 closed-ended questions about their behaviors, attitudes, and preferences as they relate to general online behaviors, paid content and services, online video, online advertising, social networking sites, etc. Respondents received an email invitation to participate in the survey with an attached URL linked to the Web-based survey form. The samples were carefully balanced by a series of demographic and behavioral characteristics to ensure that they were representative of the online population. Demographic weighting variables included age, gender, household income, household education, household type, region, market size, race, Hispanic ethnicity, online tenure, connection speed, and student status. Balancing quotas were derived from JupiterResearch's Internet population model, which relies on US Census Bureau data and a rich foundation of primary consumer survey research to determine the size and demographics of the US online population. The survey data is fully applicable to the US online population within a confidence interval of plus or minus 3%.

In this survey effort, JupiterResearch worked with its research partner, NPD, on the technical tasks of survey fielding, sample building, balancing, and data processing. NPD is one of the largest market research companies in the US and maintains a general research panel of 4 million individuals, of which 750,000 are kept "active." The active panel receives surveys while inactive panelists are rested. This rotation in and out of active status helps keep panelists fresh and prevents burnout. Panel-based market research enables researchers to have baseline knowledge of each survey respondent, increase survey participation rates, and permit careful rationing of survey fielding to reduce survey burnout.

FORRESTER®

Making Leaders Successful Every Day

Headquarters

Forrester Research, Inc.
400 Technology Square
Cambridge, MA 02139 USA
Tel: +1 617.613.6000
Fax: +1 617.613.5000
Email: forrester@forrester.com
Nasdaq symbol: FORR
www.forrester.com

Research and Sales Offices

Australia	Israel
Brazil	Japan
Canada	Korea
Denmark	The Netherlands
France	Switzerland
Germany	United Kingdom
Hong Kong	United States
India	

For a complete list of worldwide locations, visit www.forrester.com/about.

For information on hard-copy or electronic reprints, please contact Client Support at +1 866.367.7378, +1 617.613.5730, or clientsupport@forrester.com.

We offer quantity discounts and special pricing for academic and nonprofit institutions.

Forrester Research, Inc. (Nasdaq: FORR) is an independent research company that provides pragmatic and forward-thinking advice to global leaders in business and technology. Forrester works with professionals in 19 key roles at major companies providing proprietary research, consumer insight, consulting, events, and peer-to-peer executive programs. For more than 25 years, Forrester has been making IT, marketing, and technology industry leaders successful every day. For more information, visit www.forrester.com.