

## Increase the Impact of Your Digital Marketing Spend in a Down Economy: How to Use Social Computing to Succeed in 2009 and Beyond

As the world's leading provider of .NET social software, we at Telligent remain on the cutting edge of forward-thinking technologies. In the following document, we discuss how to stay ahead of your competition with social media and why it's your best strategy during a recession.

### **Executive Summary**

With the rapid adoption of online communities and digital marketing, information is being democratized, search is now a daily activity, and email is only part of the connective tissue. Simply put, companies big and small are beginning to realize that customers remain loyal when there is a community connection point geared towards collaboration and engagement.

Recession or no recession, consumers are driving demand and innovation online, and you've got to stay ahead if you want to survive.

### **Social Computing**

- is a low-cost solution for increasing the impact of your digital marketing spend
- is an investment that has proven successful for global brands
- represents the future of marketing

The long predicted recession has arrived, with its requisite budget cutting, belt tightening, and slashed expectations. According to a recent Association of National Advertisers (ANA) survey, more than 87 percent of interviewed marketing executives said they had already been asked to identify cost savings or reductions in current marketing and advertising efforts, and more than half (53 percent) expected their advertising budgets to shrink over the next six months.<sup>i</sup>

The good news, however, is that slashed budgets don't necessarily mean reduced marketing efforts. "Effective marketing spending during economic downturns is not about how much you spend but how you spend it," says Bob Liodice, President and CEO of the ANA, who adds that recessions are prime opportunities for companies to boost market share so that they come out ahead of competitors on the economic rebound. In fact, an Epsilon survey of CMOs and other marketing executives found that 94 percent agreed with this statement:

"A tough economic period is precisely the time when marketing plays a key role."

Interestingly enough, the same Epsilon study found that **social computing was the most popular emerging marketing channel**, with 42% of marketing executives expressing interest in adding it to their marketing mix.

But why is social computing on a growth path when other marketing channels are looking at cutbacks? For three very simple reasons:

1. It's low cost
2. It works, and
3. It represents the future of marketing

### **It's Low Cost**

Compared to your typical advertising campaign—which can run into the millions of dollars—social computing blogs, forums, wikis and other tools are incredibly inexpensive to implement and administer, ranging in price from almost free (social sites such as Facebook and LinkedIn) to economical (for a completely integrated, enterprise solution). According to Forrester Research, the average company using blogging tools paid just \$14,100 for that capability in 2007<sup>ii</sup>; on average, a full-fledged social networking platform costs only \$33,500.

When used the right way, social computing and Web 2.0 applications can reduce operating costs. For example, online technical support forums and wikis can reduce product support costs dramatically. Take Cisco for instance: 43 percent of visits to its support forums are in lieu of opening up a support ticket. And Microsoft's ASP.NET community, a social site devoted to .NET technology developers, offers tech support forums and other Web-based options. On average, Microsoft's live customer support interaction costs 87 percent more per transaction than its self-service, social computing counterpart.

Another low-cost benefit to using social computing tools in your digital marketing strategy is that much of the content found in forums, wikis, and blogs is also user generated, which costs nothing or next to nothing for the company that manufactures the product or service. Many global corporations have found that wikis are excellent, low-cost replacements for printed product documentation and are much easier to keep current. And in a down economy, a benefit that costs “next to nothing” is essential!

## It Works

In addition to their low costs, social computing platforms have been **proven to get results** that can't be realized with other marketing media. Why?

**Consumer Engagement** Most traditional marketing communication is 99.9% geared towards boosting awareness of a brand and its products. During a recession, however, simply building awareness loses its effectiveness as the average consumer (short on disposable income and worried about the future) is less likely to jump from awareness to a purchasing behavior.

Social computing tools step beyond awareness to actual engagement with the consumer. Global giants such as Dell, AT&T, and others have come to realize that customers remain customers 50% longer if they are community members. During uncertain times, deep engagement with your target audience is much more likely to result in customer evangelists and increased sales versus just brand awareness. Forrester calls this "motivating consumers in the middle of the funnel" (or the Product Consideration Phase)—it's when consumers are on the fence about whether or not to make the purchase. Social software helps you move prospects from the "middle of the funnel" to a sale by providing a community environment where consumers can voice their opinions and feel part of a greater whole. This type of consumer engagement is more likely to lead to a purchase.

**Peer Relations** The reality in the marketplace is that most consumers trust each other a lot more than they trust vendors. A recommendation from a friend or a trusted peer is a powerful purchase incentive, much more powerful than any form of advertising or marketing.

The beauty of an online forum is that it provides a stage for peers to connect, interact, and build relationships with one another, sharing all kinds of information— including experiences, opinions, new ways to use those products, etc. Your social computing investment immediately turns into an innovative platform, as your customers share with you (either directly or

indirectly) the pros and cons of your particular offering and how they use it to fit their unique needs. This type of community feedback can then be applied to the next “new and improved” release of your product or service. And you didn’t have to pay a research firm thousands of dollars to dig for the data!

Electronic Arts capitalizes on its peer/community member relations by allowing its Skate players to upload and share videos of their gaming escapades. EA has found that this is an effective way to demonstrate the game’s full potential in a fun and exciting way but that it also encourages peer collaboration and interaction, which keeps community members coming back for more.

Time and again it’s been proven that social interactions within an online community setting create evangelists for your brand. And these customer evangelists are much more effective in generating sales among their peers (aka, your target audience) than other any resource.

**Customer Loyalty** For many companies, 80 percent of sales stem from an existing, loyal customer base. But how do you use social computing and Web 2.0 to connect to the other 20 percent?

- A recent study of a well-known gaming vendor showed that building an online community actually yielded a 45 percent increase in sales (or \$200 per community member)!
- AT&T found that community members remain customers 50 percent longer than non-community users.
- Another social ROI study proved that community members’ average transactions are **twice as large** as those of non-community members and that those members are **twice as likely** to refer others to the brand.

With the use of Web 2.0 tools, consumers are driving demand and innovation online. In order to stay ahead of your competition, you've got to **meet your customers where they are and stay connected.**

**Market Intelligence** Social computing platforms prove invaluable for gauging the pulse of the market, as well as being able to provide consistent feedback on consumer needs, market trends, and the perception of your product or service.

Leading companies such as Dell and Starbucks have deliberately set up social networking sites to elicit customer ideas for new products and improvements. Users submit, vote on, and discuss ideas with each other, and the corporate product managers keep community members informed through Web logs about which ideas have been chosen for implementation.

Companies also post their own ideas for new or improved products via blogs, polls, wikis, and forums and target specific groups of consumers who have the right area of interest and expertise. These corporations then use that direct feedback to continually refine their development efforts.

The result? Better products and services, quicker time-to-market, and reduced costs—all of which enable companies to meet consumers' needs in a shorter period of time. By applying these digital marketing tools to your overall marketing strategy, you set yourself up for success that will continue well beyond a recession.

So where do you go from here?

### **It Represents The Future Of Marketing**

Companies that slash their social computing investments during a recession do so at their own peril. No matter how slow the economy gets, consumer behavior will continue **to move away from traditional media.**

A recent Forrester survey of marketers found that 86 percent felt **the effectiveness of social media would increase over the next three years, more than any other marketing tool.**<sup>iii</sup>

This is particularly true of companies that target Gen Y consumers (those between the ages of 18 and 27, who are the first generation to spend more time on the Internet than watching television). Generation Y users are incredibly Internet savvy and live in the social computing universe on a full-time basis. They are consistently creating content on top of your content and expect to be heard. The companies that attract this group the best are those that understand and keep up with social computing trends. Gen Y consumers may be a small percentage of your customers today, but they will grow in significance over the next 10 to 20 years.

The point is this: today's economic recession will come and go. By refocusing your cinched marketing budget on channels that provide the biggest return on investment and can actually measure that ROI (i.e., social computing tools and business intelligence software), the impact of your digital marketing spend will set you up for rapid growth and position you ahead of your competition.

**Let us help you become recession-proof.**

Visit [Telligent.com](http://Telligent.com) to learn about Telligent Community Server, the world's leading .NET platform for online customer communities and social networks.

**About Telligent**

[Telligent](http://Telligent.com) is a leader in enterprise ready solutions for online communities and social networks. Telligent's flagship offering, Community Server, provides a fully integrated platform that utilizes social media to enhance customer relationships and brand engagement, increase ROI, and provide channels for customer insight and feedback. With its software solutions and extensive service offerings, Telligent empowers collaboration for many of the world's largest brands. Clients include: Associated Press, Conde Nast, Dell, Electronic Arts, GlaxoSmithKline, Honda, Intel, Mazda, Microsoft, MSNBC, MySpace.com, National Geographic, the NFL, and Visa. For more information, visit [Telligent.com](http://Telligent.com).

---

<sup>i</sup> <http://www.ana.net/news/content/1363>

<sup>ii</sup> "Enterprise Web 2.0 Pricing" series, Forrester Research, October 9, 2008.

<sup>iii</sup> "The Interactive Marketing Imperative," Forrester Research Webinar, October 24, 2008.