

The Henley Centre for Customer Management



**Henley**  
Business School

UNIVERSITY OF READING

# Social Spending: Investing in Social Media Marketing (SMM)

Dr Baskin Yenicioglu

31<sup>st</sup> December, 2012



This report is produced by the Henley Centre for Customer Management on behalf of its members.

The date on the cover page of this report is the official release date. For the first six months after release, the report remains confidential. During this first period there is no restriction on copying within the research project team and member organisations, provided that the statement of copyright and identification of source is retained on all subsequent copies and no copies are released to non-participating organisations.

After the six-month period of confidentiality, normal copyright practice will be expected of all users of the research results. All published results will carry a copyright notice and an identification of the source, with a request to retain that information on all subsequent copies.

## Table of contents

1. Introduction .....	1
1.1. What do we mean by social media marketing?.....	1
1.2. Looking at the bigger picture .....	1
2. Social media marketing spend .....	5
2.1. SMM spending is on the rise .....	5
2.2. What about ROI?.....	5
2.3. Key metrics for SMM .....	6
2.4. Where should the money go? .....	6
2.5. Some practical advice .....	7
3. Conclusion .....	10
References .....	11

## Table of figures

Figure 1: SMM benefits .....	4
------------------------------	---

## Table of tables

Table 1: Social media marketing: interviewee profiles .....	7
---	---



## 1. Introduction

### 1.1. What do we mean by social media marketing?

The concept of Web 2.0 was coined to describe the new way in which the world wide web is being used as a platform where content and applications are not only created and published by individuals but are also modified and shared by networks of users in a participatory and collaborative fashion (Kaplan & Haenlein, 2010). It is defined as ‘a set of economic, social, and technology trends that collectively form the basis for the next generation of the Internet – a more mature, distinctive medium characterized by user participation, openness, and network effects’ (Musser & O’Reilly, 2006: 4).

If Web 2.0 is the new ideological and technological way in which the world wide web is now being utilised by networks of users, then social media can be defined as the group of internet-based applications that build on the foundations of Web 2.0, and that allow the creation and exchange of user generated content (Kaplan & Haenlein, 2010). Social media applications encompass a range of channels including forums such as blogs, consumer rating/review websites, social networking websites, content sharing sites, virtual worlds, business networking sites and collaborative sites. In the midst of all this variety of tools, sometimes the ‘media’ aspects of social media are heralded as having an overrated importance (Drury, 2008), yet it is the ‘social’ side of social media that makes them unique and valuable to both consumers and businesses alike.

Social media marketing (SMM) utilises this social side of internet-based technologies to offer new and uncharted ways for marketers to grab the attention of networked internet users through various social media platforms (Fagerstrom & Ghinea, 2010). One way to categorise SMM is by looking at the characteristics of the different social media platforms marketers are using to connect with users. Nedelka (2008), for example, categorises all social media platforms into three groups: content syndication (blogs, podcasts, videocasts), content sharing (user-generated content, wikis, widgets, reviews) and community building (social networks, online communities). However, this approach favours the media aspect over the social element of social media marketing by focusing on the platform rather than the user characteristics. Moran (2008), on the other hand, identifies four categories of social media platforms based on user motivations. Content-based social media marketing allows users to share individual messages with others (e.g. YouTube, Flickr, Pinterest). Personality-based social media marketing is built around user-created profile descriptions, which can be linked to the profiles of friends or colleagues in order to form networks (e.g. Facebook, LinkedIn, Twitter). Interest-based social media marketing involves interacting with users of special subject communities (e.g. message boards, blogs). Finally marketing activities through virtual realities constitute fantasy-based social media marketing (e.g. online games such as Second Life).

### 1.2. Looking at the bigger picture

The increasing reach, speed and interactivity of social communication within our networked environment means that as more and more people link to one another’s content, the value of these social communications would increase exponentially (Hendler & Golbeck, 2008). Yet, despite this exponential growth in the volume and value of online social communication,

managers are so far not clear as to how social media can be used in marketing (Ang, 2011). Let's look at some facts and figures to make sure we comprehend the significance of SMM for businesses.

### *Some feel good numbers*

- 85% of the world's internet population log on to social media platforms every day and social media account for 19% of all time spent online (ComScore, 2011).
- There would be 1.43 billion social network users by the end of 2012, a 19.2% increase over 2011 (eMarketer, 2012).
- Mobile social media users are expected to grow to 1.6 billion in the next five years (Juniper Research, 2011).
- In the UK, social media sites draw more users than news sites, retail or email (ComScore, 2012).

Although these statistics demonstrate the inescapable incorporation of SM into the everyday lives of people and businesses, not all numbers pose easy opportunities.

### *Some scary numbers*

In every 60 seconds of web time:

- Tumblr blog owners publish 27,778 new items of content.
- Brands and organisations on Facebook receive 34,722 'likes'.
- Consumers spend \$272,070 on online shopping.

The staggering amount of information flowing through social media also poses significant risks for businesses trying to utilise SMM efforts to interact with their customers. Brand relevant messages no longer flow unidirectionally from fragmented marketing communication channels towards the consumer. Rather they are communicated interactively through an integrated network of online and offline touch points, which are largely outside the brand manager's control. Although this is scary, SMM has a lot of opportunities. But that does not mean companies should jump on the bandwagon without a carefully drawn up SMM strategy based on strategic objectives and ROI yardsticks.

Some questions companies should be asking before experimenting with SMM are identified below (Barry et al, 2011):

- What is the business case for investing further in social media? Where and how much should we invest?
- Fundamentally, how much is consumer behaviour changing? What are the biggest opportunities and threats? How aggressively are my competitors investing in these tools, and are they capturing differential advantage?
- What are the best practices in deploying social media strategies? What are the pitfalls to avoid?
- Should we build or buy our own 'community' or partner with one of today's leading platforms? Or both? Where should we place our bets?

- How should we organise and coordinate our efforts? Across brands? Across business units? Across geographies?
- How should we measure results? How do we know whether we are creating real business impact?

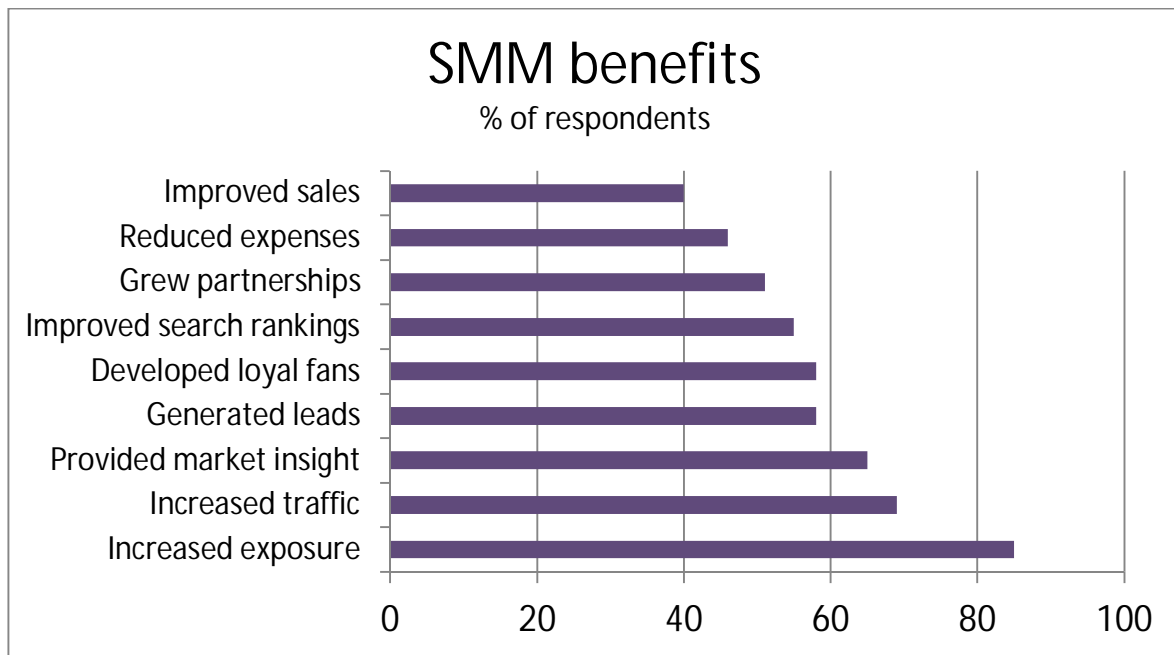
While 83% of companies say they are using SMM as part of their marketing efforts, online and mobile SMM is also seen as most difficult channels to be integrated into the overall marketing activities. However, a lack of budget is not seen as one of the major barriers to driving an effective integrated marketing campaign. The single most important factors acting as a barrier for integrating SMM into other channels are lack of a clearly defined strategy and poor organisational structures with fragmented departments within the organisation (Responsys, 2012). The key question, therefore, for a successful and integrated SMM effort, is not whether or not to invest in SMM, but rather where and how to invest.

Barry et al (2011) note that as companies struggle to calculate an ROI on their investment in social media they lose confidence in receiving clear returns, and consequently have difficulty securing the necessary funds for investing in SMM. In order to avoid falling into this limbo, companies can do two things. First, they can set clear objectives for SMM at each step across all customer touch points. Running small, carefully framed pilot tests would help track and demonstrate potential ROI.

Second, Barry et al (2011) contend that companies can further justify SMM investments by considering the broader value of social media, emphasising the value of engaging with customers where they are increasingly spending time. Customers who engage with companies over social media are more loyal and they spend 20% to 40% more with those companies than other customers do. Hence, SM platforms are becoming increasingly important for companies to engage with, delight and retain their best customers, which can only be done effectively through investing in SMM.

According to a recent survey, both B2B and B2C corporate marketing decision makers deem SMM as having key benefits for the organisation.

Figure 1: SMM benefits



Source: Stelzner (2012)

Although only 40% of respondents say SMM benefited them to improve sales, prolonged use of SMM seemed to be important for boosting sales (jumping to 58% of respondents who use SMM for over three years). Other key benefits are seen as increased exposure and traffic to websites, customer insight leading to product/service improvements, lead generation and increased loyalty (Stelzner, 2012).

## 2. Social media marketing spend

### 2.1. SMM spending is on the rise

SMM currently makes up an average 7.6% of total marketing budgets, expected to jump more than 40% next year to 10.8%, and to 19.8% in the next five years (CMO Survey, 2012).

Key investment areas are:

- increased presence across SM platforms
- increased frequency of content publishing
- more robust SMM management
- more robust SMM monitoring
- more SMM presence

The top investment priority is integration of multiple SMM platforms ahead of content creation and publishing. Investing in monitoring (analytics) and content publishing is more important for experienced social marketers. Lack of sufficient resources is seen as the major challenge in SMM (77% of respondents), which makes SMM analytics a key tool for improving ROI and securing finances (Awareness, 2012).

According to Forrester Research, marketers will invest more in interactive channels because they believe SMM will generate better results over time. Investment in SMM in the next few years will be 26% CAGR reaching \$5 billion in 2016. However, this is only a moderate increase compared with mobile marketing spend and only represents 7% of the interactive marketing expenditure. This does not mean SMM is not deemed as important though. SMM costs are low enough to keep the investment reasonable even with widespread adoption. Listening platforms, for example, can cost only about \$5,000 to \$10,000 per month. However, developing SMM assets such as a company-owned Facebook page could cost as much as \$1 million, but this is a one-time cost. Compared with a paid search budget, for example, which ranges between \$500,000 and \$3 million per month, this is a relatively cheap and much more effective investment (VanBoskirk, 2012).

### 2.2. What about ROI?

Are your investments in SMM yielding any results? At the end of the day, it is the return on your investments that would demonstrate a need to make further investments on SMM. ROI in SMM is not about measuring how many Facebook fans you have. Key questions should be instead:

- Are they buying or influencing the purchase of your products/services?
- Are you able to turn your interactions with them into action?

It should be noted that marketing teams and CMOs are being held increasingly accountable to prove that what they are doing drives revenue, if not in the short run at least in the longer term. However, because of fragmentation, SMM ROI presents a problem. It is all about analytics and measuring key performance indicators. But the key performance indicators are no longer static numbers about the bottom line. Key performance indicators should be about how customers are responding to marketing programmes both on a behavioural and



emotional level. Valuable analytics in SMM are about turning these insights into actions through designing and implementing better and more targeted marketing programmes.

### 2.3. Key metrics for SMM

Marketers are getting increasingly comfortable using established metrics, such as number of active users, click-throughs and reach for evaluating their online marketing efforts. SMM, on the other hand, being rather new and much more complicated, needs better clarity on more insightful metrics measuring SMM effectiveness such as:

- **Momentum effect** – the effect of the brand in a social network on initiating and nurturing C2C communications
- **Value of a follower** – putting a dollar value on fans
- **Advocacy** – level of advocacy of a customer in a social network
- **Velocity** – speed at which a conversation flows in a social network

### 2.4. Where should the money go?

To perform well at these metrics all aspects of SMM should be considered and resources should be allocated accordingly.

Companies should spend their allocated budget on all pillars of SMM as identified by the 4Cs below (Ang, 2011):

- **Connection** – building a community of loyal customers in a social network
- **Conversation** – learning about your community: who they are, what they need and want, and how they communicate
- **Content creation** – generating and encouraging conversation within the community, both leading to C2C and B2C communications
- **Collaboration** – cooperating with the community to generate insights as well as to turn these insights into actions

These 4Cs are defined as the four main pillars of SMM (Ang, 2011). Although all are important, there is a hierarchy built into the 4Cs as well. SMM should start from the top and work its way down as the SMM efforts mature and marketers gain experience in managing SMM. SMM needs investment in money but more so in time. Marketers have to nurture their community first before they can engage in higher-level collaborations. As marketers gain more experience within the organisation they should also invest in their people and provide timely and relevant training, as well as allocate responsibility and give authority to manage SMM interactions with customer communities.

SMM investments involve (Fox, 2011):

- **Internal priorities** – initiate formal education programmes, create process maps, empower employees
- **Customer facing priorities** – create a rapid response team, launch and manage a community platform (4Cs), integrate SMM to traditional touch points
- **Technology priorities** – invest in SMM analytics, aggregate and integrate disparate customer data

Businesses should prioritise their social media budgets by looking at the internal resourcing of SMM and emphasising longer-term goals of developing a social enterprise rather than short-term bottom line measures only.

When just starting to utilise SMM opportunities companies need to focus their resources on:

- identifying key target customers
- listening to what they are saying
- benchmarking the business/brand
- developing a strategy
- resourcing appropriately

As a business develops its capabilities, then starting to integrate how social media are used becomes more important. For example, integrating SMM efforts with customer services and recruiting helps carry the value of SMM beyond the use of marketing to the whole organisation (Fox, 2011). This means communication must take place between, as well as within, functions in the organisation, complicating lines of responsibility and authority.

## 2.5. Some practical advice

In order to explore how firms invest in SMM, we have also conducted a number of interviews with managers who are responsible for SMM in their organisations. These interviews, still at the preliminary stage, revealed a set of practical recommendations that might be valuable when making decisions to invest in SMM. The profile of the interviewees is provided below:

Industry	Interviewee
<b>Computer</b>	Head of Digital Media Communications
<b>Transportation</b>	Product and Marketing Intelligence Manager
<b>Financial services</b>	Corporate Communications Manager
<b>Publishing</b>	Digital Marketing Manager
<b>Entertainment</b>	Director of Sales
<b>Broadcasting</b>	Head of Technology for Marketing Communication and Audiences
<b>Consultancy</b>	Social Knowledge Leader
<b>Automotive</b>	Director of Marketing Communications

**Table 1: Social media marketing: interviewee profiles**

One of the things all the interviewees agreed upon is the fact that the key cost for a successful SMM strategy is not money.

‘Time and focus, those are the two main costs; it is not free... It’s about time, it’s about focus, and then some of it is about money. When we started we had a team of people and all we did was social media. Now, what we see in [company name] and other companies is you have generalists.’ (Head of Digital Media Communications, Computer)

This brings us to our first recommendation:

**Invest in the right people** – you need a dedicated SMM manager responsible for daily activities. But you also need to invest in your customer facing employees. SMM requires a different mindset and your recruitment should reflect this. You can train your people to use the media but it is more difficult to train them in being social. All of the interviewed managers noted that their organisations do have dedicated senior level managers responsible for SMM strategies and activities in the organisation; and all interviewees also emphasised the importance of decentralising authority to frontline staff, which leads us to the next recommendation.

**Invest in restructuring the organisation** – SMM requires a decentralised organisation, with frontline employees empowered to make decisions and act on them as they interact with customers. One of the interviewees (Digital Marketing Manager, Publishing), discussed how his company moved from being comprised of fragmented, subject-specialist units to being an integrated hybrid organisation where teams gather and disperse according to different initiatives and manage multiple customer touch points together.

You also have to draw very clear SMM guidelines where responsibilities of frontline employees and codes of conduct are carefully identified. According to one of the interviewees anybody in the organisation can be involved in SMM:

‘So long as you have done some training, in terms of [company name’s] online code of conduct, which you can find online... So long as they have done the training in terms of how does [company name] use social media, how does [company name] use Twitter, what are some of the Twitter etiquettes that you should be aware of ... then there is no reason why select individuals cannot go on Twitter.’ (Head of Digital Media Communications, Computer)

These guidelines should also explain what should be referred to others in the organisation, and to whom.

**Invest in the right technology** – depending on your objectives, your target audience and your resources you should selectively invest in SMM tools and platforms. You should invest in SMM analytics.

‘Basically the software we buy externally. And internally there are people responsible for it. They are dedicated to run the blogs, analyze the blogs, to summarize blogs, to put questions in just to let the communication start. We don’t develop it on our own.’ (Director of Marketing Communications, Automotive)

There are simply too much data and good software can do a lot for you. You need more than facts and figures to provide you with real insight. Outsourcing some of the SMM activities, especially the measuring and tracking element, is a viable option. Investing in the services of an analytics firm would help you a great deal. One of the companies interviewed (Entertainment), for example, outsources their blogs to an outside agency, which helps build and gather relevant content, which can sometimes be very time consuming.

**Invest in advertising** – if you build it they will not come. A good targeted advertising campaign can be the easiest and cheapest way to help build a community. A targeted advertising campaign should identify influencers who can drive your SMM efforts. One of the interviewees (Director of Sales, Entertainment), for example, mentioned how they send out direct marketing newsletters to their key customers to generate interest in what they do on SM.

**Don't reinvent the wheel** – use your assets. Your existing traditional touch points will help you develop your SMM. SMM is not an answer to all your needs; integrate it with your existing capabilities. For example, one of the companies interviewed (Computer) links their Twitter account to their online retail store with unique promotions offered only to their Twitter followers, directing them to the retail environment. This not only turns a follower into a buyer, but also demonstrates a link between SMM and ROI.

One thing that managers should not forget is that investing in SMM need not be an additional item in the marketing budget. You can allocate money to SMM from traditional tools. Online marketing tools are relatively easy to track and measure. You can start small and try out SMM for various strategic goals. Measure and track the impact of these test drives and demonstrate the relative value of SMM to secure future investments.

### 3. Conclusion

This report demonstrated that social media can no longer be treated as a novelty fad by companies and it has become a key strategic marketing activity. Therefore, it demands more from the company in terms of resources. It demands more time, focus and also money. It needs a clearly defined framework that would help managers evaluate investments in it, a carefully planned support infrastructure, and a measurement and tracking system that would enable checking the health of investments in it.

SMM is the only form of marketing that can touch customers at every touch point of their decision journey, from when they are considering buying products and services all the way through to after the purchase, as their experience influences the brands they prefer and their potential advocacy influences others (Divol et al, 2012). As such SMM should be invested in strategically and not for the short-term tactical goals. It might be difficult to link the 100,000-strong community members to any revenue generated by the firm, but companies can feel their power if you take that community suddenly away.

We have argued throughout this report that, as SMM activities gain scale, the challenges centre less around justifying funding and more around organisational issues such as developing the right processes and governance structure, identifying clear roles for all involved in SMM, integrating SMM to other functions in the organisation, and recruiting and nurturing the right kind of employees, all for the purposes of improving the performance standards of SMM (Divol et al, 2012).

Therefore, this report rather than identifying the right amount of money to be invested in SMM, tried to demonstrate the need to invest not only money but also time and focus, and discussed where and how to make those investments for a successful SMM effort.



## References

- Ang, L (2011) Community relationship management and social media. *Database Marketing and Customer Strategy Management*, 18 (1), 31–8
- Awareness, (2012) *The State of Social Media Marketing Report*. September
- Barry, C, Markey, R, Almquist, E & Brahm, C (2011) *Putting Social Media to Work*. Bain & Company [Accessed 12 March 2013] [www.bain.com/publications/articles/putting-social-media-to-work.aspx](http://www.bain.com/publications/articles/putting-social-media-to-work.aspx)
- Divol, R, Edelman, D & Sarrazin, H (2012) Demystifying social media. *McKinsey Quarterly*, Issue 2 (April), 66–77
- Drury, G (2008) Social media: should marketers engage and how can it be done effectively? *Journal of Direct, Data and Digital Marketing Practice*, 9, 274–7
- Fagerstrom, A & Ghinea, G (2010) Web 2.0's marketing impact on low-involvement consumers. *Journal of Interactive Advertising*, 10 (2), 67–71
- Fox, G (2011) *Social Media Budget – How Much Should You Invest?* Tribal Café [Accessed 12 March 2013] [www.tribalcafe.co.uk/social-business/social-media-marketing-budget/](http://www.tribalcafe.co.uk/social-business/social-media-marketing-budget/)
- Hendler, J A & Golbeck, J (2008) Metcalfe's law, web 2.0, and the semantic web. *Journal of Web Semantics*, 6 (1), 14–20
- Kaplan, A M & Haenlein, M (2010) Users of the world, unite! The challenges and opportunities of social media. *Business Horizons*, 53 (1), 59–68
- Moran, M (2008) *Do It Wrong Quickly: How the Web Changes the Old Marketing Rules*. Upper Saddle River, NJ: IBM Press
- Nedelka, J (2008) The social media hype is over. *1to1 Magazine*, 10 (4), 20–4
- Musser, J & O'Reilly, T (2006) *Web 2.0 Principles and Best Practices*. O'Reilly Radar Research Report [Accessed 12 March 2013] <http://radar.oreilly.com/2006/11/web-20-principles-and-best-pra.html>
- Responsys (2012) *Cross-Channel Marketing Report*. June [Accessed 12 March 2013] [www.responsys.com/land/download-cross-channel-marketing-report-2012](http://www.responsys.com/land/download-cross-channel-marketing-report-2012)
- Stelzner, M A (2012) *Social Media Marketing Industry Report: How Marketers Are Using Social Media to Grow Their Business*. Social Media Examiner, April. [Accessed 12 March 2013] [www.socialmediaexaminer.com/SocialMediaMarketingIndustryReport2012.pdf](http://www.socialmediaexaminer.com/SocialMediaMarketingIndustryReport2012.pdf)
- VanBoskirk, S (2012) *US Interactive Marketing Forecast, 2011 To 2016*. Forrester Research [Accessed 12 March 2013] [www.forrester.com/US+Interactive+Marketing+Forecast+2011+To+2016/fulltext/-/E-RES59379](http://www.forrester.com/US+Interactive+Marketing+Forecast+2011+To+2016/fulltext/-/E-RES59379)

## **The Henley Centre for Customer Management**

The primary objective of the Henley Centre for Customer Management is to promote customer focus and service excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own customer management and customer service plans and implementations.

### **Members**

Each year, the Centre aims to attract a membership of between 10 and 20 organisations, each a leader in their sector.

Members in 2012 were:

Capita (main sponsor)

Arise

Atos

Capital One

Environment Agency

GSK

ING

Janssen-Cilag

Kelly Services

Mercedes-Benz Financial Services

Microsoft

NHS Blood and Transplant Services

Oracle

Royal Bank of Scotland

SAS

Centre Contacts:

Director	Assistant Director	Client Relationship Executive
Professor Moira Clark	Tony Harrington	Sandy Martin
Tel: 01491 571494	Tel: 07815 938534	Tel: 01491 418710
moira.clark@henley.ac.uk	tony_harrington@btinternet.com	sandy.martin@henley.ac.uk

Henley Business School,  
Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU

*The Henley Centre for Customer Management is supported by members representing a diverse range of organisations.*

**CAPITA**

*Capita plc, the UK's leading provider of business process outsourcing and integrated professional support service solutions, is our main sponsor for the 2012 programme.*

