

3.2 Case study 1: Social network and viral marketing

Social network marketing describes the application of social network analysis to marketing problems. In particular, when deciding which customers to target in a marketing campaign, social network marketing takes into account how consumers influence each other. It is particularly powerful in industries which have easy access to social network data, like in telecommunications, online social networks, online gaming and so on.

In principle, peer influence can be leveraged for marketing purposes in two different ways: Social Network Pressure and Social Network Influence (see Figure 3.1, see Section 4.2 for the related churn pressure and churn influence concepts).

Social network pressure describes the ‘pressure’ that a consumer is under because some people in his social network are already using a certain product or service and

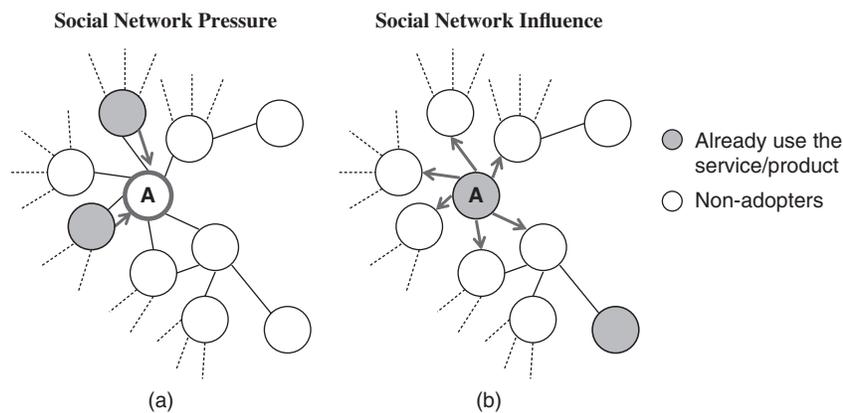


Figure 3.1 Social network pressure and influence.

might influence the consumer. Figure 3.1a shows how consumer A is under pressure from two of his peers who are already using the product. This could be because usage of the product is conspicuous (like a new handset) and thereby makes it more desirable, because certain products are consumed together (like a phone call), because the adopter is actively talking positively or negatively about a product, or because consumer A is considering buying the product and is actively seeking advice from somebody in his social network who is already using the product.

Social network influence describes the influence that a consumer has on his social network. This is the flip-side of social network pressure. As much as we are all influenced by our social network, we are also influencing our network. For example, in Figure 3.1b, consumer A is using a particular product and might influence his peers to adopt the product as well. The principle of marketing to influencers is well established in marketing (see for example Gladwell, 2000) and groups of people who are deemed to be influential (celebrities, journalists) benefit from companies providing them with free or cheap goods in the hope that they will influence other people to buy these products as well.

What is different now is that large scale social network datasets can be used to estimate this influence and this can then be used in marketing campaigns to target consumers who are more likely to spread the message to other consumers. When doing so, a rough rule of thumb is that the influence of the top 10% of influencers is typically more than 10 times higher than the influence of the bottom 10%. Importantly, this level of influence varies strongly by product category – somebody who is influential with respect to mobile handsets is not necessarily influential when it comes to restaurant choice and the other way around. This is contrary to the often held view that there are generic influencers who are influential across the board. While a particular celebrity might in general be regarded as a role model, there is typically only a limited set of products and services that he or she is interested in, and an even smaller set that she is actively advocating.

Typically consumers are only influential after they have started using a product/service themselves, but in some cases they might also pass on information about a product that they are not using themselves, but know that it is of use to somebody else. For example, a mobile phone carrier I worked with ran a marketing campaign to promote a cheap international tariff and found that even a subscriber who was contacted by them but didn't take up the offer, sometimes still passed on the message to a friend who took up the offer. Consumers in social networks of contacted subscribers were more than twice as likely to take up the offer in these situations as if their friend hadn't been contacted.

Social network marketing can be employed throughout the customer life cycle (see Figure 3.2):

- **Acquire:** One popular way of acquiring new customers is through member-get-member campaigns where existing customers bring new customers onto the network. This works very well for many social network sites where users can invite their friends to join or for new telecommunications products like

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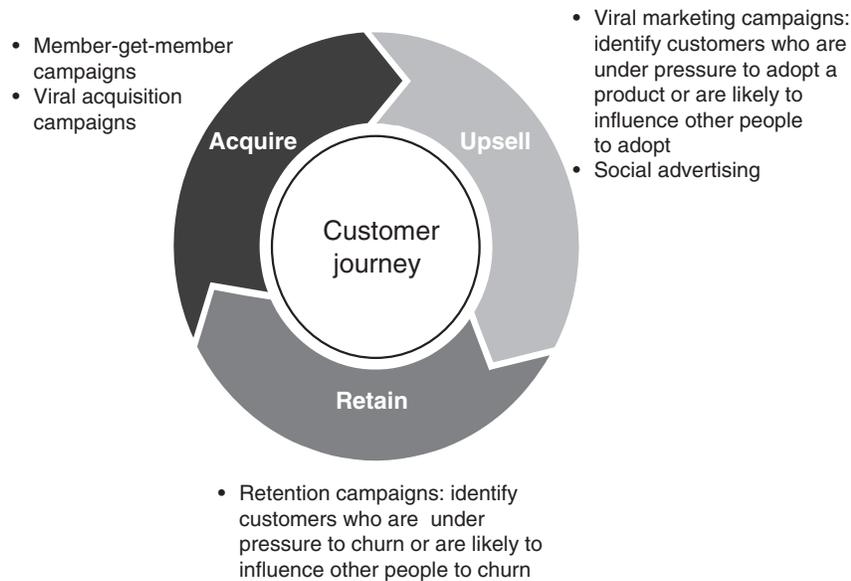


Figure 3.2 Applications of social network analysis across the customer life cycle.

Skype. Social network analysis can help identify users who are influential and are likely to attract other customers.

However, member-get-member (MGM) campaigns are more difficult in mature environments like mobile telecoms and existing members are, therefore, often incentivised with money to bring other users onto the network. The member-get-member process is further complicated in the telecoms market by potential new customers being on long-term contracts, that is, even if they want to join a different network, they can't at this particular time. Furthermore, incentivising users with money might make invited customers suspicious about the motives behind the invitation. In mobile telecommunications, nowadays MGM campaigns tend to work best if there is a specific reason why a customer should invite another customer onto the network. For example, cheap calls to a particular country might virally attract users from this country to discuss the offer and join via a member-get-member offer.

- **Upsell/Cross-sell:** Viral marketing campaigns/social advertising are used to upsell or cross-sell new products and services to existing users. For example, if a friend has an iPhone, this makes his peers also more susceptible to purchasing an iPhone, as I will show in the empirical analysis of Sections 3.4 to 3.9 and this process can be reinforced by proactively contacting peers of adopters. Likewise, by targeting influential iPhone users, it is likely that some of the influencer's peers follow suit and buy the iPhone as well. Section 3.3 will discuss a more in-depth social advertising case study – the employed principles are the same.

- **Retain:** Retention campaigns are arguably the area where social network analysis is most widely used, as the business case for doing so is easiest to demonstrate with each saved subscriber being worth around £150–200. Section 4.2 gives a detailed case study of how social network analysis is used for retention campaigns.

Once the data analytics expert has modelled the way consumers influence each other and has created lists of people who are either more susceptible or more influential with respect to a certain product, a marketing campaign to contact these people has to be designed. When running social network marketing campaigns there are a number of campaign related factors that need to be done differently than in traditional marketing campaigns. Besides the social network analytics, they are key to the success of any social network marketing campaign and indeed, even without doing any analytics, they can be used to run successful viral marketing campaigns. In Appendix A, viral marketing expert Simon Rees describes the most important success factors in detail:

1. They deliver on their promise, at every level (purchase, set-up, use, payment, brand, etc.): *proposition excellence*.
2. The product or its use is highly *observable*.
3. The *specific role of word-of-mouth* in propagating your type of product is understood.
4. There is an *economic benefit* to word-of-mouth for your customers.
5. The product or campaign can tap into *the zeitgeist*, the spirit of the age.
6. *Influential expert users* can be identified and nurtured.
7. The product can be made to appeal to *communities of interest*.

Besides, in future, companies owning social network data might give suitably anonymised data access to third parties to enhance their advertising. For example, companies such as mobile carriers might charge advertisers higher rates for marketing to influential subscribers with or without telling the advertiser which specific subscriber is influential. One such early example is the collaboration between Facebook and Amazon. In order to make the Amazon shopping experience more social, recommendations based on the activity of Facebook friends can be displayed on Amazon.

Case-related questions & problems

1. Discuss the advantages and disadvantages of using connections on social networking sites versus mobile phone connections to estimate important relationships that might have an impact on product diffusion. Which data source is likely to better reflect ‘real’ social relationships? Discuss what potential noise is contained in each data source, that is, in what situations might observed connections on Facebook/mobile phone calls not reflect ‘real’ social relationships.

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2. A large energy provider is thinking about launching a member-get-member campaign. Discuss the advantages and disadvantages of such a campaign. For example, is it likely that consumers will influence their peers to change energy providers? See also the viral marketing success factors in Appendix A to frame your answer. Do you think the campaign results can be improved by targeting influential customers?
3. Choose a marketing campaign that you think is good and discuss whether the campaign has the potential to go viral. Please frame your answer using the success factors described above and in Appendix A.