PART

I

Pandemonium: The Landscape of the Social Web

CHAPTER

1

The Web Is Not a Channel

(And You're an Aggregator, not a Broadcaster)

Learning to market to the social web requires learning a new way to communicate with an audience in a digital environment. It's that simple.

It does not require executives to forget everything they know about marketing. It does mean that they have to open their minds to new possibilities, social change, and rethinking past practices. In the pages ahead, I look at what we can learn about these new possibilities and what the *social web* is all about.

Instead of continuing as broadcasters, marketers should—and will—become aggregators of customer communities. Rather than broadcasting marketing messages to an increasingly indifferent, even resentful, audience jaded by the 2,000-plus messages the average American is reportedly exposed to every day, marketers should participate in, organize, and encourage social networks to which people want to belong. Rather than talking *at* customers, marketers should talk *with* them. And the social web is the most effective way in the history of the world to do just that on a large scale.

The social web is the online place where people with a common interest can gather to share thoughts, comments, and opinions. It includes social networks such as MySpace, Gather, Facebook, BlackPlanet, Eons, LinkedIn, and hundreds (actually, as we'll see, hundreds of thousands) more. It includes branded web destinations like Amazon, Netflix, and eBay. It includes enterprise sites such as IBM, Best Buy, Cisco, and Oracle. The social web is a new world of unpaid media created by individuals or enterprises on the web. These new strategies, which have the capacity to change public opinion every hour—if not every minute—include:

> *Reputation aggregators* are search engines such as Google, Yahoo!, Ask, and Live. They aggregate sites with the best product or service to offer and usually put things in order of reputation. Mobile search is increasingly popular as people on the go check for a nearby restaurant, directions to a store, or the best price for a product.
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> *Blogs* are online journals where people can post ideas, images, and links to other web pages or sites. Some appear on personal or corporate sites, while others are hosted on Blogger, BlogHer (for women), Weblog, Tumblr, and other blogging sites. The microblog site Twitter, where users post "tweets" of 140 characters at a time, is another twist. Lenovo's web-marketing vice president says, "I use Twitter to monitor tweets about our brand—looking for people having a tough time with our products. I also see a lot of opportunity to sell through Twitter, and I expect we'll open a 'deal' channel there soon."[1]
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> *Topic-specific e-communities* are generally advertising supported although some are free. Business-oriented e-communities include dozens concerning IBM: for IBM interns, around different IBM

products and services, etc.[2] Hewlett Packard has communities on its web site: an HP blade community and IT resource center forums.[3] There are interesting healthcare communities: Sermo for physicians and Patientslikeme, which has communities around specific diseases. There are communities involving sports such as KayakMind for people who enjoy kayaking.[4] Password-protected e-communities are growing especially quickly.

Social networks are places where people with a common interest or concern come together to meet people with similar interests, express themselves, and vent. In addition to the examples I've already cited, other social networks include iVillage, Xanga, and Stumbleupon. Dopplr is an interesting site for business travelers who share their experiences with foreign hotels, restaurants, and attractions; it will also tell you when, say, three people you know will be in Paris at the same time you are. Some sites are devoted specifically to image-sharing, open to the wide world or restricted to a select few through password protection. YouTube (now owned by Google) serves up 10 billion videos a month to U.S. viewers alone; photos and videos posted on Flickr (now owned by Yahoo!) attract more than 40 million visitors monthly.

In traditional publisher- or corporate-controlled media such as newspapers, magazines, radio, and television, the communication is overwhelmingly one way. Professional journalists research and write stories that are edited and disseminated to the public.

Social media such as blogs, however, allow everyone to publish and to participate in multithreaded conversations online. Because bloggers, sometimes referred to as "citizen journalists" or even "citizen marketers," have no editorial constraints and have access to the entire Web, their posts can make or break personal, product, or corporate reputations.

Online communities started in the early days of the Internet and software companies encouraged "user groups" to test and experiment with new programs. The Well in California, CompuServe, and America Online built on that idea and began to attract people to the Internet who didn't have a community or who felt somewhat on the fringe of the new social order, where the groups were a way to meet and bond with new people. As Reid Hoffman, the founder of LinkedIn.com, says, "It was almost like the frontier. Who were the people who originally went West? They felt they didn't really fit with this society; were somewhat alienated; and wanted to take a big risk. So they got in their wagons and headed West to make something happen. That's the reason why there was this fascination with things like chat rooms and message boards. Wow, you are with these people you don't know. Anonymity was a big part of this because it was like this Wild West kind of community."

Today, there are online tools to manage and present your identity, to communicate with people, to bring yourself online and make yourself heard. Today, individuals and organizations are founding Web-based communities at a mind-boggling pace. People are using the Web to find others with similar interests, to shop more efficiently, to learn about products and services, to vent about shoddy products and poor service, and to stay in touch with distant relatives and friends on the other side of the world.

As Microsoft CEO Steven A. Ballmer told the *New York Times*, "I think one pervasive change is the increasing importance of community. That will come in different forms, with different age groups of people, and it will change as the technology evolves. But the notion of multiple people interacting on things—that will forever continue. That's different today, and we're going to see those differences build. You see it in a variety of ways now, in social networking sites, in the way people collaborate at work, and in ad hoc collaboration over the Internet. You see it in things like Xbox Live, the way we let people come together and have community entertainment experiences. And you'll see that in TV and video. It's not like the future of entertainment has been determined. But it's a big deal."[5]

Here's an example of social media at work. When BMW relaunched the Mini Cooper in 2002, widespread publicity and unconventional promotions (online and off) generated lots of test drives and got car sales in gear. Not long ago, Mini's marketers spoofed the car-happy 1970s TV series *Starsky & Hutch* with *Hammer and Coop*, a series of six webisodes featuring car chases without ever mentioning the brand. To support the webisodes, they aired quirky movie trailers, dangled Minis off billboards, and cast the Mini as the star of fashion spreads in men's magazines.

Mini has been a web-savvy brand with attitude from the get-go. It's always packed its site with an ever-changing array of features: a build-your-own car configuration page; virtual factory tour; various games and screensavers; and special owners-only e-newsletters and community pages. Still, when the buzz started dying down, Mini's marketing manager knew she needed more than a sticky web site and intriguing ads to reignite it.

Mini hired MotiveQuest to analyze online conversations about the brand and its competitors by monitoring posts on blogs and social networks as well as on specialized sites like Yahoo Autos.

MotiveQuest's CEO, David Rabjohns, found that "Mini owners were not only talking about things like performance and handling but community type things like picture sharing, getting together at events, and personal etiquette, the Mini way." Not surprisingly, many posts involved non-Mini owners asking Mini owners about their experiences.

This analysis prompted Mini to ask its most enthusiastic supporters for help in rebuilding the buzz. Now the company invites bloggers to test drive new models and has a blogger who podcasts from special events like the cross-country "Mini Takes the States" festivals that bring thousands of brand fans (owners and non-owners alike) together for rallies, music, and more. The web site includes "Mini Mail" virtual postcards and other viral activities that let Mini fans get the conversation going in their own way.

Do more online conversations sell Minis? Trudy Hardy, Mini's marketing manager, says "we definitely see some correlation between online activity and how that affects showroom traffic. We look at the spikes that are going on in conversations and see if it measures against an increased amount of traffic to our site, which ultimately leads to an increased amount of leads we send to our dealers."[6]

I'd say the real value of social media here is in rebuilding the Mini's buzz and reinforcing the hip, non-mainstream attitude that distinguishes the brand from its rivals. Getting people to think "Mini" and talk to friends about the brand or check out the web site is more likely to steer them toward a purchase down the road.

Now take a quick look at what Dell is doing. You may remember the company was soundly blasted in the blogosphere for customer service problems. Today Dell is turning social media to its advantage by inserting itself into online conversations in a positive way. Dell aims to make 100 million additional customer contacts every year through blog posts, Twitter tweets, and brand-related e-communities. These contacts aren't directly sales-related—but they will help Dell start or keep conversations going with customers. Just as important, customers will have more opportunities to share information with each other and with Dell.

Of course, Mini and Dell are hardly the only companies learning to market to the social web. But they are harbingers of your future.

Pandemonium in Media and Markets

The marketing worlds are pandemonium these days. American consumers have more choices, more products, more services, more media, more messages, and more digital conversations than ever. Consider media:

- *Television.* Between cable and satellite, the average American household receives 70 or more television stations, a number that continues to grow, and the average time spent viewing continues to hold its own. Network TV and spot TV ad spending was down in 2007, however, even as prime-time broadcast TV product placements were up sharply.
- *Magazines.* Although publishers introduced more than 1,000 new magazines titles last year, the total number of titles, average magazine circulation, and single-copy sales continue to drift downward. National magazine advertising was up last year, but local magazine advertising went down.
- *Newspapers.* Newspaper circulation fell by 3 percent last year; in the past five years, it has dropped 8 percent, a plunge hastened by

the Web. And advertising is following readers out the door, also dropping by 3 percent last year. Classified ads are shifting online to sites like Monster.com (jobs) and Craigslist.com (jobs and everything else). Small wonder that in a global survey of newspaper editors, 44 percent said most people will be getting their news online within 10 years (although judging by current trends, I'd say within five years, max).

- *Radio.* Satellite radio offers hundreds of channels of music, sports, news, and features, commentary, many of which are commercial-free. You don't want to listen to commercials? Subscribe to satellite radio. Meanwhile, network and spot radio ad spending are both down, according to Nielsen.
- *Internet.* As more people and companies log on and join the conversation, Internet advertising expenditures are going up, up, up. According to eMarketer, ad spending on U.S. social-networking sites increased 70% last year to $1.56 billion and will exceed $2 billion this year.[7]

New product marketing is also pandemonium, for example:

- According to the Food Institute, marketers introduced over 16,000 new food products last year (over 2,500 new beverages alone). They introduced over 13,000 nonfood products—including 4,230 new cosmetics, 2,793 new skin care items, and 1,259 new hair care products.
- Exhibitors at the International Consumer Electronics Show introduced more than 10,000 new audio, digital imaging/video, gaming, home theater, home networking, mobile, and wireless products.
- Exhibitors at the International Home and Housewares Show introduced another 10,000-plus new small kitchen appliances, kitchenware, bath and shower accessories, decorative accessories, and personal care appliances.
- Exhibitors at the National Hardware Show introduced another 5,000-plus new hardware, home, and garden items.

The list goes on: Exhibitors at the New York Auto Show introduced . . . Exhibitors at the Ft. Lauderdale International Boat Show . . . Exhibitors at the International Camping and Outdoor Show . . . but you get the idea—and this does not include business-to-business products and services. Or new pharmaceuticals and medical devices. Or travel opportunities . . . or educational offerings.

What's a marketer to do in this teeming mass of newnesses?

From Broadcasters to Aggregators

Before looking ahead, let's take a quick look back. Not so very long ago, marketers got the word out about their products or services in any way they could—newspaper and magazine ads, billboards, radio and television commercials. Each new medium added something. Magazines added color and national distribution to newspaper advertising. Billboards were in your face as you drove along the highways. Radio added sound and music. Television added movement and, even more than billboards or radio, intrusiveness.

Remember the days when the marketer controlled the message? About all television viewers could do was watch or get up to change channels (or go to the toilet), and for a good long time television advertising was incredibly effective. It still is for many products in many situations, but its very success brought about consumer reaction.

Today, 90 percent of the people who can avoid TV ads through TiVo, DVD recording, or the skip button on the VCR remote do so. In fact, only 18 percent of television advertising campaigns actually generate a positive return on the investment. And although total TV viewership has remained steady, new channels have fragmented the audience to such an extent that the broadcast networks NBC, CBS, and ABC have all lost audiences both relatively and absolutely.

Despite their shrinking audiences, these networks and other TV channels have continue to raise their ad rates; the cost per thousand (CPM) people reached of the average television commercial increased 265 percent between 1996 and 2005. CPMs continue to go up, even as the size of network audiences go down, so it's not surprising that

TV advertisers are unhappy. Some big spenders—Procter & Gamble, American Express, McDonald's—have begun experimenting with alternatives, but no major advertiser has decided to do something else.

It won't be news to you that most advertising is incredibly inefficient. When you advertise in mass media, you generally reach far more people than the potential customers you intend to reach. But as long as the CPMs were small, who cared? A certain amount of advertising waste was a cost of doing business.

True, marketers have tried to improve their advertising's efficiency. They've tried to match audience demographics—age, sex, education, income, household size—to their target market. For example, beer commercials appear in sports programs that young men tend to watch and disposable diaper commercials in daytime dramas that young mothers often watch. Still, demographics don't really work very well in trying to identify a target market for most products. Middle-aged and older men drink beer; fathers buy disposable diapers.

For 150 years or more, marketers, through newspapers, magazines, and then radio and television, have been broadcasting their messages to a potential market that they defined as well as they could. Advertisers have tried to put their ads in front of those prospective customers most likely to buy the company's product or service. But the goal has always been to reach as many people as possible with the hope that enough paying customers would respond to make the investment pay.

Today, sophisticated marketers realize that what worked in the past is not working (or not working well) now—and they need a new approach. As A.G. Lafley, the CEO of Procter & Gamble, told his executives, "We need to reinvent the way we market to consumers. We need a new model."

The Web Is Not a Channel

Steve Ballmer's observation hints at how thoroughly the social web will change our world. A century ago, although no one knew it at the time, the first automobile was not simply a self-propelled buggy. True, it got you from one place to another, but it also changed the face of the country, the design of cities. It changed courting behavior and where people could live and work. Similarly, television was not simply radio with pictures. By showing ordinary people in Eastern Europe and in the Soviet Union the lives of people in the West, television affected history. By showing Americans the Vietnam War in living color, television changed American society.

The Web will have as profound an effect on society as the automobile or television. In fact, we're only beginning to glimpse the Web's implications. For instance, the Web undoes some of the effects of 50 years of television. Remember how, in the early days of television, the ads and many programs showed the happy family—dad, mom, son, and sis—sitting together in front of the living room television? Today the reality is more like dad, mom, son, and sis all watching their own sets in separate rooms, if they are watching TV at all. Rather than bringing people together, television has, in many senses, brought about more isolation. People are home alone even if others are in the house; it is easier to click on the TV than go out to a bowling league, lodge night, or card game with the girls. In contrast, the social web, through the dialogue it encourages, is beginning to bring people together.

Since the dawn of the television age, the message of virtually all commercials has been: Buy! Buy! Buy! The unspoken contract was: Somebody's got to pay for your news, entertainment, and diversion and that's advertising, so Buy! Buy! Buy Now! Broadly speaking, for the past 60 years, most marketers have debated how to use television, radio, print, public relations, direct marketing, the Internet, and customer retention programs. What is the best medium to reach our market? What are our customers reading, watching, listening to? How can we attract their attention, stop them from turning the page or changing the channel? How can we best tell them about our product, our service, our benefits, our value?

For the past 10 years, corporations have been trained that they should use all the different media—newspapers, magazines, direct mail, television, public relations, and then the Internet. But the Internet is becoming the umbrella. Managers have to understand that the Web is rapidly becoming the most important marketing medium.

If you are a corporate marketer, you don't just drop some ads onto web sites the way you have dropped 30-second spots into television shows or a color spread into a magazine. A symptom of how things are changing: nearly every commercial during the Super Bowl is designed to send viewers to a digital destination.

People don't want to be sold. They are doing their best to avoid commercials. They have pop-up blockers to screen out the ads on the Web that are a distraction. Early Web advertisers, who saw the medium as just another advertising channel, treated it like a magazine ad equipped with sound and motion. But banner ads and pop-ups are not the best way to market on the Web.

People do want news and information about the things they care about—and they want it right now. One recent midnight, a friend's dog tangled with a skunk for the first time. She had no tomato juice, the traditional folk bath for a skunked dog. Five minutes on the Web, however, and she'd found a formula that included hydrogen peroxide and liquid dish detergent that she could mix up and de-stink the dog.

Community building—with communities focusing on a specific common interest—is one of the fastest growing applications on the Web. Examples include: ITtoolbox.com, where information technology professionals swap opinions on technology products and services; BootsnAll.com, where budget travelers share advice about, say, the best hotels in Katmandu; iVillage.com, where women trade ideas about diet and fitness, love and sex, home and food; HealthBoards.com, which has subgroups on 140 diseases that serve as forums for people to share experiences and discuss problems or new discoveries; and LinkedIn.com, where professionals go to network. All of this means that the Web is continuing to evolve.

Four Generations of the Web

During the first phase of the Web, 1990–1995, the focus was HTML and site building. I was present at the beginning. My experience with the Internet began in 1989–1990 when Michael Dertouzos, then the director of MIT's Laboratory for Computer Science, asked me to help promote the lab. It had developed a number of groundbreaking technologies—from RSA security to the spreadsheet to Ethernet—and Michael had successfully recruited Tim Berners-Lee to work on HTML at MIT. I helped lead the announcement of the World Wide Web Consortium based on the development of HTML.

We did early work for America Online (AOL), helping them establish and market early communities, then called chat rooms. The popular ones were for breast cancer survivors, Boston Red Sox fans, and personal finance. We helped Monster.com build its community, and in the mid-1990s, we launched E-GM for General Motors, one of the first automotive communities.

I've been deeply involved in many software and technology companies over the past 25 years such as Verizon Wireless, Hewlett Packard, Lotus Development, and Red Hat. I helped found the largest interactive trade group in the country, Massachusetts Innovation and Technology Exchange, which is now 12 years old, with almost 10,000 members. And during this time, I've watched the Internet evolve.

With the advent of the browser, the second phase involved more interactivity and transactional things, search, click-throughs, and pop-ups. That phase lasted 10 years and has now given way to the third phase: the rise of the social web, all the things I have been describing and will be talking about in detail in the chapters ahead.

Web 4.0, which is right around the corner, will feature rich media (full of video, sound, even touch) and broadband, with high definition making the Web more emotive. How does this work? Consider the growing popularity of video conferencing. For instance, at a Halo center, where the next generation of video-conferencing technology is in place, participants see three-dimensional, full-size, video conferencing; it's almost as if the people are in the same room and sharing the same experience. That is an example of rich media in action. The emotive element will include both personal and business sensations, the idea is that the experiences offer not only emotions—joy, curiosity, disgust, happiness—but also, on the business side, sensations of satisfaction and fulfillment.

In this new world, the customer is in control. There are still only 24 hours in a day, and if people become more involved with the Web, they're not going to have as much time to watch television, they're not going to listen to the radio, and they're not going to read the newspaper or a magazine. Publishers know this and are doing their best to create web sites that can supplement (or replace) their paper publications.

The real job of the marketer in the social web is to aggregate customers. You aggregate customers two ways: (1) by providing compelling content on your web site and creating retail environments that customers want to visit, and (2) by going out and participating in the public arena. If you are in the energy business, you should be participating in the energy blogosphere. If you are a pharmaceutical manufacturer, you should be participating in discussions about disease and its treatment. If you are a small fly rod maker, you should be participating in discussions about fly fishing.

Note that you do not have to be a *Fortune* 500 corporation to participate in these conversations. Indeed, it may be easier and more effective for a relatively small or medium-size company to take maximum advantage of the principles I lay out in this book.

The social web will be the most critical marketing environment around. Much the way newspapers were critical in the 1800s, magazines and radio were critical in the first half of the twentieth century, and television was critical in the second half, the Internet began to become significant in the 1990s. It is rapidly growing more and more critical to marketing, but has shifted into a social digital space that I am calling the social web.

The social web will become the primary center of activity for whatever you do when you shop, plan, learn, or communicate. It may not take over your entire life (one hopes), but it will be the first place you turn for news, information, entertainment, diversion—all of the things that the older media supplied. In fact, according to a Forrester Research Report, young people (18–22) spend more time using a PC at home—10.7 hours a week—than they spend watching TV—10.2 hours a week—an important point for businesses looking to build early brand loyalty.[8]

Marketing, therefore, has to wrap around the social web, because what is truly changing in the social web is media, and marketing has always had to shape itself around media. Individuals and companies are becoming media. As you produce content, you become a medium. Now user-generated content—a key aspect of the social web—is bridging media. Just one of hundreds of examples: The retailer Cabela's, which sells outdoor products, features customer-contributed reviews and ratings in its catalogs, e-mail campaigns, and stores.

How do you market in this new environment? Ultimately, marketing disappears if it does its job right, because marketers become purveyors of an environment. A manager of an environment helps people make decisions to buy. That is the commercial and modernization side of things. A good example is how the brilliant chairman of Starbucks, Howard Schultz, and his people keep thinking about how they can enrich the Starbucks environment without turning people away. They've brought in music . . . some social causes . . . and Wi-Fi. Now think about how you can create digital experiences that encourages your customers to come back for more. There is pandemonium around the social web, like anything in its first phases, but it will self-organize.

It is important to understand that although we are at the beginning of the social web, marketers should dive in *now*. If you wait much longer, your competitors will have figured out how to attract your customers to their environments. If that happens, you will have to work three times as hard to get them back. Customers have only so much time. And if they're happy where they are, then they're less likely to leave.

A business friend started and runs a large retail clothing chain. When I saw him not long ago and asked how thing were going, he told me, "Well, good. My core loyal customers of the past 20 years are still core loyal customers. But when I go into the stores, I notice they're all starting to look older. Where are the younger people?" I suggested that they might be on SmartBargains.com or another clothing site. My friend had never heard of it.

Unless there's a change, my friend's chain will reach the proverbial tipping point; suddenly there are no customers in the stores at all. If that chain (or any retailer) does not get involved in social media and marketing, it will lose a whole generation of customers. They simply won't come to stores. They want a dialogue with your business, want to know you are there and available 24/7. Branding in the social web is the dialogue you have with your customer. The stronger the dialogue, the stronger your brand; the weaker the dialogue, the weaker your brand. You can easily find examples of great brands that lost their dialogue at one time or another: SONY, Disney, Coke, McDonald's.

Transparency is critical if you want customers and stakeholders to trust you and engage in dialogue with you. Doesn't it make sense that a CEO should mention his title (or at least use his real name) when blogging about his company or a company he's trying to acquire? John Mackey, CEO of Whole Foods, touched off quite a controversy when he used the alias *Rahodeb* to post notes on Yahoo! stock message boards. Rahodeb had lots of positive things to say about Whole Foods but not-so-nice comments about competitor (and acquisition target) Wild Oats Markets. "I think he looks cute!" Rahodeb wrote when someone made fun of Mackey's photo in the Whole Foods annual report. On the other hand, Rahodeb bashed Wild Oats, writing that its management "clearly doesn't know what it is doing."[9]

When the posts came to light and regulators raised concerns about the possibility that Rahodeb's comments might have affected the stock prices of Whole Foods and Wild Oats, Mackey apologized and stopped blogging. The SEC investigated and ultimately closed the case without taking any action. Later, the CEO explained the posts to the *Boston Globe* this way: "I participate in a number of online communities—pretty much anything I'm interested in. The thing I'm most interested in the world is Whole Foods. Plus, a large percentage of posters on a board like that are people that have an ax to grind. Whole Foods is my child. And here was my child being abused by all these vicious people. Almost all of my posts were responses that I made to lies and attacks that people had about Whole Foods. I defended Whole Foods. Somebody had to. That's really how I saw it."[10]

Here's how I see it: The lack of transparency is very troubling. When you start or join a social web conversation about your company or your competitors, you should be up front about who you are. Your stakeholders deserve nothing less. (By the way, Mackey has resumed blogging but now uses his real name.)

Now look at McDonald's, a great brand that's using the social web to get customer dialogue back on track. Its web sites are becoming very social in nature, especially focused around nutrition, and WiFi access is making its outlets more social, as well. The company has a deal to sell coffee from Newman's Own—a company with a social conscience that MacDonald's hopes will rub off, not a small consideration.

The concept of moral purpose in branding is coming to life in the social web. By moral purpose, I mean offering value and acting ethically and transparently. No business will succeed without a clear definition of its transparency in doing business. The ethics around doing business include: environmental responsibility, diversity in employment, considering the larger effect of the company's actions. In other words, you need to have moral purpose embedded in your values, along with great products at a great price. The real issue is to learn how to market on the social web responsibly. But first, let me talk a little more about what the social web means to marketers.