



## CHAPTER ONE

# Word of Mouth Goes World of Mouth

**W**hy is there even a need for social media? In less than three years, it became the most popular activity on the Web,<sup>1</sup> supplanting pornography for the first time in Internet history. Even search engines weren't powerful enough to do that.

Remember several years back when the last three to four seconds of many television commercials prompted viewers to use various AOL keywords? You don't see or hear that anymore do you? What do you see? People are sending this traffic to social networks. A very prominent example of this is CBS, which sends a majority of its March Madness basketball traffic, not to its own website, but to [www.facebook.com/brackets](http://www.facebook.com/brackets).

Why has social media's popularity been so meteoric? This rapid ascent is due in large part to its ability to help people avoid *information indigestion*. At first glance, this would seem counter-intuitive because social media, in its inherent nature via status updates, microblogs, social bookmarks, video sharing, photo commenting, and so on, actually produces more content and

information. Because of this increase in information, you would think that it would cause more confusion, not less. But, when we dive deeper, we can see why this is not the case.

In his groundbreaking book, *The Long Tail*, Chris Anderson eloquently describes the ability of the Internet within free markets to easily and effectively service small interest groups:

*The great thing about broadcast is that it can bring one show to millions of people with unmatched efficiency. But it can't do the opposite—bring a million shows to one person each. Yet that is exactly what the Internet does so well. The economics of broadcast era required hit shows—big buckets—to catch huge audiences. Serving the same stream to millions of people at the same time is hugely expensive and wasteful for a distribution network optimized for point-to-point communications. Increasingly, the mass market is turning into a mass of niches.<sup>2</sup>*

As we have seen, this is very powerful stuff. *The Long Tail* is great for individualism, however at the same time, it greatly fragments the market. Life was much simpler when we knew that all our world news would come from *Time* and *Life* magazines. Fragmentation can be a stress-inducing issue for people.

As human beings, we have the dichotomous psychological need to be our own individual, yet we also want to feel that we belong to and are accepted by a much larger social set. People are willing to keep *open running diaries* as a way to stay connected because their ultimate desire is to feel accepted.

The younger the generation, the less concerned they are about privacy.

If you can make something more relevant to me by having less privacy, well that is a small price to pay.

—Bill Tancer, General Manager, Global  
Research, Hitwise

Part of this lies in a yearning to have a clear understanding of what the majority of people are doing.

It was much easier to know what the majority was doing when all you had to do was tune into Casey Kasem's *American Top 40* to find out the latest and greatest in music or to flip through *Vogue* magazine to quickly grasp every fashion trend.

## Who Cares What You Are Doing?

Why do I care if my friend is having the most amazing peanut-butter-and-jelly sandwich? Or that someone is at her kid's dance recital? These types of questions are often posed by someone who doesn't understand social media rather than by someone who hasn't embraced social media; there is a difference. These questions are usually posed by someone who is frustrated because they don't understand what social media is about.

Heavy social media users actually don't care about every little thing happening in their friend's lives all the time. Yes, there are the exceptional few who view every post, photo, or comment. Individual users make personal choices about how they establish their settings and, more important, viewing behavior.

This is similar to a BlackBerry or iPhone where users can customize their settings so that the unit vibrates every time a message comes in or they can disable that setting and download messages on their time, thereby avoiding *crackberry* syndrome (addictive immediate response to every incoming message).

The key with social media is that it allows you to easily stay abreast of people you want to stay connected with via casual observation. Someone might argue, “well I already don’t have enough time in my day, how can I possibly follow anybody else or keep those following me informed? I can’t waste my time like that!” This is a fundamental misunderstanding! One of the key maxims of this book is that *wasting time on Facebook and social media actually makes you more productive*. Let’s look at an example with a fictitious character dubbed Sally Supermarket.

We find Sally Supermarket at her favorite place and namesake. It’s Fourth of July weekend, so a few of the checkout lanes are much longer than normal. It’s going to be roughly a 10-minute wait until she reaches the cashier. During these 10 minutes she can:

- A. Flip through a magazine she has no interest in.
- B. Be rude and place a call on her cell phone. Most likely annoying the others in line around her and potentially the person receiving the call as well, because it’s loud in the supermarket, and she might have to hang up the call at any time.
- C. Check on updates from her social media.
- D. Ruminates about how upset she is that she has to wait in line for 10 minutes, which she definitely doesn’t have time for.

Sally chooses option C, and here’s what occurs:

- *Sally’s status*: “Bummed that the supermarket is out of mayonnaise—I was planning to make my cold chicken curry salad for the annual picnic tomorrow.”

- *Friend 1's status*: "Excited to be boarding a plane to DC for the weekend!"
- *Friend 2's status*: "Who knew my kids would love mandarin oranges in a can?"
- *Friend 3's status*: "I'm pregnant!"
- *Sally's daughter's status*: "Excited! Got an A on my psychology exam—off to get a Frappuccino to celebrate!"
- *Friend 4's comment*: "Sally, plain yogurt is a great substitute for mayo—use a third more curry than normal to kill the bitterness. I recommend Dannon. It's healthy too!"
- *Friend 3's status*: "Going in for first ultrasound. We've decided not to find out if the baby is a boy or a girl ahead of time."
- *Friend 5's post*: "Great video on bike decorating for the Fourth of July is found here: [www.tinyurl.com/4th/](http://www.tinyurl.com/4th/)."

After reading the status updates from her friends on her phone, Sally still has about four minutes before she'll be at the front of the checkout lane, so she runs to get some plain yogurt (like her friend recommended). While checking out she sees a \$10 gift card for Starbucks hanging above the magazines, which she purchases with the intent of mailing it to her daughter as a surprise congratulations for doing well on her exam and to let her know she's thinking about her.

Sally will see Friend 3 tomorrow at the picnic and be able to congratulate her on her pregnancy. Staying up to date on Friend 3 means that Sally won't spend time speculating whether Friend 3 was just putting on extra weight. Sally can also avoid asking if the couple knows whether the baby will be a boy or girl because Sally already knows that they are waiting based on Friend 3's last updated social media message. Sally knows from

firsthand pregnancy experience how tiring answering the “Do you know if it’s a boy or girl?” question can become—if only she had social media back then!

On the way home, Sally’s husband calls her.

“Hey, honey, I’m on my way home from the supermarket—how are you?”

“Struggling—Jack and I are trying to decorate his bike, but it’s not looking so hot, and the crepe paper keeps tearing in the spokes.”

“Not sure if this will help, but Friend 5 just bookmarked a video about bike decorating—maybe you could check it out for some ideas.”

This Sally Supermarket example is a little played up for the purpose of illustration, but it certainly isn’t far-fetched. This is a simple example of why social media isn’t just for teenagers with too much idle time on their hands.

## Foreign Friends Are Not Forgotten

This depiction by German-based social media user, Christoph Marcour, is a quick example of how social media can easily keep us globally connected:

*One thing I enjoy the most about social media is staying in touch with my friends in America. Before, I would occasionally travel to the United States for work; primarily to New York and Houston. I was generally very busy leading up to these trips and often didn’t have time to e-mail or call my friends—all of which lived in Indianapolis. My friends from Indy also traveled for work quite a bit. So, ironically, we’d often be in the same city at the same time and not know it till months later.*

*That doesn't happen anymore, now we have the chance to see each other once or twice a year. Because even if I'm not directly reaching out to them if I put in my status "packing for New York" or "Bummed that my flight to Houston is delayed," they see that, just as I see similar items that they are updating.<sup>3</sup>*

## Search Engines and Social Media

The Internet's greatest strength—rapid and cheap sharing of information—is also its greatest weakness. Search engines have and will continue to help users quickly access the one morsel of information they need out of the trillions of bytes of data. The inherent fault of search engines is that the user needs to know what they are looking for in the first place. For example, if users type in "Great Father's Day Gift" they do receive some helpful nuggets, but the results are often an overwhelming sea of confusion. And, if what you need is not on the first results page, it might as well not be anywhere because only roughly 5 percent of users go to the second page.

With the excess of information on the Web, people require a tool to make sense of it all. Social media is that mechanism.

Search engines are getting better and better at understanding our individual search needs. Search engines have advanced technologically to recognize that when my 13-year-old cousin searches for "Paris Hilton" she is looking for the pseudo-celebrity, but that when my mother searches for "Paris Hilton," she wants a hotel room in the City of Lights.

While these are nice improvements, if the searcher types in generic terms like "chocolate" or "shoes" the results will be relatively the same as everyone else's results. So, even though search results are getting better, you still can't type in "best rib-eye steak

in New York” and quickly get what you are looking for. The advancement in semantic search will largely depend on who wins the search engine wars. If a virtual monopoly exists (e.g., Google), the advancement in search technology could potentially be slow. Someone could argue that the core offering and search engine results have not advanced much in the past five years. This isn’t surprising given Google’s relative dominance of the space over that time. Can one blame Google for not changing things too radically? Why would they try to *fix* something that is making record profits for their shareholders? This isn’t a book about search, but we touch on it because social media and search are so closely tied to each other.

In fact, search engines are, rightfully so, viewing social media sites as competition—people are already going to wikipedia.org directly if they are on a fact-finding mission and starting to search within MySpace and Facebook for celebrities and other people. For the best articles on a subject, they may search Digg, Delicious, or another social bookmarking site. As we discuss in Chapter 5, “Socialommerce,” consumers will soon search Facebook, hi5, Orkut, and so on for products and services they want to research and/or purchase. So, Google’s strongest competition may not be other search engines (Yahoo!, MSN, Ask, etc.), but social media, instead.

Google and other search engines are recognizing this shift, and they are trying to make their offerings more social. In January 2009, Google introduced Google SearchWiki, giving users the ability to hit buttons that either promote a search (place it higher in that individual user’s rankings) or demote a search result. This is a good advancement. Previously if a user disagreed with the search results, there was nothing they could do about it. The most exciting feature, one that gives further credibility to what we discuss throughout this book, is that Google introduced



the ability for users to post comments about specific search results. All searchers can see these comments. Google's success in the social media space (e.g., SearchWiki) will be dependent on user uptake (just like *Wikipedia* wouldn't be successful if only 200 people contributed). Old and new players alike are racing to win the battle of social search. In 2009 Google also introduced a new collaborative communication tool called Wave to better integrate e-mail, im chat, wikis, etc.

## **We No Longer Search for the News—It Finds Us**

We no longer search for the news; rather, the news finds us. This is evident when looking at key newspaper statistics. According to third quarter 2008 data from the Newspaper Association of America, advertising revenue for newspapers declined 18.1 percent, national advertising sales fell 18.4 percent, classifieds sank 30.9 percent, and online advertising sales dropped 3 percent.<sup>4</sup>

During the 2008 U.S. presidential election, one of *Saturday Night Live's* (SNL) cast members, Tina Fey, was a dead ringer for Republican vice presidential nominee Sarah Palin. There were several skits done by Fey mimicking the vice presidential hopeful, and some argue that it played a large role in the election itself. The most popular of these episodes was the premier. What was interesting about this five-minute video was (1) the popularity of it and (2) where people watched the video clip.

NBC estimated that over 50 million viewed the "Palin Skits." According to research conducted by Solutions Research Group, more than half of the people who saw this SNL video viewed the clips over the Internet.<sup>5</sup> Many viewed it on the popular social video network YouTube; while the majority of others had it pushed to them and played right within their social

media network, whether that was Facebook, MySpace, hi5, or something else.

As a result, *SNL*'s television viewership increased more than 50 percent over the previous year (2007), allowing NBC to profit from both ends of the spectrum (online exposure and TV ratings). The power of Socialnomics isn't just online; it can also drive activity in the opposite direction—to the offline world. This makes sense because the roots of social media and the social graph come from an offline world (book clubs, men's clubs, garden clubs, athletic clubs). It is just that technology has enabled us to go to a whole new level with our networks.

Old marketers used to conjure up 30-second commercials that were so entertaining that they would be discussed around the watercooler. However, what happens when the watercooler now exists for the sole purpose of dispensing water? Watercooler conversations are now happening online in real time.

There's no longer a need to wait until Monday morning to catch up because the speed of social media already has us all well informed. By seeing a few updates from various social media tools or from an aggregator, your friends probably have a good idea about where you were, how the weather was where you were, if you had any travel complications, whether you got a new puppy, whether you watched or attended a major event, whether you liked it, whether you had a fun weekend, and so on.

## **Newspapers and Magazines Diminish in Power**

People will still catch up around the watercooler, but the conversation will be a little more detailed and specific rather than the traditional small talk. This on a whole is a good thing

because it helps you learn more about people by getting more information all the time. You don't need to ask them how the weather was on their trip or what their new puppy looks like because you probably have seen their updates, photos, or videos. Instead, you can ask about the characteristics and personality of the puppy, and so on. This allows for the establishment of a quicker and more profound connection between individuals. If we are no longer walking down to the end of our driveways in anticipation of reading what is going on in the world, if we are no longer even going onto our favorite Internet news sites to find the news, what does it mean for various news outlets and the businesses that support them?

We have shifted from a world where the information and news was held by a few and distributed to millions, to a world where the information is held by millions and distributed to a few (niche markets). This has huge ramifications for traditional newspapers. The Internet caused major newspapers and magazines to rethink their business models. While these traditional mediums were still trying to grasp how to handle the upshot of blogs and user-generated content, social media suddenly came along, causing yet another significant upheaval in the status quo. In 2008, it was estimated that traditional newspapers would see a drop of 23.4 percent in revenues.<sup>6</sup> And 2009 can almost be labeled as the year the traditional newspaper died. *PC Magazine* is a good example of a periodical that experienced this macroshift firsthand. Launched in 1982, *PC Magazine* was such an icon in the tech world that at one point advertisers lined up in droves. (Sometimes causing certain issues to exceed 600 pages!)

*PC Magazine* closed the doors on their print version in November of 2008, moved all of their operations online, and renamed their online publication *PC Mag*. The move was

necessary, even though they were in a relatively good position with revenue still in the tens of millions of dollars and digital already accounting for 70 percent of the *PC Mag* brand's revenues. Their online revenues have grown an average of 42 percent since 2001. *PC Mag* brand's revenues grew 18 percent in Q3, 2008.<sup>7</sup>

Traditional newspapers and magazines need to recognize that people are having their news pushed to them from friends and automated free subscriptions. This means newspapers and magazines need to change what their content delivers—otherwise the decline will continue. Newspapers should no longer be reporting the news; instead, they should be commenting on the news and what it means.

This book is actually a microcosm of this phenomenon. By the time this goes to print, many of the news items in this book will be outdated; in fact, some websites listed in this book will no longer be market leaders or even exist at all. There may only be a handful of paper newspapers left as well. Hence, the importance for the material in this book, as well as in newspapers and magazines is to provide helpful commentary on what the news means and be able to identify constructs that have occurred before and will potentially occur again.

This continues to present an uphill battle for magazines and newspapers because they will need to have the best and brightest columnists and experts. But how do they retain these experts when their platform is no longer as strong as it once was? In the past, newspapers had almost full control because they managed the distribution. Today, the experts (i.e., writers, journalists, reporters, bloggers) have increased leverage because the price to entry for them to gain mass distribution is close to zero. While it still means something to have the *Wall Street Journal* on your résumé, it doesn't mean nearly as much as it once did.

## ***Playboy* and the *Sports Illustrated* Swimsuit Issue Are Stripped Down**

A salient example of this is the once famed *Sports Illustrated* Swimsuit Issue. People in the 1980s and 1990s used to talk in anticipation for weeks prior to the Swimsuit Issue landing in mailboxes across the country. The most popular person in school or the office that week was whoever received the magazine and brought it in. *Sports Illustrated* was able to charge up to three times its usual rates to advertisers.

As a supermodel, landing on the cover of this issue was life changing. That was then, this is now. The luster of this issue quickly faded with the advent of the always available photograph and video on the Internet. When's the last time you heard the *Sports Illustrated* Swimsuit Issue in a conversation? It went from part of pop culture to irrelevance. Even Hugh Hefner's venerable *Playboy* in 2009 reduced its guaranteed magazine subscriber base 13 percent, from 3 million to 2.6 million. Christie Hefner, daughter of the founder, stepped down as CEO at the start of 2009.<sup>8</sup>

Craigslist, LinkedIn, Monster, CareerBuilder, Simply Hired and many others have eviscerated the one-time newspaper monopoly in recruitment advertising since the technology bubble burst, resulting in a loss of \$4.9 billion, or 56.3 percent, of classified revenues between 2000 and 2007.<sup>9</sup>

The first step that some major periodicals took was to place their content online; this was a logical step. Of course they still needed to make money, and the model that they understood was subscription based. This worked well for a few years for major publications like the *New York Times* and *Wall Street Journal*; but if you have a good understanding of Socialnomics, you can see how

over the long haul this is a somewhat flawed strategy. To effectively leverage the social graph, every company needs to understand that they need to make their information easily transferable.

## **Idaho Bloggers Are Better than New York Reporters**

It's important to free your content from being trapped in a "walled garden" because people have quickly grown accustomed to the news finding them, and there is no turning back. That is a key construct of the book: the world as it was, no longer is. So good, bad, or indifferent, it is a fact that will not change.

People expect and demand easy access to their news; any hurdle, no matter how small, can kill potential distribution, eventual effectiveness, and ultimate viability. So let's quickly showcase an A-B comparison of how this works in Socialnomics.

### ***News Site A***

Site A is one of the world's largest and most well known newspapers. Historically they have generated revenue from print advertising, as well as paid subscriptions. In the past decade, they have put even more information on their website, along with additional video content, multimedia, and so on. They have seen tremendous growth in their online revenue, but it's not enough to offset the loss incurred by their traditional offline revenue model. They still have a large staff of expensive expert writers, large office buildings that need to be maintained, along with trucks and various overhead to distribute the paper. As a result of these large costs, they require a paid subscription and login for

their online content in the hopes of generating enough revenue to offset these costs.

### ***Blog Site B***

Jane the Blogger works out of her house in Boise, Idaho. She has plenty of time to write because she works only three days a week in the state courthouse. She uses a popular free blogging tool (e.g., Word Press, TypePad, Blogger) and pays \$20 per year to have the vanity URL [www.idaho-senators.com](http://www.idaho-senators.com). She likes to stay current with events outside of Idaho and pays for a subscription to News Site A. Her husband is a big Boise State football fan and gets a free subscription to the *Idaho Statesman*, and Jane enjoys reading the political section. Her only other cost is the time she spends reading the political section. One could argue that in this instance this is no cost at all because she finds intrinsic value (aka enjoys) in discussing the political topics on her blog about Idaho's senators.

To keep abreast of the latest news on her two senators, she uses free social media tools and alerts to push the news her way when either of the two senator's names is mentioned. She also carves out time to review and edit the various wikis (e.g., *Wikipedia*) across the Web on each respective senator. Her interest started when her friend, Julie Patterson from high school was elected to the senate seat. Patterson still holds her senate seat in Idaho.

### ***Situation***

The other Idaho senator (i.e., not Patterson) is involved in a drunk driving accident early one Saturday morning where he is at fault. There was one other passenger in the car, the senator's

babysitter, and she was killed in the accident. The driver of the other car is a Supreme Court judge who was in Idaho on vacation. The Supreme Court judge is in critical condition at a local Boise hospital.

Jane the Blogger finds out about the accident from one of her friends from the courthouse prior to it appearing on local or national news. She is already intimately familiar with the Idaho senator, so no background is required; in fact, she knows that he has a history of overindulging with booze and has had a previous DUI incident that went through her courthouse a few years before he became a senator.

Meanwhile, News Site A's field reporter for that area is on vacation, and so they assign it to a reporter who sits in their Manhattan headquarters. This reporter is not at all familiar with the Idaho senator and immediately goes to her favorite search engine and types in the senator's name. Guess whose site comes up in the top five rankings on the search engine? You guessed it: [www.idaho-senators.com](http://www.idaho-senators.com). The reporter reads background information on the senator and then hops on a flight to Boise. While on the flight, she begins writing the story. Jane the Blogger and the reporter both post stories about the event. Because of her background and experience on the subject matter, Jane the Blogger posts her story an hour or two before News Site A. Not only that, to pre-sell her more in-depth story, she originally breaks the news she received from the courthouse via a micro-blogging tool like Twitter. She immediately becomes the recognized expert on this story. Micro-blog posts were the first to break such noteworthy news events as the 2009 US Airways water crash landing in New York and the 2008 California forest fires, and will play an important role moving forward.

The purpose of this example isn't to showcase what produces better stories—blogs or traditional reporters—there are plenty



of great books about that. This example demonstrates the availability of free, great content on the Web and the fact that some of the most qualified people to write a story are bloggers who actually do it for free because . . . they enjoy it! Most of these people aren't doing it for advertising revenue or subscription revenue; they are doing it because they want to be heard. It's not just for news stories either; as we cover later in this book, it has ramifications on commerce transactions. In a study conducted by Jupiter Research in 2009, it was found that 50 percent of Internet users consulted a blog prior to making a purchase.<sup>10</sup>

Pundits try to broad brushstroke bloggers and micro-bloggers (e.g., Twitter, Facebook) as "all bad and uninformed" or "regurgitating the same news and facts" when in fact there are varying levels of quality in the blogosphere. Later in this book, we discuss how social media helps pinpoint the good sources of information from bad ones. Understandably, these bad-mouthing pundits have a vested interest; after all, these new outlets are stealing their journalistic jobs.

## **Not All Bloggers Are Bad**

Getting back to World of Mouth, let's continue with this example to show why the public turns to nontraditional outlets. During this example, for argument's sake, let's assume that the stories of News Site A and Blog Site B are exactly the same in terms of quality. There are three reasons that the Jane the Blogger story has a higher chance for success than News Site A:

1. She is the most qualified expert on this particular niche subject.
2. She posted first.
3. She has Socialnomics on her side.

The first two are self-explanatory and have been touched on in other publications, so let's look at the Socialnomics aspect by continuing our story example with Trevor in San Francisco, California. Trevor is an avid follower of politics, and he has used some social media tools (e.g., SocialMedian) to alert him once a day about stories that are related to senators. He receives these two stories (Jane the Blogger's and News Site A's) in his daily newsfeed via real simple syndication (RSS) technology. Trevor has no idea how the technology works, he just knows that his favorite stories show up on his MyYahoo!, iGoogle, and Facebook home pages. Let's see what happens to each story.

### ***News Site A's Story***

Trevor looks at the link for News Site A and likes the catchy title and brief summary of what the story contains. He notices "subscription required" listed next to the link, but he has seen this before and sometimes he is able to get enough of the story. Keep in mind that many readers would have stopped here as soon as they saw "subscription required"—they would not have bothered to click on the hyperlink to the story. However, Trevor is hopeful, clicks through and the page promptly displays a login screen for subscribers only. This is the end of Trevor's experience with News Site A for this particular story and most likely for future stories.

Quick recap of Trevor's experience:

1. He clicks on the headline within his feed for News Site A.
2. He notices "subscription required" for News Site A.
3. The end.

### ***Jane the Blogger's Story***

Trevor still wants to read about the drunk-driving senator so he clicks on the next related headline in his feed, which is Jane the Blogger's post. He also sees a link to this same story in his Twitter account. Here's what happens:

1. He clicks on the headline within his feed.
2. He reads and enjoys the story.
3. He posts to his 245 friends on Facebook and 45 followers on Twitter.
4. Forty of his friends/followers read the story.
5. Twenty of his friends/followers who read the story also repost it.
6. Ten of his friends/followers rate and tag it on social media bookmark sites (e.g., Delicious, DIGG, Reddit).
7. A few other websites and blogs link to this story.
8. Steps 1 through 6 continue in recurring multiples like Russian nesting dolls.

Search engines read these social bookmarks and hyperlinks and rank the article high in their organic rankings for news around the keywords "senator drunk driving." It's important to note that a key aspect of social media is the ability to tag items. In this example, anyone reading the story could add a tag such as "Idaho senator" or "drunk senator," similar in concept to a tag you would use when organizing a manila file folder in a steel filing cabinet. This is done for quick reference later, but it is also extremely helpful in cataloging the Internet for other potential readers. This is instrumental in social media; via tagging, users help other users make sense of all the information available on the Web. (People tell search engines what various pages/articles

contain by the tags they apply.) Other forms of tags may include #idahosenators for tools like Twitter.

So, as we mentioned in our opening pages of this book even though social media helps produce more content, it actually causes less confusion and helps make sense of the morass of information on the Web for everyone across the globe. Search engines rightfully look for and aggregate these tags as well as the names of the links to help in ranking items.

Jane the Blogger receives tons of direct traffic from the various direct links to her story. She receives even more traffic from the search engines because so many “voted” for her by social book marking it, reposting it, re-tweets or linking to it. She has thousands of eyes looking at her story that a marketer would be happy to pay decent money for. Her gain is News Site A’s loss.

The average person on Facebook has 150 friends—there is a lot of viral potential when one person posts a story or video.

Barriers to entry, like required subscriptions, can cause an unfavorable ripple to cascade into an inevitable crescendo of failure. This example isn’t to show that subscription-based news models are a bad thing, although we anticipate by the time you read this book there will be limited subscription-based content models on the Web, but rather it is to indicate that most companies need to fundamentally rethink their business models. The mindset of, “we’ve always made money this way for the past 100 years, and we are going to stubbornly keep doing it this way” is flawed. Just as flawed is thinking “let’s ‘digitize’ our current offerings but use the same business model” (in this example putting newspaper content online but charging the same subscription price). This model isn’t going to work in a time where competitive free Web offerings have similar content. It also hasn’t worked as evidenced by Tribune Company filing for

bankruptcy at the end of 2008. Tribune is the second largest newspaper conglomerate and has such well-known properties as the *Los Angeles Times* and the *Chicago Tribune*.

We see this type of flawed thinking time after time, and it keeps repeating itself because companies are having a difficult time understanding how to leverage the social graph. Rather than attempt to understand, many forge ahead and try unsuccessfully to impose outdated business models on the social graph. The end result of this type of approach is not pretty.

In 2009 the Associated Press asked Google not to feature its content in the search results. Other companies and publishers pay search experts to help get high in the rankings want because they more traffic. Yet, the AP did the exact opposite. The AP's decision is similar to cutting off your nose to spite your face.

More progressive thinking is what the *New York Times* has done. They have a monthly subscription-based model that automatically downloads to eBook readers like the Amazon Kindle, Sony eReader, Apple iPod, and so on. At the time of this writing, they are charging \$12 per month. It is too soon to tell if this type of model will work, but it has a better chance than the models that are attempting to cram a square peg into a round hole. The *New York Times* did a smart thing by looking at the success of Apple iTunes' charging 99 cents per song. There is no need to re-create the wheel if you can just as easily learn from the mistakes and successes of the past. History repeats itself because nobody listens the first time.

There are no physical fees (printing press, website maintenance, delivery trucks, paper, ink, shipping, and so on) for the *New York Times*, but most importantly it meets the users' desire to have news pushed to them in real time to their preferred mobile device.

## Free and Faster Information

Tim Russert was the well-known anchor of the popular television show *Meet the Press* for 17 years. When he unexpectedly passed away in 2008, his *Wikipedia* page was updated before Fox News announced it. The online newspaper-subscription model works well if you are the only one holding the information. However, it breaks down if free and faster information is available. Social media enables this “free and faster” information to exist. Online newspapers would argue that their information is more credible, that *Wikipedia* isn’t a reliable source.

While this argument may hold true for smaller niche topics, it’s not likely to hold true for the more popular topics. Ironically, major media outlets are designed to cover the big news stories, not the minor niche ones. This makes sense because these niche stories were historically reserved for the local media outlets.

Our major media outlets are now competing against *Wikipedia* and other social collaborative sites, and those sites are stronger. As far back as December 2005, studies were conducted showing the accuracy and viability of *Wikipedia*. One such study was conducted in the journal *Nature* and posted by CNET.

For its study, *Nature* chose articles from both *Encyclopædia Britannica* and *Wikipedia* in a wide range of topics and sent them to what it called “relevant” field experts for peer review. The experts then compared the competing articles side by side—one from each site on a given topic—but were not told which article came from which site. *Nature* collected 42 usable reviews from its field of experts. In the end, the journal found just eight serious errors, such as general misunderstandings of vital concepts, in the articles. Of those, four came from each site.<sup>11</sup>

Think about the fact (forsense) that, back in 2005, when *Wikipedia* wasn't fully vetted, this study was showing that it was as accurate as *Encyclopædia Britannica*. One could debate (and many have) the validity of this study, but one thing that is very telling is that Britannica itself launched its own version of a Wiki (they need to have final approval) in 2009. Today *Wikipedia* has become even more accurate, not less, due to the increased size and diversity of its contributing user base and increase in editors. *Wikipedia* is bound to be more accurate for major topics—if you have 1,000 experts contributing, versus 3 to 5 experts, the social graph will win every time. However, conversely for niche products, where you have 2 to 3 contributors versus 2 to 3 encyclopedia experts, the experts will provide more reliable information. *Wikipedia* is successful as a result of scale and self-policing. As a result of the success of *Jimmy Wales's Wikipedia* experiment, others have started to leverage the social graph.

One prime example of free and faster information is the site *zillow.com*. Zillow allows users and realtors to investigate the estimated values of various real estate properties. It aggregates various public data (most recent sale price, up-to-date selling prices of the surrounding houses in the neighborhood, asking prices, quality of schools, etc.) into an algorithm to obtain the estimated property value. To augment this third-party data, Zillow allows its user base to update various aspects. For example, a user can update the number of rooms or bathrooms in a particular home. If you are the homeowner and renovated it by adding a bathroom in the basement, who is a more qualified expert than you (the homeowner) to update the listing?

Google Maps offers a similar wiki functionality by allowing users to move items on the maps so that they are more accurate, such as updating a store that may have gone out of business in

the last few weeks. This model works well. Google establishes a baseline product offering (map of the area) and then allows the public to help fine-tune and grow it. This is a slightly different but just as effective model as *Wikipedia*. The difference is that *Wikipedia* doesn't produce a baseline; rather, everything is developed from scratch.

*Wikipedia* proves the value of collaboration on a global basis. The output of many minds results in clarity of purpose and innovation. The lesson to be learned is that if collaboration among strangers across the Internet can result in something as useful *Wikipedia*—think about how collaboration among colleagues can transform business. Many businesses are starting to use Social Media collaboration tools like Yammer in the workplace.

## **A Touch of Bacon Salt on Your Social Media**

The success of Bacon Salt is a great example of how the social graph can even cause a product to be made. Bacon Salt was an idea that was born out of the minds of two Seattle buddies, Justin Esch and Dave Lefkowitz, who over a few beers jokingly posed the question—"Wouldn't it be great if there was a powder that made everything taste like bacon?"

The genesis of their success was when Lefkowitz started a MySpace profile dedicated to Bacon Salt. They then used data openly available on MySpace to seek out people who had mentioned bacon in their profiles—they found over 35,000 such people. They began reaching out to these people to gauge their interest in Bacon Salt, and not only did they find interest, they started receiving orders when they didn't even have a product yet!



World of Mouth took over from there, and as Lefkow describes it, “It was one person telling another person telling another person. It was amazing and scary at the same time. We weren’t prepared for the onslaught.” The viral aspect of this experience branched into nonsocial media channels, and they even received a free endorsement from the Gotham Girls Roller Derby team. It’s one thing to get buzz about your product, it’s another thing to sell it—and sell it they did. The spice that made everything taste like bacon incredibly sold 600,000 bottles in 18 months. “We didn’t even have a product at the beginning; instead, we bought cheap spice bottles, printed out Bacon Salt logos and scotch taped them onto the bottles.”<sup>12</sup>

This product and brand was built entirely using social media. Like JetBlue, Zappos, and Comcast before them, they also started following what people were saying about Bacon Salt and responding to them. They did other activities, but as Lefkow and Esch readily admitted, they wanted to keep some of their social media insights to themselves and indicated “We don’t want them (big companies) to get on our gravy train.”

## **Microrevenue Streams Huge for Social Media**

The Bacon Salt case study is a good example of a potential revenue stream for the social networks. For a small business owner, it is still very daunting and cumbersome to figure out how to set up a website for a small business. As evidenced by Lefkow and Esch, you can get a fan page, profile page, group page, and so on up and running on your favorite social network in literally minutes. The best part is, that as of this writing, the social networks don’t allow for much customization.

How can noncustomization be a good thing? For small business owners, this places everyone on a level playing field, which means it comes down to the product you're selling versus the glitz and flash of your website. The functional solution that social networks can provide is the ability to have an automatic shopping cart and transaction model easily established. The social network could take a .005 percent cut of all transactions. This is similar to what Obama excelled at—small payments that add up to millions of dollars. Essentially, this is almost a micropayment model for small businesses. Small businesses can be up and running in a few hours on a social media storefront, and the fractions of pennies that the social media platform captures from transactions would hardly be missed by that small business, but would be a huge revenue generator for the social media platform when they collect from thousands of businesses.

## **Dancing Matt—Something to Chew On**

Later in this book, in more than one example, we show how companies try, some in earnest (TripAdvisor—Where I've Been) and some halfheartedly (Hasbro—Scrabble) to leverage existing successes. These efforts often fall short, and companies wind up developing their own similar marketing programs—sometimes to grand success and other times to failure.

One company that was able to leverage an overnight sensation was chewing gum brand Stride (Cadbury). The story begins with Matthew “Matt” Harding, born September 27, 1976. Harding was an American video game developer from Westport, Connecticut, who had stints at Cutting Edge Entertainment and Activision. Many of these games were primarily *shooter* games. Saying he “didn't want to spend two years of my life writing

games about killing everyone,” Matt quit his job and began traveling, leading to the production of his first video.

All of us are known for something quirky among our friends. Harding was known for a particular dance. So, while traveling in Vietnam, his travel buddy suggested he do his dance, and they filmed it. The video was uploaded to his website for friends and family to enjoy, and they loved it! “The dance can probably best be described as a five-year old on a Halloween sugar rush,” said Anne McManus of Holland, Michigan.

Harding decided to perform his unique dance whenever he was visiting an exotic location on his journey. He later wound up editing together 15 dance scenes in exotic locations. All the scenes had him center frame, with the background music “Sweet Lullaby.”

The video was passed around by e-mail and eventually became *viral*, with Matt’s server getting 20,000 or more hits a day as it was discovered generally country by country. The beauty of the video was that there were no language barriers, it was simply Matt dancing in various locations.

Then, once YouTube exploded on the scene, it was a natural fit for Matt to upload it there. Stride Gum saw a huge opportunity and approached Matt, offering to help sponsor his travels. Matt was delighted because he had been traveling on a shoestring budget, actually having to use a college travel company (STA). With the help of Stride, Matt was able to produce a third video in June, 2008.

This video was the result of traveling to 42 different countries over the prior 14 months and included shots from 70 different cities and locations. “It’s hard to not smile from watching the video. It really makes you feel good about us one day eventually all being connected globally. With social media I truly think

this is possible, and Matt's dancing really is just one example of the power that each of us can unleash," beamed avid YouTube watcher Emmy Spence of Atlanta, Georgia.

One of the founders of YouTube, Jawed Karim, states that Matt's video is his favorite. Karim said that he particularly likes the "Dancing Matt" video because it "illustrates what YouTube is all about—namely that anyone who has a good idea can take that idea and make it happen." Karim said Harding has been hired by a bubble gum company that now pays him to go dance around the world. "Sounds good to me," he said.<sup>13</sup>

This sounds good to Stride Gum as well. As of April 2009, over 33 million people had viewed Matt's two most popular videos on YouTube.<sup>14</sup> Keep in mind that this doesn't include all the ancillary videos like "How the Hell Did Matt Get People to Dance with Him?" views), "Where the Hell Is Matt's Girlfriend?" That video also produced a few million views as of April, 2009.

If you typed in "Matt" in Google, he shows up for the top 5 results (organic). He was voted a Top 40 Internet Celebrity by VH1, and he made guest appearances on *Good Morning America*, *The Ellen DeGeneres Show*, *Jimmy Kimmel Live*, and *Countdown with Keith Olbermann*, just to name a few. For the nominal fee of sponsoring Matt's travel costs, Stride was paid back in millions of dollars worth of brand equity. The best part is the video is still being viewed by the millions, which is completely different from a *one and done* television commercial. In fact as of May, 2009, this video was being showcased on one of the premier giant flatscreens in New York's Times Square.

A main reason the campaign was successful was that Stride kept the integrity of the original concept—it was always about people—it wouldn't be prudent to all of a sudden make it about

gum. In fact Stride helped Matt improve on his original formula by suggesting that Matt try to surround himself with locals also joining in the dance, whereas previously the somewhat reserved computer programmer would have, at most, one or two people in the video with him. This resulted in some genius results—one of the most inspiring being Matt surrounded in Poria, Papua New Guinea by a tribe (Huli Wigmen) dressed in their indigenous garb. The beauty of this sponsorship is that Matt and his girlfriend Melissa continued to do all of the legwork. Prior to the third video, Matt sent out communications to the various cities he'd be visiting so that he would have people to dance with. He received over 25,000 responses, and he needed to get release forms signed prior to the filming. This is quite a bit of legwork that could easily get bogged down in the legal department of a large corporation. In this instance, Matt and his girlfriend were continuing to produce the videos from point A to point Z.

Stride could have had Matt wearing a Stride T-shirt and passing out gum, but they were smart enough to leave well enough alone. Instead, they had a tactful message at the end of the video (i.e., post roll) and also had a discreet logo in the upper right of some of the videos. Stride showed how successful a brand can be by simply associating itself with social media that is already virally successful, which gives other brands something to chew on.

## **Flying the Not-So-Friendly Skies**

A good example of the *virality* of social media can be seen in this American Airlines example. In April of 2008, over the course of four days, American Airlines had to cancel 3,000 flights as a result

of a large percentage of their jets not meeting the maintenance requirements mandated by the Federal Aviation Administration. This was not the result of bad weather or security threats; it was pure negligence on the part of American Airlines. A spokesman for American Airlines expressed their strategy in handling the situation:

*We fly over 100 million passengers a year, and they are all important to us. A large percentage of them fly with us exclusively, so the most important goal was to stay in contact and let them know what was going on. And we used every communications channel we have available to us.*

*This included some new plays, including monitoring blogs, as soon as the crisis started. That was an important part of our strategy. And we felt, in general, that the information was generally correct and balanced enough to where we didn't have to get involved in the conversation. Some of the remarks were tough to take and on some blogs people were actually defending us.<sup>15</sup>*

I underline two important pieces in this statement. The first is that “we used every communication channel available to us,” yet there is no specific mention of social media. The second is “we didn’t have to get involved with the conversation.” As an individual or company, you should feel compelled to become part of the conversation; people want to be heard. A strategy of we will only enter a conversation if it “gets ugly” is generally flawed logic in the sense that the damage will be done before you can react. This is similar to trying to time the stock market; very difficult.

Website complaints to [www.aa.com](http://www.aa.com) increased 25 percent over the same period the year before and 9 percent over the

previous week.<sup>16</sup> American asked consumers with complaints about the cancellations and inconveniences to e-mail them. This caused a 13 percent increase in e-mail complaints. What jumped out was a 74 percent increase in downstream traffic to social network MySpace.<sup>17</sup> This is compelling in the sense that users were most likely going to social media to vent and widely disseminate their own personal issues with the crisis. This large increase couldn't only be caused by teens because teens index low on travel volume. Also, as noted in the previous quote, there was no mention of specifically monitoring social media outlets—only blogs. This type of rabid activity on social media can affect an airline's brand equity, yet as stated by the American Airlines spokesman, they weren't using the popular social media tools, listening to what was being said, and attempting to address it. They chose to ignore these important conversations. Later in this book, we will show how JetBlue has correctly taken the appropriate measures to make sure they are listening and responding within social media to disgruntled consumers. Will American Airlines listen?

## Chapter One Key Points

1. Despite niche fragmentation caused by the Internet, people still desire an understanding of what the majority is doing. Social media is that mechanism.
2. Spending time on social media makes you more productive. Social media is the mechanism that allows users to avoid “information indigestion.” Recall the Sally Supermarket example where she uses social media to turn 10 minutes of historically wasted time into 10 productive and enjoyable minutes.
3. Business models need to shift. Simply digitizing old business models doesn’t work; businesses need to fully transform to properly address the impact and demands of social media.
4. Traditional magazines and newspapers are struggling for online survival because some of the most qualified people to write a story are freelance bloggers who write for the sheer joy of it! They aren’t writing in hopes of subscription revenue; they are posting free content (opinions, videos, facts, etc.) because they want to be heard. It’s tough for traditional journalists and publications to compete with the free and good model of blogs.
5. In the future, we will no longer look for the news; rather, the news will find us or we will create it. That future is now.
6. A key aspect of social media is the ability for millions to tag items just like you would label a manila folder. This helps catalog the information on the Web and makes it easier for all users.
7. Not all great viral marketing ideas need to originate in the marketing department. It is prudent to team up with already successful grassroots programs (e.g., Stride Gum and Dancing Matt).