

Web 2.0 White paper

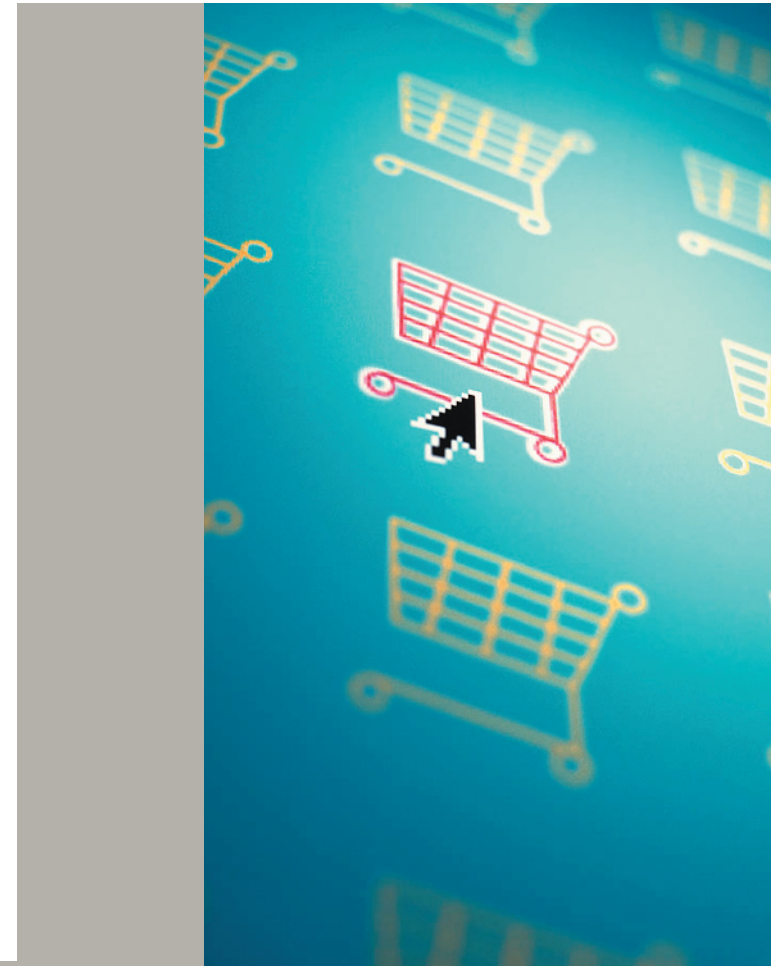
WEB 2.0 AND MARKETING STRATEGY

by Dave Sutton, TopRight, LLC.

The changing online landscape has important implications for marketers and how they formulate strategy.

'I believe today's marketing model is broken. We are applying antiquated thinking and work systems to a new world of possibilities ... the traditional marketing model is broken.'

Addressing the Association of National Advertisers in 2004, Jim Stengel, Chief Marketing Officer of Procter & Gamble, threw down the gauntlet. As the man controlling the world's largest advertising budget, his words certainly instilled fear in the minds of the advertising agency executives in the audience. For the brand managers and marketing executives attending that day, an expression immediately jumped to mind: the "emperor has no clothes." However, as Stengel continued to speak his prescient words, many in the audience began to see that the shattering of the traditional marketing model was not to be feared or ridiculed. No, in fact, it represented an amazing opportunity.



As Stengel predicted, the traditional marketing model that relies heavily on investments in mass media vehicles such as TV, radio and print advertising is cracking and faltering for many marketers. Customer media usage patterns have changed dramatically, thanks to time- and place-shifting technologies such as digital video recorders (DVRs) and iPods, which allow us to record favorite programs for later viewing, listen to news, view entertainment on the go and skip over advertising messages completely. Customers today are more in control of their media experiences than ever, and as such, they have become far more difficult to reach and influence through traditional mass media vehicles. With this proliferation of media choices, advertisers have far more clutter and “noise” to break through; indeed, some research suggests that customers are presented, on average, with more than 5,000 marketing images and messages per day. In addition, more than 80 percent of U.S. adults admit that they simultaneously listen to the radio, read a newspaper or surf the Internet while watching TV. Thanks to this customer multitasking behavior, even if marketers succeed in reaching their target audience, they may not be able to get their attention.

For most marketers, the introduction of the World Wide Web represented a breakthrough invention for reaching customers directly with brand messages, activating purchase intent and conducting commerce electronically. During the early days on the “Information Superhighway,” marketers supplemented their traditional broadcast communication strategies with “narrowcast” tactics in order to simulate a one-to-one relationship between company and customer. Collectively, the marketing community crossed its fingers and hoped the Web might patch the cracks in its traditional marketing model.

Phases	Web 1.0		Web 2.0	
	Strategic Marketing Focus	Commercialization	Personalization	Socialization
Nature of Relationships	1 to Many	1 to 1	Peer to Peer	Many to Many
Primary Factors	Company to Customers	Company to Customer	Customer to Customer	Companies to Customers
Media Characteristics	Broadcast	Narrowcast	Podcast	Multicast
Figure 1: The Evolving Web				

As the Web has evolved, however, customers have stepped up their level of control. With this shift to so-called “Web 2.0,” the traditional marketing model is again under fire, and the implications for marketers and how they formulate strategy are even more significant.

According to a 2007 comScore Media Metrix report, a shocking 100 million people visit social networking site MySpace each month – a user base that exceeds the population of Mexico. Yet these users do not actually think of their visit to MySpace as “a Web 2.0 experience.” Nor do MySpace and other leading social networking sites such as Facebook, YouTube and Wikipedia promote their offerings as Web 2.0. This widely adopted term is simply a marketing-inspired buzzword that helps define an evolutionary shift toward social and participatory Web experiences.



SO WHAT MAKES WEB 2.0 NEW AND DISTINCT FROM ITS PREDECESSOR 'WEB 1.0'?

When you think back to the first generation of websites and Internet business models, you'll probably recall an abundance of shopping portals, flat "brochure" sites and daily news destinations. Few of these early sites were considered particularly social or highly interactive. The Web 1.0 user experience (see Figure 1) was marked by passive browsing, navigating through hierarchies of text pages, clicking through sites to find items of interest and managing a "shopping cart." In many ways, Web 1.0 looked like any other media channel – just another way to reach customers with your brand messaging, marketing campaigns, promotional offers and, most importantly, to extend your order management systems. As such, marketers applied tried-and-true marketing tactics and propagated traditional metaphors for conducting business. And with that, we witnessed the birth of banner ads, online catalogs, interactive auctions, shopping carts and checkout pages.

Web 2.0 Poster Children

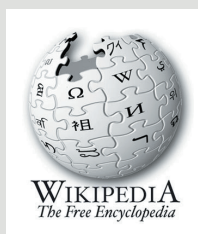
To satisfy a growing customer appetite for social media, well-funded Web 2.0 companies are emerging every day, offering a broad array of social activities and outlets. A few of the most popular Web 2.0 sites are redefining the ideas of traditional media by offering customers the ability to self-publish, produce, network and share photos, video and news:



MySpace (www.myspace.com): The trailblazer for social networking, MySpace allows its members to express themselves on their own profile page and connect seamlessly to their friends' pages across the Web. Member pages include photos, videos, music, journal entries and other personalized content. Friends are allowed to connect and communicate, resulting in a phenomenally social and interactive experience. The site generates more unique visitors than e-commerce powerhouses Amazon and eBay combined.



YouTube (www.youtube.com): This site marked the arrival of user-generated online videos, allowing users to easily upload, play and share video clips with the global community. Before YouTube, almost all online video content was produced and distributed by the major media companies.



Wikipedia (www.wikipedia.com): A Web 2.0 version of the traditional hard-copy encyclopedia but with a twist – the entries (or wikis) on this site are added and edited by Web users themselves. By capturing the collective knowledge of self-proclaimed experts around the world, Wikipedia has become a rich, collaborative information resource that is constantly being refined, updated and enhanced.

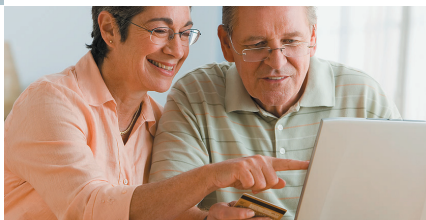
‘Customer’ and ‘advertiser’ will be synonymous in the Web 2.0 future and beyond.

The focus of strategic Web 1.0 marketing efforts rapidly moved from **commercialization** to **personalization**, as dot-com start-ups like Amazon.com stormed into the market and revealed the potential marketing power of the Web. By monitoring purchase patterns and tracking the behaviors of its customers online, Amazon could personalize its store for each and every customer – offering up products that would appeal specifically to that particular customer. This was a key distinction in the evolving relationship between marketers and their customers on the Web. No longer did it have to follow the traditional one-to-many communication approach. Through the Web, marketers could simulate a one-to-one communication experience with their customers. “Broadcast” messages over traditional media could take on a “narrowcast” characteristic by leveraging Web technologies.

However, as we evolve to Web 2.0, strategic marketers recognize that the Web is not a broadcast medium. This is an extremely important distinction. Unlike traditional broadcast media, Web 2.0

is not characterized by users who are **connected** to media outlets and commercial businesses that practice one-to-many content distribution. Rather, with Web 2.0, users are **connected across** the Web to other users within a space that they control and use for their own content creation and social interaction. This peer-to-peer dynamic underscores everything that customers do online today. From a strategic marketing perspective, marketers must shift their focus away from personalization and move in the direction of **socialization**.

Napster, the online music-sharing site, was one of the earliest companies to recognize the power of “peercasting.” By allowing its customers to freely upload and download music from the site, Napster fostered a powerful community that produced its own music reviews, created a dynamic peer-to-peer social environment and represented a very attractive target audience for advertisers. Because Napster failed to enforce copyright protection



amongst its members, however, the music industry filed suit and successfully shut down the business. Nonetheless, the socialization of the online music industry continues to accelerate with the growth of music-sharing sites such as iTunes and Morpheus, which do protect the copyrights of the music publisher even while empowering users to download files.

WHERE IS WEB 2.0 HEADED AND WHAT ARE THE IMPLICATIONS FOR MARKETERS?

In many ways, the most powerful Web 2.0 marketers are the customers themselves. With their online voices and active participation in blogs and social networking sites, they have the ability to shape how your brand is perceived by a vast number of people, to influence the purchase intent of other customers in their networks and to promote or disparage your products and services. By the same token, this peer-to-peer dynamic also represents a tremendous opportunity for marketers if they are willing to acknowledge that they are no longer the only ones controlling the message.

In fact, the real opportunity for marketers is to become part of the dialogue. Many marketers forget sometimes that they are also customers and can insert themselves into the social networks relevant to their brands. Web 2.0 represents a rich storehouse of customer intelligence data that can be mined, analyzed, shaped and acted upon. Strategic marketers will recognize that it is better to be actively engaged and helping to shape the brand dialogue than to get blindsided.

At Sun Microsystems, for example, employees are encouraged to author their own blogs and directly engage customer questions and complaints. Even Sun's CEO, Jonathan Schwartz, openly comments on industry rumors, engages competitors, debates the pros and cons of Sun's products and shares ideas related to future product developments. Sun sits at the center of its many-to-many Web 2.0 dialogue, "multicasting" across audiences and channels, socializing their ideas and giving their customers a chance to weigh in on Sun product development.

Needless to say, there are significant implications for marketers as Web 2.0 continues to evolve (see Figure 2). Here are a few considerations:

■ **RELEVANCY** – In a social network, brand messaging must be put in the context of the customer dialogue. Blatantly promotional messages that highlight traditional feature-benefit trade-offs will not be sufficient to break through the clutter of today's media environment. Furthermore, segmentation and targeting strategies are now more important than ever, as customers look to their peers and other members of their social affinity groups as the authoritative source for messages and advice. Being able to target "influentials" within affinity groups will become one of the most important jobs for marketers.

■ **E-ADVOCACY** – Where Web 1.0 was marked by the advent of e-commerce, Web 2.0 will be remembered for the advent of e-advocacy. With customers largely in control of the media that is Web 2.0, marketers must find ways to convert them into advocates. Marketers have long recognized that happy customers do not necessarily make loyal customers. And, in the same way, loyal customers are not necessarily evangelists or promoters of your brand. With Web 2.0, marketers must learn how to identify, grow and encourage those customers who are outspoken and willing to actively promote your brand to peers across their affinity groups. Most importantly, e-advocacy must be authentic and genuine. Paid advocates will be quickly discovered and scorned in the Web 2.0 world, damaging not only their reputation but also the reputation of your brand.

■ **USER-GENERATED CONTENT** – "Customer" and "advertiser" will be synonymous in the Web 2.0 future and beyond. Marketers need to develop opportunities for customers to participate in shaping communications strategies and marketing executions. Furthermore, marketers should consider ways to extend their brand architecture and marketing plans to their customer base by providing motivated customers with the tools and capabilities they need to generate content that supports the company's brand strategy.

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■ **MARKETING MIX** – With customers doubling as advertising executives and marketers doubling as customers, the company will need to constantly revisit and reweigh the optimal mix of company-driven versus customer-driven marketing communications. This changing balance will grow more important than the actual array of media where advertising budgets are invested (e.g., TV vs. radio vs. Web). Regardless of media, the messaging must be monitored to ensure the company can follow through on promises being made and multicast across Web 2.0. At the same time, the executive team needs to ensure that marketing investments will yield the desired business results.

■ **ACTIONABLE INTELLIGENCE** – There will be more data available to marketers than ever before for making strategic marketing decisions. The challenge will be to extract true customer and market insights from a deep pool of interesting facts. As Web 2.0 enables marketers to track and monitor customer behaviors with greater sophistication, the business must develop strategies for responding rapidly to changing market dynamics and evolving customer needs and wants.

With “actionable insight” at their fingertips, marketers will be able to rapidly infiltrate social networks, fine-tune campaign communications, optimize offers, recommend product changes and realign assets to activate customer purchase intent.

While there may be some who mourn the demise of the traditional marketing model and long for the days of monitoring gross rating points (for measuring TV audiences), strategic marketers look to Web 2.0 and see nothing but opportunity. We have a fascinating medium literally at our fingertips every day for engaging prospects, selling products and services, understanding competitors and customers, enlisting advocates to promote our brands, measuring the effectiveness of our efforts and learning how to refine our marketing strategies for maximum impact. ■