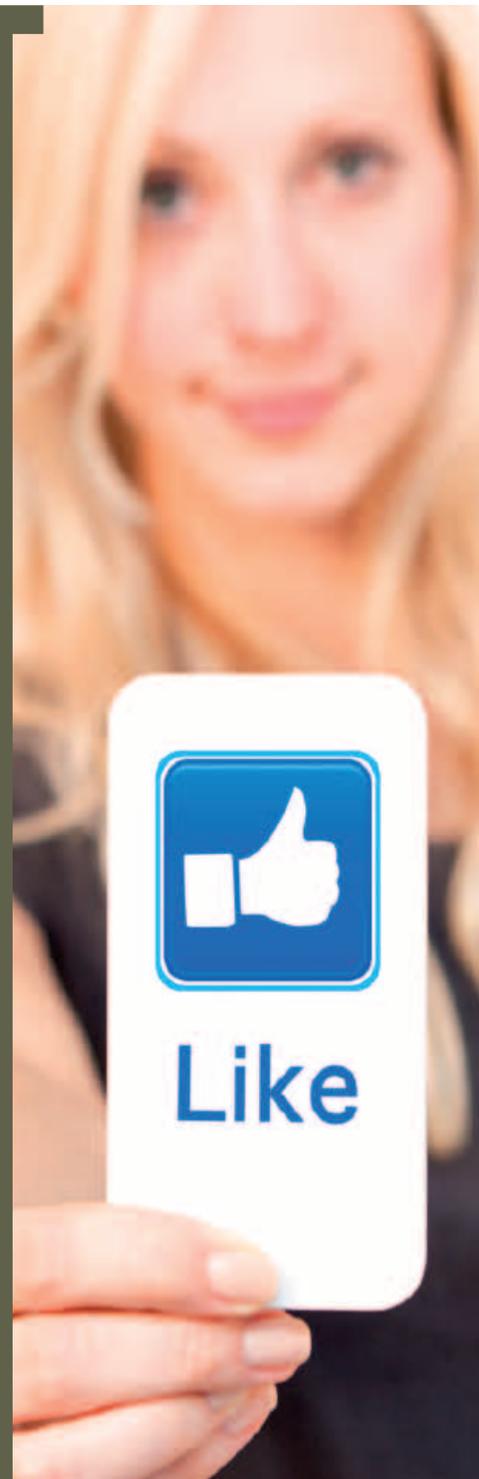


# Social media: contrasting the marketing and consumer perspectives

Brands and consumers disconnect over social media marketing

WHITE PAPER:

SOCIAL MEDIA RESEARCH



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## INTRODUCTION

Worldwide social media revenue is set to reach US\$16.9 billion in 2012, up from 2011 revenue of US\$11.8 billion, and is expected to rise to US\$34 billion by 2016, according to a July 2012 report by industry analysts, Gartner<sup>1</sup>. Advertising is the largest contributor to this revenue, generating a projected US\$8.8 billion this year alone – over half of the total.

Given Gartner's projections, it is clear that marketers firmly believe in the potential of social media as a highly effective new channel to reach their customers and prospects. Unlike other channels, social media provides access to consumers' personal sphere, circumventing well-honed marketing defence mechanisms and opening up an ongoing, personalised dialogue with them.

But do consumers' attitudes and responsiveness to social media marketing match marketers' sizeable investment in, and high expectations of, these channels?

This was the core question of an independent study by Vanson Bourne, based on an online survey of 3,000 adult consumers and 300 senior marketing decision-makers across five international markets (Australia, France, Germany, the UK and the USA) and seven economic sectors (fast-moving consumer goods [FMCG], insurance, the public sector, retail, retail banking, telecoms and utilities).

### Executive summary

As suggested by previous research, the Vanson Bourne study finds that senior marketers are planning to spend an increasing share of their budgets on social media. About one-fifth even state that it will be the cornerstone of their organisation's marketing in future.

When asked directly, marketing decision-makers claim that their campaigns are highly effective. However, on closer examination it transpires that their ability to truly measure the impact of social media campaigns – in terms of their effectiveness and profit impact – is still at a very early stage.

Enthusiasm for social media appears to be a greater driver for investments and usage plans than proven results. This is particularly true of the less mature social media markets in Europe – especially the UK and France – compared with more advanced territories like Australia and the USA, which the research suggests are adopting a slightly more measured approach following the 'enthusiasm' phase.

The study also reveals a significant disconnect between marketers' eagerness and consumers' attitudes to being marketed to via social media. Consumers still largely opt out when it comes to social media marketing, preferring to follow peer recommendations of brands and products rather than clicking on advertisements. They also apply a highly selective approach to using social media as a channel for interacting with brands generally.

The implication is that message delivery by brands via social media is not reciprocated by consumers, and that social media therefore is not fulfilling its potential as a two-way, conversational channel. Social media is still largely 'broadcast' media for now.

This suggests brands need to put their enthusiasm for social media aside and focus on understanding their customers' individual needs and preferences, establishing effective measurement and investigating the make-up of their social media marketing mix. In particular, it will be critical to success to get the balance between pure-play advertising and content-driven, conversational tactics right.

<sup>1</sup> Gartner, Inc. "Forecast: Social Media Revenue, Worldwide, 2011-2016" 25 June 2012 (<http://www.gartner.com/DisplayDocument?ref=clientFriendlyUrl&id=2061016> and <http://www.gartner.com/it/page.jsp?id=2092217>)

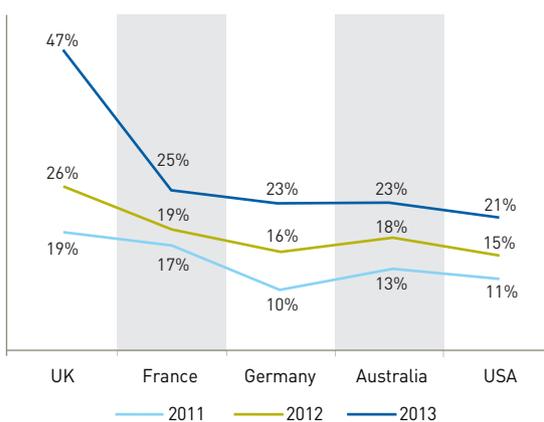
## The future is bright, the future is ... social media?

When asked about their external communications, over two-thirds of marketing directors and managers (69%) stated that they are placing a greater emphasis on social media now than they have previously.

Overall, the research suggests that marketers will allocate around one-quarter of their marketing budgets to social media activity in 2013. The noted exception is the UK, where marketing directors and managers have said they will be allocating close to half (47%) of their marketing budgets to social media.

The top three drivers for this trend internationally include the increasing importance of social media in consumers' daily lives (58%), increased competition (42%) and a drive to maximise revenue from each customer (41%). In the UK, the revenue maximisation was rated as the top driver (48%), followed by a greater focus on driving sales (46%) and increased competition (44%).

**FIGURE 1: SOCIAL MEDIA MARKETING INVESTMENTS BY COUNTRY %**



## Measurement is elusive

At the same time, the study reveals marked gaps in marketers' ability to quantify the impact of their social media initiatives. Two-thirds globally (66%) – and as many as 80% in the UK – see their campaigns as effective.

However, only one-third (33%) overall are confident that they can establish a link between social media spend and profitability. Another third (31%) admit to having rather more patchy measurement abilities and 36% confess that they don't have measurement of this kind in place.

UK marketers rate their ability to measure the highest, at 62%, compared with Australia (16%) and the USA (17%). This may be an expression of the relative maturity of social media marketing in the markets surveyed, with Australia and the USA further along the experience curve than Europe.

## Channels out of synch

Given the difficulties with measurement, it is not surprising that brands struggle to pinpoint which social media channels to focus on. Consumers and marketers are aligned in their emphasis on Facebook, which came top of the list for both groups. 84% of marketers use Facebook for marketing purposes, and Facebook is by far the most popular social media site among consumers. Across all markets, Facebook was also the most trusted site for social media advertising.

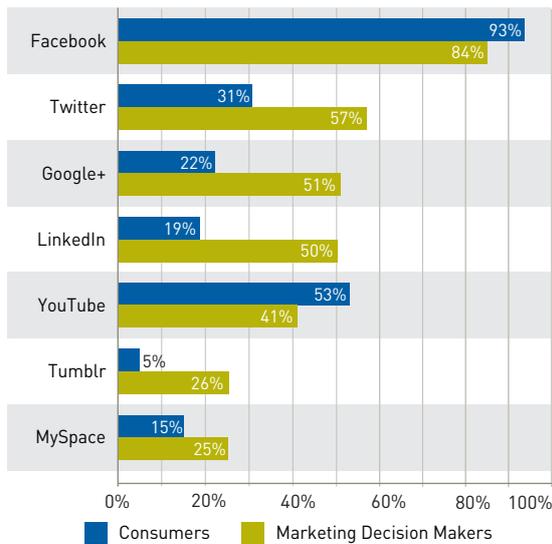
However, marketers tend to be out of synch with their audiences when it comes to their spend on other channels. Across all markets, Facebook was followed by Twitter (57%) and Google+ (51%) as the most-used channels for marketers, while consumers preferred YouTube – rated only fifth by marketers – over Twitter and Google+.

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FIGURE 2: SOCIAL MEDIA CHANNELS USED %



In some regions, marketers were inclined to focus on the big international brands and ignore local sites that ranked higher with consumers in those markets (for example StayFriends in Germany and Copains d'avant in France).

### Disconnected consumers

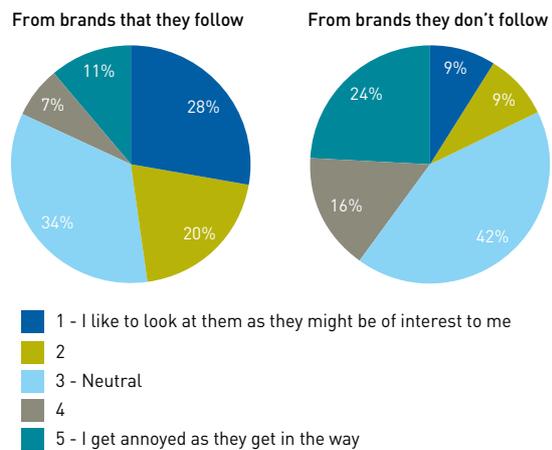
Marketers' enthusiasm for social media seems to be vindicated in that two-thirds of adult consumers surveyed who are online now use social media (68%). However, there is a disconnect between marketers' perception of consumer attitudes and how consumers really view social media marketing.

Three-quarters (75%) of senior decision-makers are united in their view that consumers are positive toward social media marketing. At 78%, the UK was among the most confident regions surveyed, only exceeded by France (92%). The USA came out lowest at 67%. Again, this may suggest a connection with the different stages of market maturity, with the USA closest to the realisation that consumers don't yet use social media to engage meaningfully with companies.

Respondents state that they predominantly use social media to keep in touch with friends and family (78%).

Only one-quarter (26%) say that they use social media to follow brands.

FIGURE 3: How consumers feels about marketing messages they see on social media



### The value of being 'liked'

Furthermore, the survey suggests that, in order for social media marketing to work, it is critical that consumers 'follow' or 'like' the brands concerned. Nearly half of social media users (48%) are positive towards seeing marketing messages from brands they follow, and only 18% expressed a negative attitude.

For brands they don't follow, the reverse is true: only 18% of consumers are positive towards communications from these brands, while 40% say they would be annoyed to receive them. Adding to that, consumers rate 'spam', and pop-up adverts as their worst experiences of social media marketing (54%).

Perhaps most worryingly, 65% of those surveyed say that they would stop using a brand that upset or irritated them via its social media behaviour.

Given that most consumers use social media to stay in touch with family and friends, it is not surprising that peer recommendations hold more sway. Among those who had been sent relevant recommendations by friends, more than eight out of ten state that they investigated it or even made a purchase (84%).

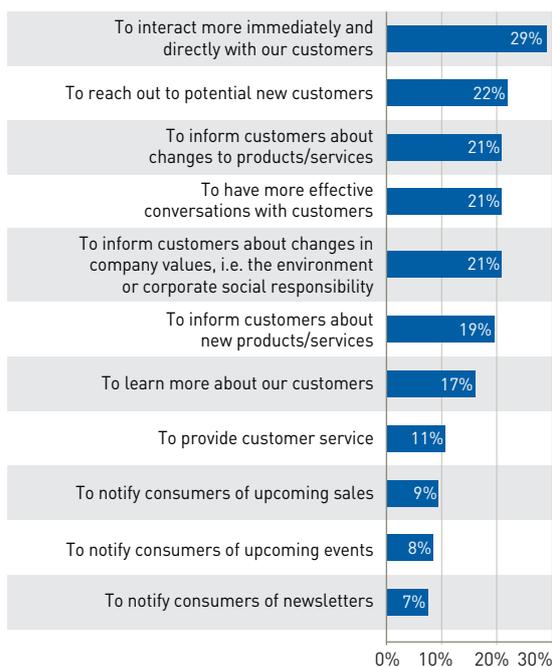
This is a strong indication that brands can derive much greater value from stimulating their followers to share recommendations with their friends than they can expect to generate from social media advertisements, for example. Creating relevant, engaging content will be imperative in this process.

### Choosing the right tactics

As organisations move from mass-marketing to more personalised approaches to eliciting responses from an increasingly marketing-adverse audience, understanding what works and what doesn't is key.

On a positive note, marketers across all countries understand that consumers are most likely to respond to money-off vouchers (74%), 'freebies' (66%) and news about sales and events (57%), which chimes with what consumers say they respond to. What is interesting is that these are bottom of the list of tactics that marketers currently use, mentioned by fewer than one in ten of those surveyed.

FIGURE 4: Content marketers use %



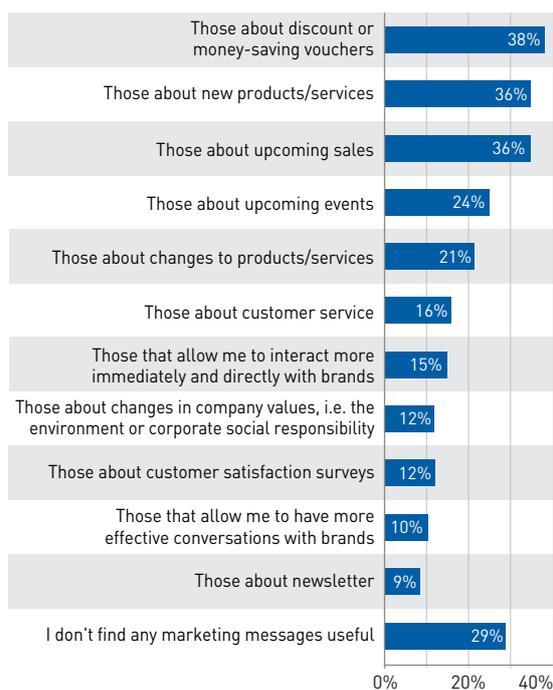
There are also still many misconceptions about some other regularly used tactics:

One of the staples of marketers' current social media usage is informing customers about changes in the organisation's values, for example relating to the environment or corporate social responsibility (21%). By contrast, only around one in ten consumers say that they find these communications useful (12%).

Similarly, one-quarter of marketers (24%) think that newsletters would get a good response while fewer than one in ten of consumers are interested in them (9%).

Just 12% of consumers find customer satisfaction surveys useful, but over one-third of marketers rate them in terms of eliciting a response (36%). In the UK, satisfaction surveys even top the list of what decision-makers view as the most effective social marketing tactics (70%), while Australia (8%) and the USA (18%) have a more realistic view of their customers' preferences.

FIGURE 5: and what consumers find useful %



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Less than a fifth (19%) of consumers use social media to contact companies they use, preferring email (67%), calling (31%) and feedback via the website (30%).

These findings reinforce the need for organisations to understand their customers' preferences and ensure that they communicate with them with relevant messages through the right channels.

### Conclusions

Social media is clearly here to stay, although the exuberant marketing investments that analysts are projecting for the next few years are still slightly out of line with consumer use of this media for interaction with brands.

#### Relevancy

- The study confirms that, as with other forms of marketing, consumers have an in-built reticence toward being blatantly marketed to, and they have no qualms about opting out. This is especially true of social media, which can penetrate consumers' personal sphere so much more than any other marketing channel.

Marketers need to step back and understand these sensitivities.

#### Personalisation

- To that end, it is critical for marketers to develop an in-depth understanding of their customers' individual needs, likes and communications preferences. These will vary from individual to individual. Brands must therefore not only collect but also be able to derive intelligence from the customer information they glean and approach customers through the channels they like and with content that is relevant to them in their current situation.

#### Dialogue

- With those users who are already heavily communicating with brands through social media, there is an opportunity for marketers to convert these conversations into actions. As large swathes of consumers opt out of receiving marketing messages or simply ignore them, social media may be one of the few ways to reach their customers to build stronger relationships and enhance their lifetime value.

#### Peer-to-Peer

- In terms of customer acquisition, marketers need to appreciate that traditional 'broadcast' style marketing approaches and tactics are not as impactful in social media as making their brand a 'talked-about' topic to generate peer-to-peer recommendations.

#### Engaging Content

- This suggests that brands may need to realign their efforts and investments away from straight-forward advertising and marketing toward creating engaging social media content. The success of social gaming on platforms such as Facebook is a strong indication of the great 'stickiness' that compelling content can create.

#### Measurement

- Finally, marketing decision-makers need to find more stringent ways of proving that their investments are justified. This will only be possible if they can measure the impact campaigns are having on sales, customer acquisition and retention, and how these relate back to the organisation's profitability.

## About the study

In August and September 2012, Vanson Bourne conducted online interviews with 300 senior marketing decision-makers working in business-to-consumer organisations across five international markets (UK, France, Germany, Australia, US) and seven economic sectors (Retail, Insurance, Retail Banking, Utilities, Telecoms, FMCG and the Public Sector).

The questionnaire focused on their use of social media as a marketing channel, including aspects such as their marketing spend, channels used, social media tactics used, measurement and the challenges associated with social media marketing.

At the same time, 3,000 adult consumers in the same regions, who either use or have previously used social media, were interviewed online to explore corresponding areas of interest, such as which social media channels they are using, what they are using them for, along with their response to receiving marketing messages and providing personal information.

## About Pitney Bowes Software

Pitney Bowes Software provides multichannel solutions that optimise data to create relevant dialogue between organisations and their customers. These solutions enable lifetime customer relationships by integrating data management, location intelligence, sophisticated predictive analytics, rules-based decision making and cross-channel customer interaction management to increase the value of every customer communication while also delivering operational efficiencies.

Pitney Bowes Software is a wholly-owned subsidiary of Pitney Bowes Inc. (NYSE:PBI), a customer communications management technology leader. For more information, please visit [www.pitneybowes.co.uk/software](http://www.pitneybowes.co.uk/software) and [www.pb.com/software](http://www.pb.com/software)



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