Marketing thru friends and family

Influencing the market through the strength of your network

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Sonoma Offsite

Our strategy is perfect! This is the customers' fault - they don't think the way WE do!

Let's start with a few unscientific surveys

How did you find your pediatrician/family doctor when you last moved?

How did you decide which laptop/car/cell phone/… to buy?

How do you think your last customer decided to buy your product?

How do you think you lost your last deal?

How did you find your last job?

[†] Granovetter, *Finding a job*, 1974

Agenda

1. **It's all about people!**
   - The anatomy of a social network
   - Information diffusion and trust
   - "Social capital"

   ("*It's not <u>what</u> you know, but <u>whom</u> you know*")
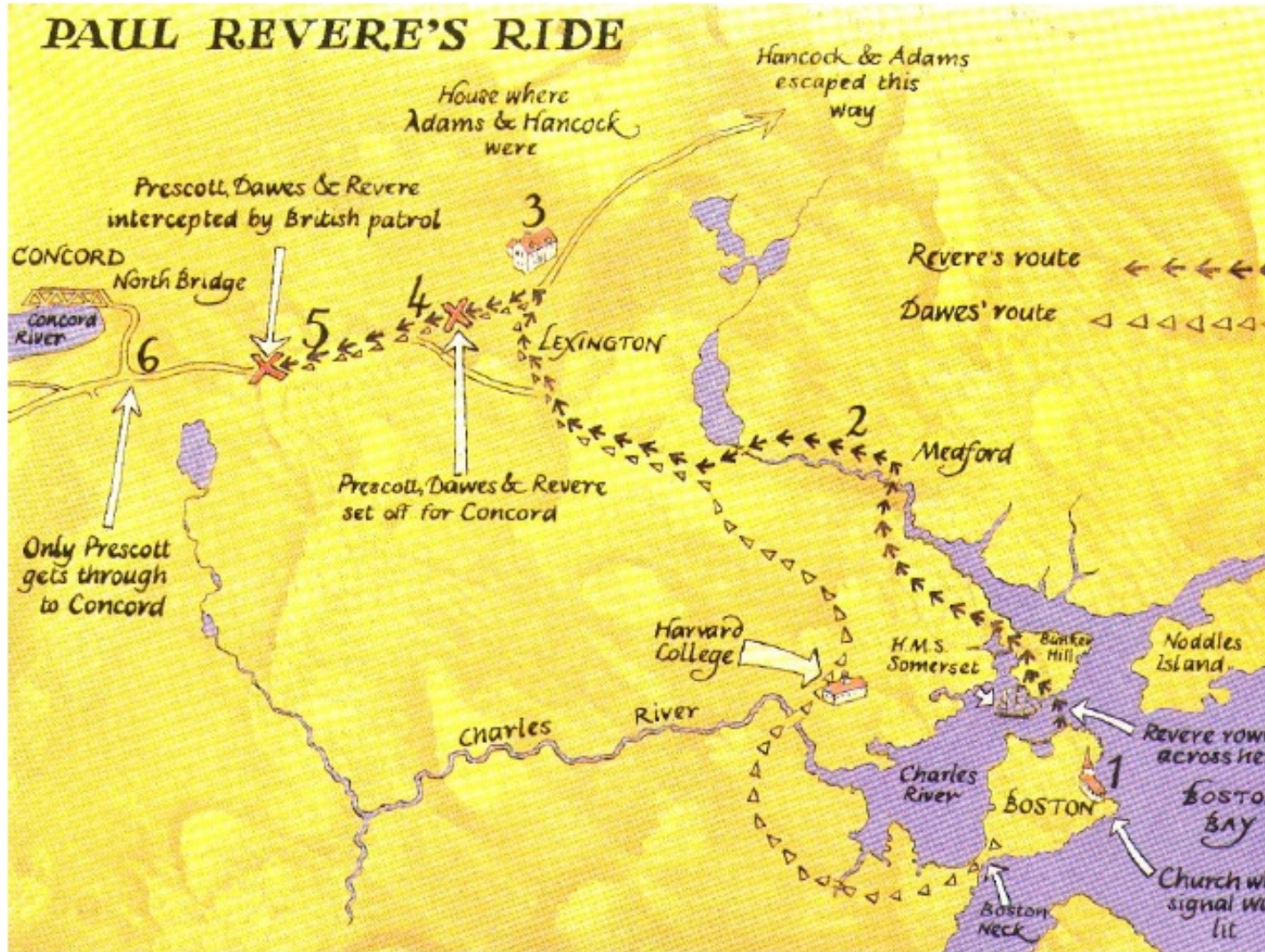
2. **Implications for marketing**
   - The power of networks
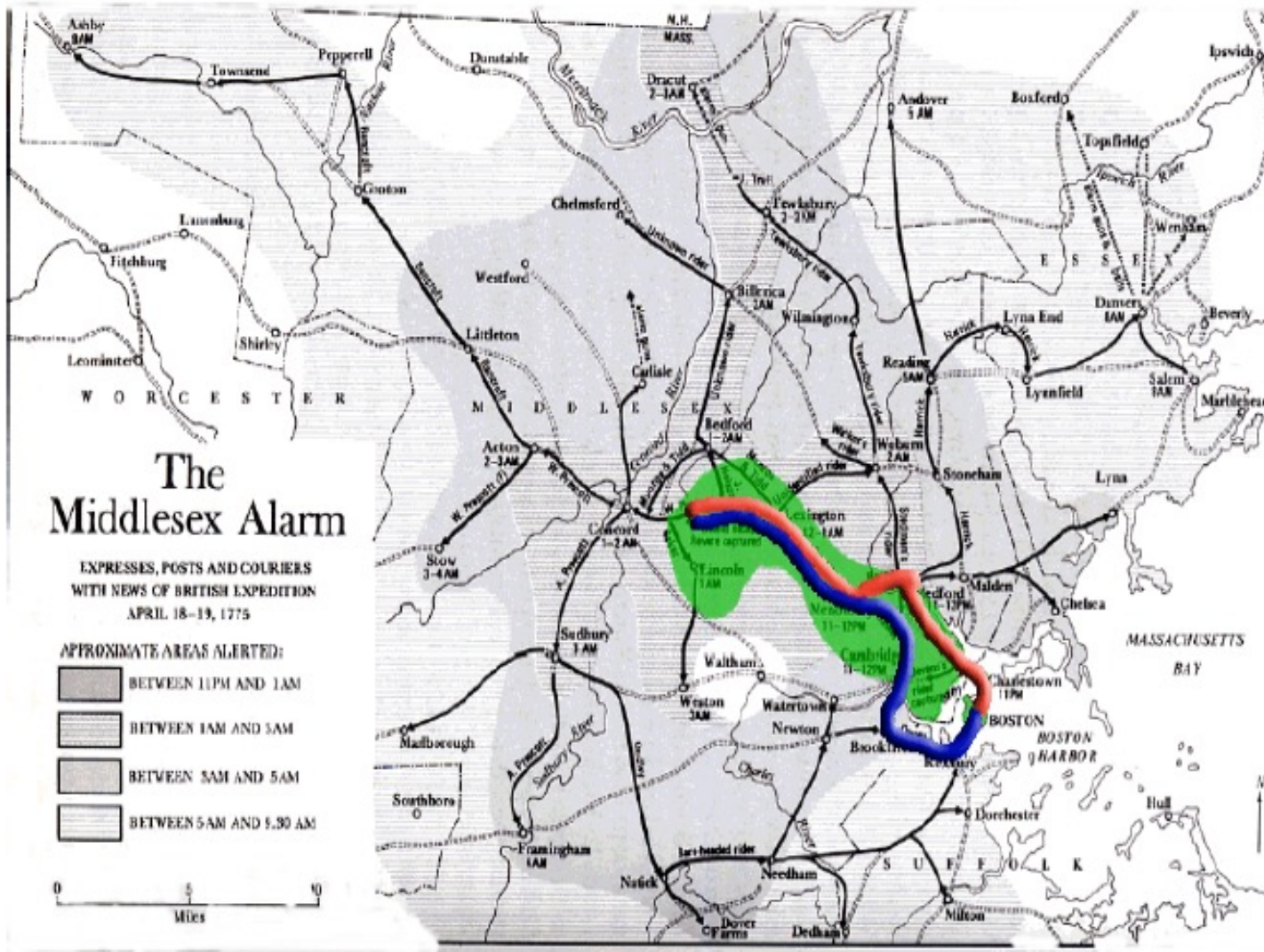   - Social media – from word of mouth to word of mouse

3. **Discussion, Q&A**
   - How can we use some of these ideas?
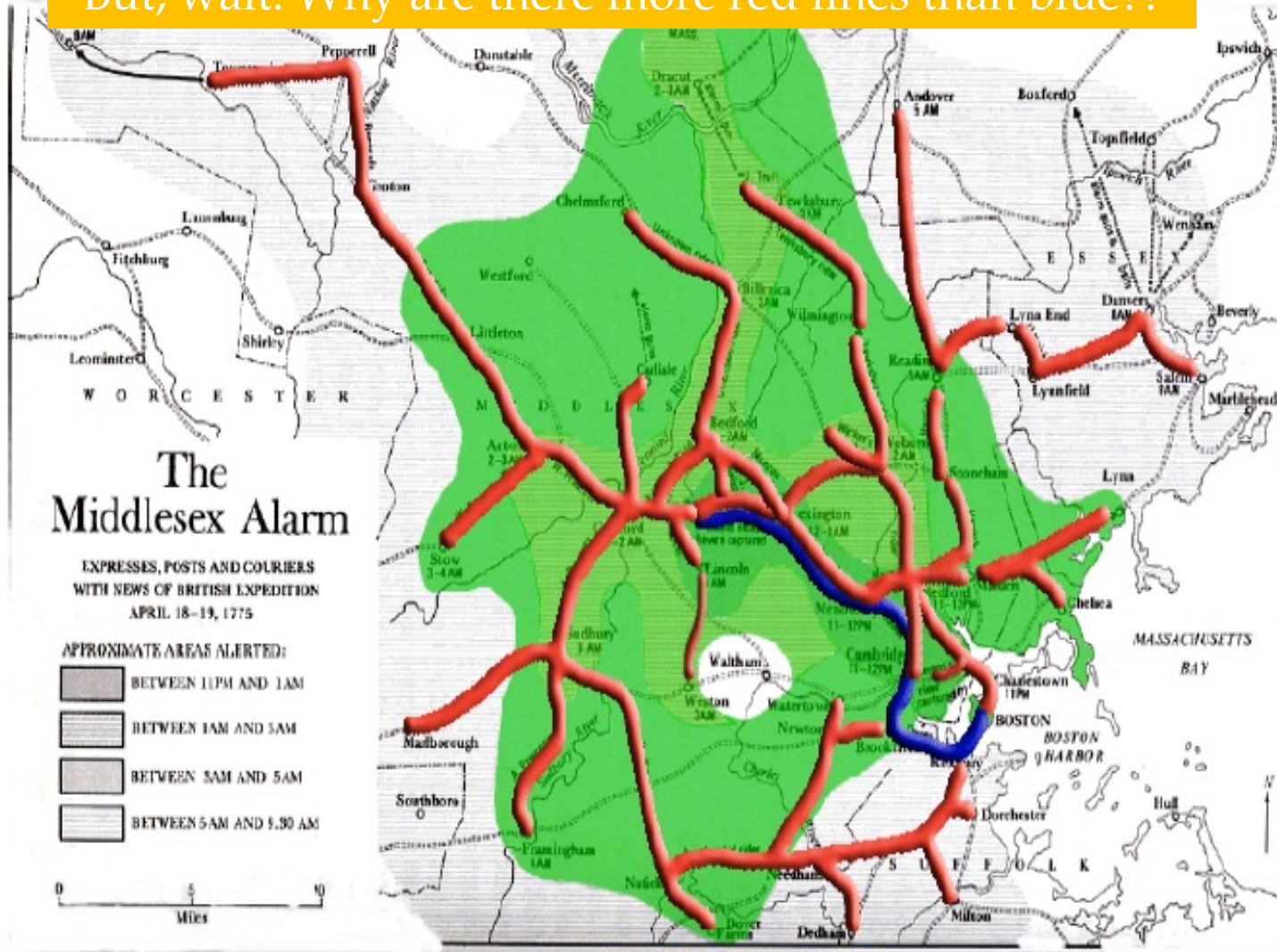
The context behind Paul Revere's ride

By sunrise: "The regulars are coming!"

But, wait. Why are there more red lines than blue??

Revere

Dawes

# Your network and circle of trust impact the breadth and speed of information diffusion
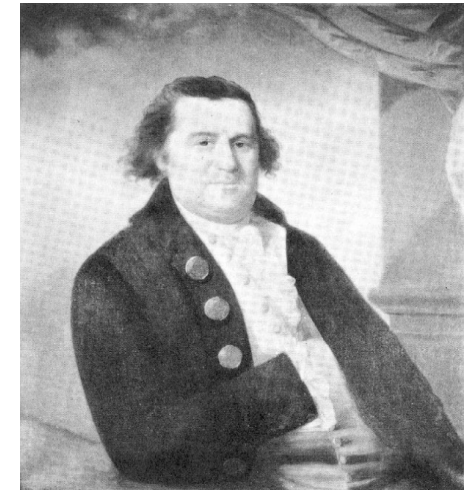
Paul Revere – was known & trusted before his ride

- Silversmith
- 1770 – 1775:
  - Boston streetlight project
  - Clerk, Boston market
  - Health officer & coroner, Boston (time of epidemics)
  - Founded Mass Mutual Fire Insurance Company after Bosto

William Dawes – was unknown (& arrived with saddle sores?)

- Tanner
- No history of civic work
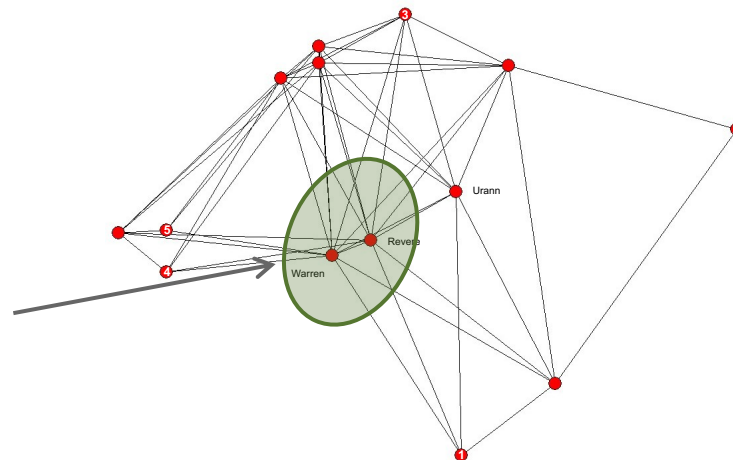
Revere was at the center of the network

Social capital

It is <u>your</u> ability to "*influence*" people

- known and unknown
- proximal and distant

It is your organization's ability to collectively influence its market

- e.g., by leveraging the relationships of its employees and well wishers
- e.g., by leveraging connectors and influencers (analysts, bloggers, …)
- e.g., by leveraging its customers

It is the reason some people/organizations gain an unfair advantage

Not very different than capital, intellectual capital, human c ̶ critical part of your strategy

<u>Applicability is broad</u>
- Innovation/Entrepreneur ship
- Public health
- Marketing
- Information propagation
- Power grids
- Organizational design

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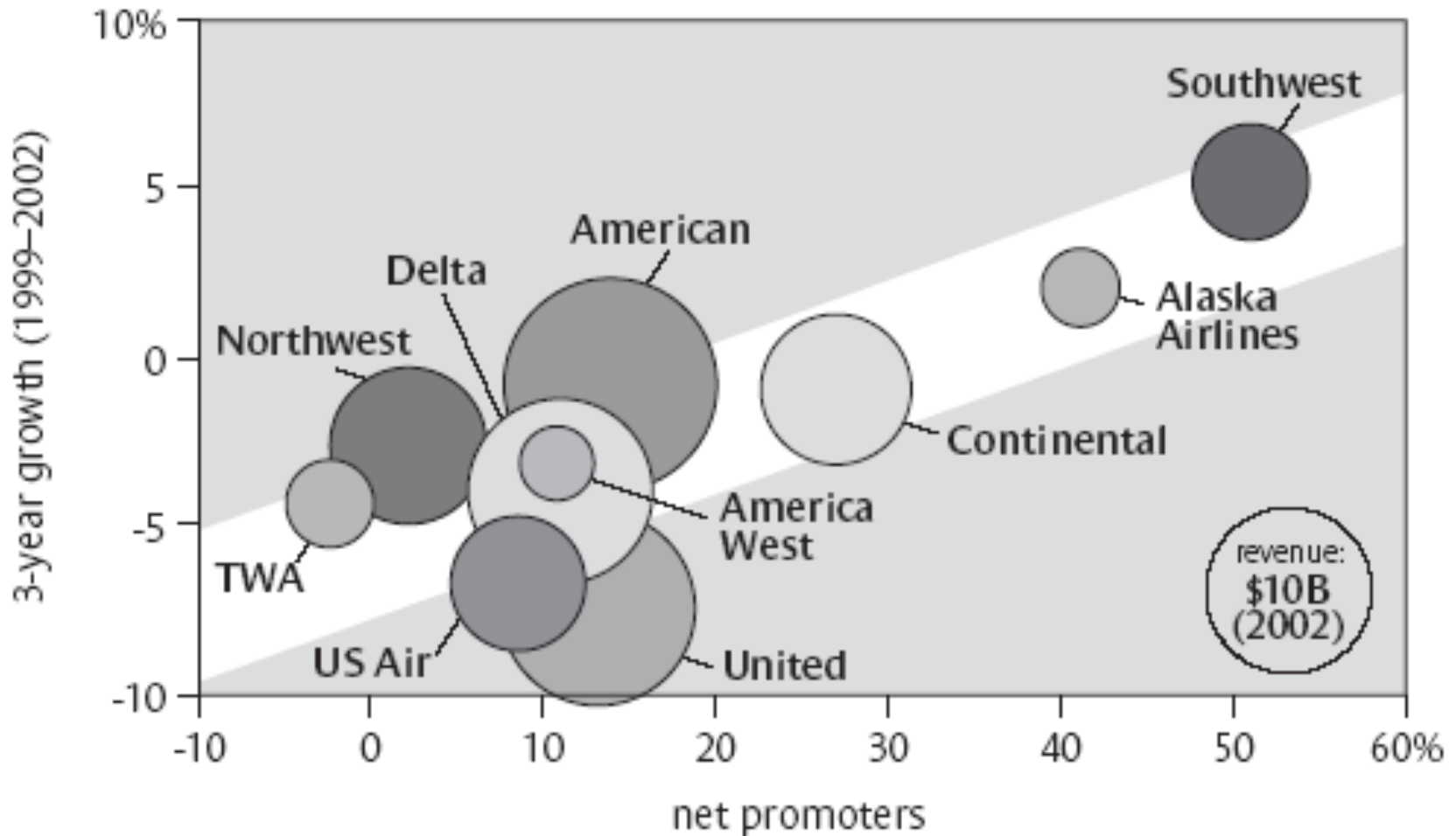2. **Implications for marketing**
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The power of networks – "net promoters"

Airlines

Net Promoters -- The One Number You Need to Grow, Fred Reichheld, Bain & Company, Harvard Business Review, Dec. 1, 2003

The channels we use to read, write, share our thoughts with each other

- Spark and engage in a public, asynchronous, discussion

A democratization process where the power is now in the hands of anyone interested

- Well, not always…
  - remember *"All animals are equal, but some animals are more equal than others?"*

Web pages, blogs, wikis, communities, podcasts, RSS feeds, cell phone photos, sms, video logs, …
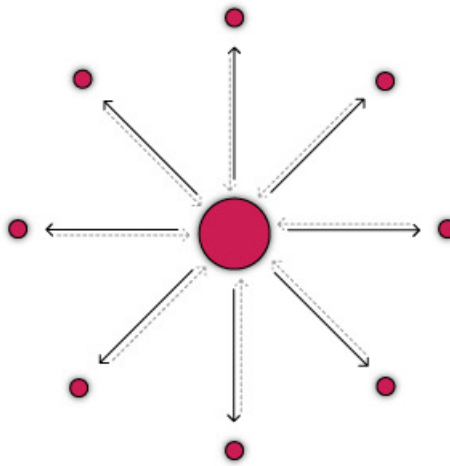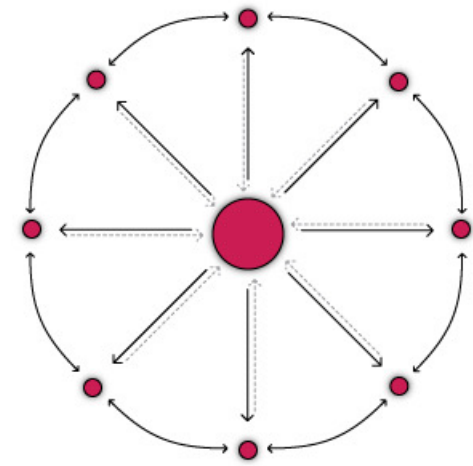
| Blogs | Folksonomies | RSS | Video | Virtual/Online Communities |
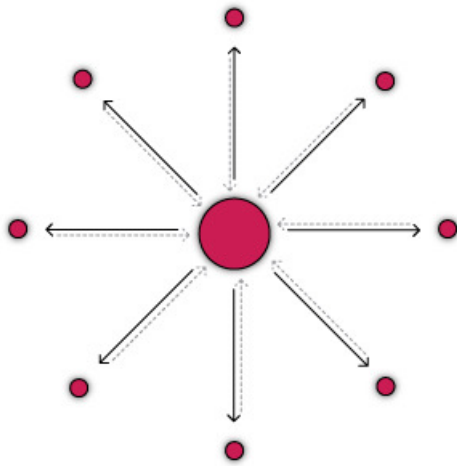
Outbound, One way
from the marketer

Bidirectional

Bidirectional <u>and</u>
between customers

Producer's control decreases
(but
Customer feedback increases)

Why should we care?

Customers can hardly hear you
- but they listen to their friends

Customers are skeptical
- but they trust their friends

Customers share information
- but are more inclined to do so via e-mail and the internet

Cynthia Webster, 2003

The numbers are fairly astounding in this new channel...

Social networking services are growing rapidly

- Myspace
  - 200 million users, 230,000 registrations/day
- Facebook
  - grew 89% over last year[†], 60th to 7th most viewed[‡]

Prospective students receptive to these technologies

- 2006 Pew/Internet Study (n=935) ages 12-17
  - 55% have profiles, 55% have used social networking sites
  - 48% visit daily, 26% once a day, 22% multiple times/day
- Closer to SME than to LE

More importantly, the "older" population is beginning to

- Over 50% of Facebook users are non-students

Trust among friends online
Laura Holson, NYT, 11/8/07

"When my best friend Kathy calls me to say I should rush to Nordstrom because cashmere sweaters are on sale, I trust her because she knows what I like. But that's not necessarily so among "friends" on Facebook who are oftentimes better described as acquaintances."

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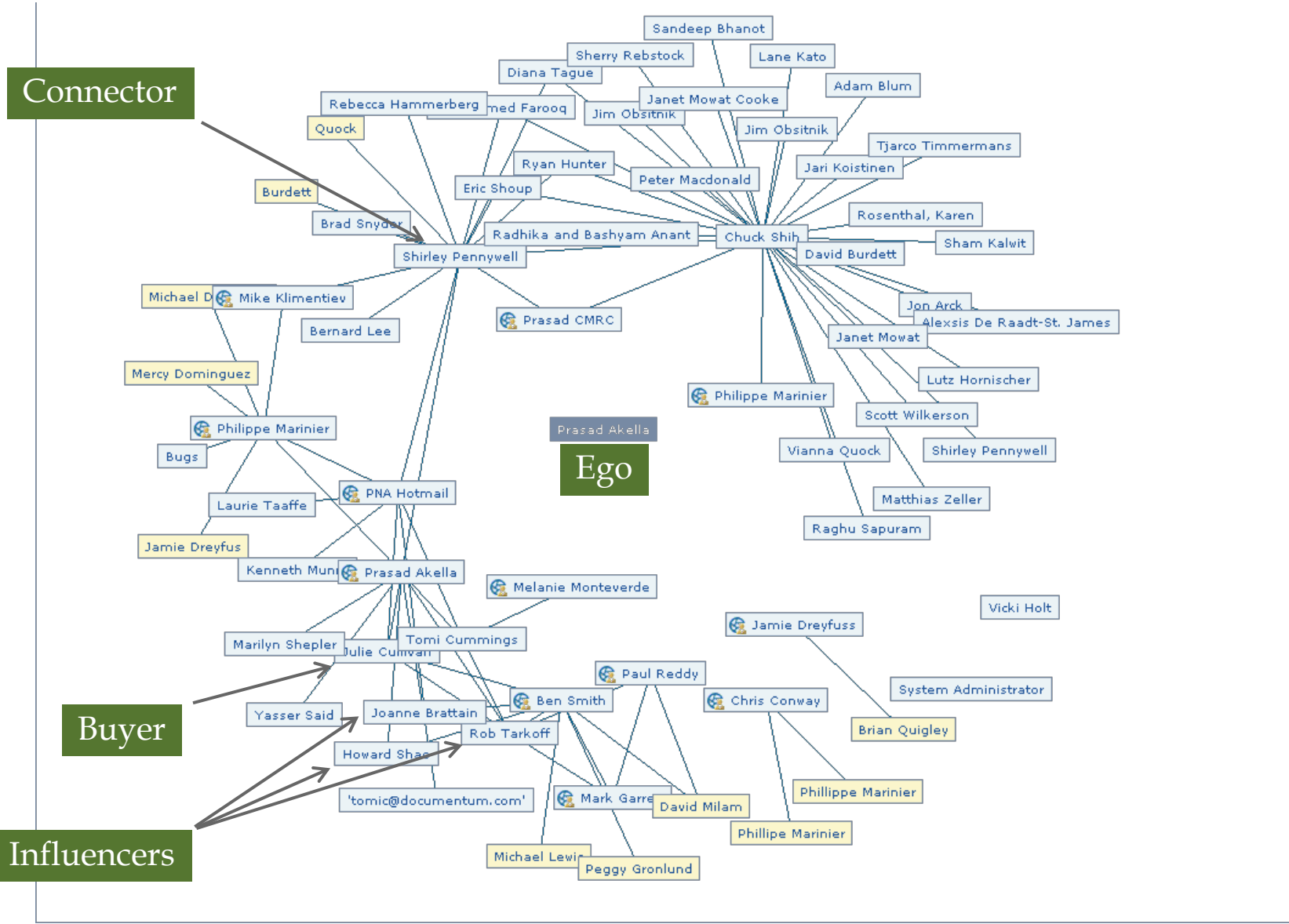   - "Social capital"

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Some experiments SAP is already trying out...

Some questions to answer:
- ☐ Who are the targets?
- ☐ Who are the influencers?
- ☐ Whom do the targets trust?
- ☐ Where do the targets and influencers hang out?
- ☐ What role does SAP play?

Some experiments SAP is already trying out...

learn

iterate

The global SME market is fragmented and very different than LE

- Differences start with customers and span eco-system & influencers
  - Most small business owners ask friends & local experts, not AMR or Gartner
  - The cost structure changes the economics of sale, delivery and support
  - What is a viable acquisition cost/customer so the marginal income is positive?

Inbound

- "Buzz metrics" – track what the customers are saying out of your hearing
- Which of our products & customers are impacted?
- Whom do we talk to about future product requirements? Best practices?

Outbound

- Once built, whom do we invite to be beta testers?
- Where do we start advertising? What role for our developer community?

Close the feedback loop – an aspect most often forgotten

- Messaging and tools: The SAP team constantly monitors the key channels, responding quickly to turn disbelievers into believers
- Product: The product team reviews, prioritizes and responds with changes
  - E.g., Instrument Business By Design to support self-service; else, pay a price!

Hande, Jeff, Sheila, Margot

Thank you!

The anatomy of a social network

Relationship

Node

Connector

Influencer

Clique

Concepts
- ☐ Nodes
- ☐ Relationships
- ☐ Cliques
- ☐ Connectors
- ☐ Influencers
- ☐ Strong ties
- ☐ Weak ties