Unlocking the elusive potential of social networks

Michael Zeisser

To realize the marketing potential of virtual activities, you have to make them truly useful for consumers.

There is much hype about social networks and their potential impact on marketing, so many companies are diligently establishing presences on Facebook, Twitter, and other platforms. Yet the true value of social networks remains unclear, and while common wisdom suggests that they should be tremendous enablers and amplifiers of word of mouth, few consumer companies have unlocked this potential. At Liberty Interactive, which comprises many specialty e-commerce companies, we wrestle daily with the question of how to realize the promise of social networks.

We do have pages on Facebook and active feeds on Twitter, but we never thought those steps alone would make a big difference to the performance of our companies. More recently, we have adopted a new mind-set: we think of word of mouth generated on social networks as a distinct form of media. This idea is more than a semantic detail. When you think of word of mouth as media, it becomes a form of content, and businesses can apply tried-and-true content-management practices and metrics to it. In addition, word of mouth generated by social networks is a form of marketing that must be earned—unlike traditional advertising, which can be purchased. We therefore concluded that we could succeed only by being genuinely useful to the individuals who initiate or sustain virtual world-of-mouth conversations.

So what does it mean to be useful in a world of virtual conversations enabled by social networks? Obviously, there are no generic solutions, and each company will need to invent and discover what makes sense for its unique situation. We have, however, learned a few lessons that can be encapsulated in two primary insights. First, a powerful way for a brand to be useful in the virtual world is to confer social importance on its users. Second, "virtual items" are critical to stimulating social interactions that may in turn generate word of mouth.

The power of importance
An effective way for a brand to be useful in the context of social networks is to make people who originate a word-of-mouth con-

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versation seem important within their own social environment. Recognition by peers is a powerful motivator, and brands that allow users to gain it deliver real perceived value. When users publicize that recognition, it translates into word of mouth. Companies can confer this kind of importance—for example, by issuing achievement "badges" that users can post to their Facebook profiles or by deploying leader boards or achievement scores of all types. As Web sites evolve to become increasingly dynamic experiences that let people interact in real time, the value to core users of being recognized for their prominence in a community will only increase.

We've also learned never to underestimate the value consumers place on opportunities to brag online about their achievements. That's made significantly easier through the clever integration of a Web site with Facebook and Twitter. We see this phenomenon daily—for example, on the forums of our Bodybuilding .com site. When members boast of reaching their target weight or other goals with help from Bodybuilding .com workouts, we receive authentic and credible word-of-mouth endorsements at almost no cost. In fact, if recent behavioral research is accurate, these experiences can create "contagions" in which the behavior of users is mirrored by their networks of friends, amplifying the word-of-mouth effect and reflecting well on the underlying brands.

The allure of virtual items

It's our strong intuition that virtual items play an important role in facilitating virtual word of mouth. This belief, at its core, is based on observing user behavior. While the notion of virtual goods—nonphysical objects used in online communities and games—still puzzles many executives, it's quite apparent that consumers love them. People acquire or compete for virtual items obsessively on Foursquare, Zynga, and many other sites. It is estimated that virtual goods have become a very real $5 billion industry worldwide.

So why do consumers pay real money for online objects that don't actually exist? Their motives reinforce our notion that users seek online importance: they purchase virtual goods primarily for self-expression (such as

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virtual houses or virtual gifts) and for recognition (such as virtual badges for becoming, say, the "mayor" of a bar on Foursquare). These behaviors are too widespread and intense to be fads, and marketers need to recognize them as meaningful. Brands should actively experiment with ways to use virtual goods as catalysts of word-of-mouth media.

Virtual gifting is becoming an important consumer activity among Facebook members. Today, much of this activity is free, but Facebook is introducing a virtual-currency "credit" system that will allow sellers to get real dollars for their gifts and other items. In the context of a social network, it is not a stretch to conceive of virtual gifts as important objects, especially as their availability can be strictly limited. Just think about the fervor consumers accord collectibles of all kinds, from baseball cards to dolls to coins. If virtual items prove similarly desirable, they are likely to be a big deal for consumers and marketers, as well as a great tool to create useful word-of-mouth media.

We've also found that basic laws of consumer behavior still apply: consumers love a bargain, and companies should take full advantage of social networks as powerful notification tools. Users can be alerted to sales or to the expiration of a promotion, but companies must be mindful that these feeds and tweets are designed as catalysts to generate virtual word-of-mouth media. They are not social-media junk

mail, but legitimate content objects—actual pieces of media that we want the initial recipients to distribute to their friends.

One final recommendation: no gimmicks. Forget dancing monkeys, artificial contests, or stupid tricks; they add no value and waste people's time. A commitment to being useful in social-media activities means a commitment to creating only high-quality interactions. Again, regarding word of mouth as a media product makes it easier to define what quality means for your particular activities. There are clearly many ways for brands to make themselves useful to consumers, so managing virtual word of mouth goes well beyond maintaining a Facebook page or a Twitter account. Exactly how far remains to be seen, and companies should apply an experimental mind-set, while being careful not to overinvest.

Word-of-mouth marketing through social networks could emerge as an important tool in the marketer's arsenal. That will depend on whether marketers can tame the fundamentally unpredictable and serendipitous nature of word of mouth without losing what makes it so valuable in the first place—its authenticity. ○