



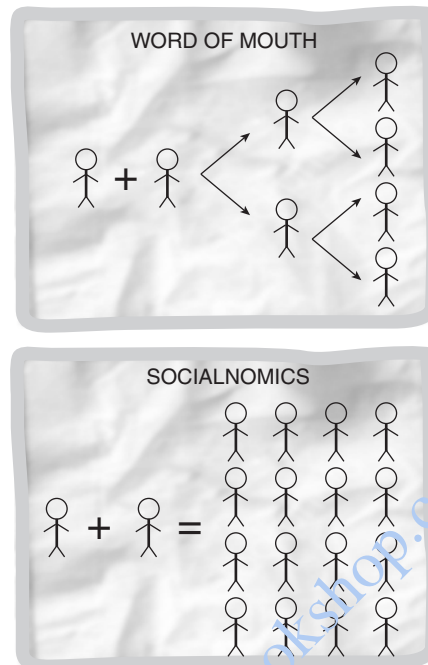
## CHAPTER ONE

# Word of Mouth Goes World of Mouth

Ask any Fortune 500 executive, small business owner, or sole proprietor what the most effective form of marketing is, and I guarantee the answer, without hesitation, is word of mouth. Word of mouth is not a new concept, but what happens when this is taken to another level? What happens when word of mouth goes to World of Mouth®?

As depicted in Figure 1.1, an oversimplified historical model of word of mouth works something like this: Joe User has a great experience with his Dell computer; then he tells his friend Kelly about it and why he likes it. Kelly in turn tells her friends about it and so on down the line. This is a great model. However, no model is perfect. A few shortcomings of this model are: (1) the news/information can be slow to spread; (2) the original information can be altered as it changes hands; and (3) Kelly's friends may not know much about Joe. The beauty is that social media helps word of mouth overcome these imperfections. Yet, surprisingly, as of July, 2012, 70 percent of big company CEOs have no presence on social networks.<sup>1</sup>

While traditional word of mouth can be slow to spread, the opposite is true for Facebook status updates. These updates are pushed via news feeds to all friends in the network. Or, to an even greater extent, a platform like Twitter gives you access to hundreds of millions of users who have the ability to read your messaging.



**Figure 1.1** Difference between Word of Mouth and World of Mouth

This scales much better than an individual telling a few friends a week about the new product or service he or she enjoys.

Also, social media is global in nature; one of its biggest benefits is enabling users to stay connected with friends and family who are geographically separated. This global connectivity extends to positive and negative messages relating to products and services.

Also, since your opinion is in digital format, it is less likely to be misunderstood or diluted over time. Think about the children's game telephone. This is the game where you sit in a circle and start with a phrase like "lightweight knickers" and it is passed around the circle via whispers or word of mouth from child to child until it reaches the last child and she squeals, "Bright white Snickers!" While traditional word of mouth doesn't suffer the same degree of degradation as a children's game, the message, over time and distance, does lose meaning and context. However, when that message is passed digitally, as is the case with social media, it is less likely to lose its original intent. That digital string is passed

intact. Along with the benefit of the message remaining intact, the viewer/reader can also see who was the originator of the initial thought. Beyond this, one can often see helpful information about the originator like age, education, hobbies, location, and so forth.

### Is Social Media Just a Fad?

Why is there even a need for social media? In less than three years it became the most popular activity on the web,<sup>2</sup> supplanting pornography for the first time in Internet history. Even search engines weren't powerful enough to do that.

Remember years ago when the last three to four seconds of many television commercials prompted viewers to use various America Online (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 good 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? Its rapid ascent is due in large part to its ability to help people avoid *information indigestion*. At first glance, this would seem counterintuitive because, inherently, social media actually produces *more* content and information (e.g., status updates, tweets, social bookmarks, video sharing, and social media's photo commenting). 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 succinctly 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 the 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>3</sup>*

As we have seen, this is powerful stuff. This is terrific for individualism, but 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 stress-inducing for people.

As human beings, we have the dichotomous psychological need to be individuals yet feel connected to and accepted by a much larger social set. Accordingly, people are willing to keep *open running diaries* as a way to stay connected and accepted. In his Hierarchy of Needs study, Abraham Maslow indicates that after the basic needs of survival and security, humanity's greatest need is to feel accepted. Being social animals by nature, we were highly receptive when social media came along.

However, as humans we experience an ongoing struggle between protecting our privacy and being accepted by others. As a result, there is often give and take when it comes to privacy and acceptance, and much depends on the individual and such factors as age, race, ethnicity, religion, and location. Often this struggle is resolved by balancing the acceptance we receive with the privacy we sacrifice:

*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

Everyone has a different privacy requirement, but whatever that level may be, most of us still have a yearning to understand what other people are doing.

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

## 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 child'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 people who are 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 friends' lives all the time. Yes, there

are the exceptional few who view every post, photo, tweet, or comment. Individual users make personal choices about how they establish their settings (privacy being one big item here) and, more importantly, viewing behavior.

This is similar to a BlackBerry, Android, 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 at their leisure, thereby avoiding what's called *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 *investing time on 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 all of the checkout lanes are congested. It's going to be a 10-minute wait until she reaches the cashier. During these 10 minutes, she can:

- A. Ruminates about how upset she is that she has to wait in line for 10 minutes, for which she definitely doesn't have time.
- B. Flips through a magazine she has no interest in.
- C. 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 noisy in the supermarket and she might have to hang up the call at any time.
- D. Check on updates from her friends and family via social media.

Sally chooses option D, 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 D.C. 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 (per Friend 4's recommendation). While checking out, she sees a \$10 gift card for Starbucks hanging above the magazines. She purchases this gift card with the intent of mailing it to her daughter as a congratulatory surprise 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 is just putting on extra weight. Sally can also avoid asking if the couple knows whether the baby will be a boy or a girl, because based on Friend 3's last updated social media message she already knows that they are waiting. Sally knows from firsthand pregnancy experience how tiring answering the "Do you know if it's a boy or a girl?" question can become — if only she'd had social media back then!

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

Sally says, "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

10-minute snapshot is just one simple example of why social media is a time *saver* rather than a time *waster*.

## **JetBlue Helps Reduce the Travel Blues via Twitter**

Like many others, my wife and I experienced firsthand the ability of social media to help save time and stress. We were in Austin, Texas, for the SXSW Conference, where I was a keynote speaker, when my wife's departing JetBlue flight on Sunday was canceled due to bad weather in Boston. In fact, all flights to the Northeast on all airlines were delayed due to the extreme weather conditions. My wife tried calling JetBlue and a few other airlines that operated out of Austin, but most of the hold times were in excess of two hours. In our dismay, we turned to JetBlue's Twitter account and posted the following:

*Wife's flight canceled to Boston, what are our choices.*

JetBlue normally has exceptional customer service on Twitter. However, due to the high volume on this day, they couldn't get to all the thousands of tweets pouring in, including ours. We witnessed several others who tweeted almost the same question that we posted. While JetBlue couldn't get to the tweet, some fellow Twitters could. In the next few minutes we received several tweets from different users, but most were similar to this one:

*Got thru to JB. First JB flight isn't until Thursday. If you need to get back BOS use Continental out of Houston. DFW sold out too.*

This allowed us to hang up on the phone call and start taking action to try to book a flight on Continental Airlines out of Houston. It also saved us the hassle of figuring out our potential options out of Dallas-Fort Worth (DFW), since several people had told us (via Twitter) that DFW was not an option. For JetBlue, it also helped reduce its call volume as we weren't the only ones with the question about how to get back to Boston. Several other people were able to hang up their phones. As a reminder, it wasn't JetBlue that answered the question; it was other JetBlue customers. However, JetBlue enabled this to occur by having a robust Twitter presence so that people knew to turn there for viable information; whether

that information came directly from JetBlue or JetBlue customers is immaterial.

### 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 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 whom 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 until months later.*

*However, today we are more likely to meet up if I'm traveling to the United States. It's primarily the result of the fact that 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.*

*Geolocation tools like Facebook Places and Foursquare also come in handy for people attempting to stay in touch with others' whereabouts. These tools are especially helpful when attending massive conferences or conventions.<sup>4</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 users need 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. In 2010 the Chitka Network reported that going from the 11th spot to 10th sees a 143 percent jump in traffic, proving that a very small percentage of users click through to the second page while searching online.

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 this time period. Can one blame Google for not changing things too radically? Why would Google try to *fix* something that is making record profits for its 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.

Google, Baidu (China), Bing, and other search engines are recognizing this shift, and they are trying to make their offerings more social. At the writing of this book, we don’t know whether Google+ will become a serious competitor to Facebook. What we do know is that part of Google’s strategy to launch Google+ is to compete head-to-head with Facebook so that Facebook has less time to focus on a robust social search capability. We also know that some Google+ features like Huddles (group video chats) and circles (an easier way to categorize your softball buddies separately from your co-workers) have forced Facebook to increase its innovation to match these capabilities. Social network competition means the consumer wins. Understanding this, Bing announced that they were becoming a social search engine – helping to supply information from our friends and peers based on our search queries. Old and new players alike are racing to win the battle of social search. The competition will be fierce because much of social search will be directly tied to social commerce. Social commerce will be counted in billions of dollars. Beyond social search, the titans of digital are starting to intrude on each other’s turf. Google, Facebook, Amazon, Apple, and LinkedIn are fighting for the same people in dollars when it comes to music, e-readers, social, mobile, search, recruiting, tablets, advertising, contacts, and beyond.

## 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 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>5</sup>

During the 2008 U.S. presidential election, Tina Fey, a cast member on *Saturday Night Live (SNL)*, 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 they 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 clips.

NBC estimated that over 50 million people viewed the “Palin” skits. According to research conducted by Solutions Research Group, more than half of those who saw this *SNL* video viewed the clips over the Internet.<sup>6</sup> Many viewed the video 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.

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). This resulted in *SNL* developing *SNL* shorts specifically tailored to be passed around socially. 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 (an individual's multiple online connections to friends, peers, and family) come from an offline world (book clubs, men's clubs, garden clubs, athletic clubs). Technology has enabled us to go to a whole new level with our networks or clubs when they become digitized.

As an aside, it's important to note that these Sarah Palin skits are another good example of social media being a time saver rather than a time waster. Historically, a viewer would have to sit through 90 minutes of *SNL* content, a majority of which may not be germane to that particular viewer. Instead, with the help of social media tools, the relevant five minutes (in this case Palin skits) of that particular *SNL* episode are pushed the viewer's way

by like-minded friends, which in turn saves 85 minutes that can be repurposed accordingly.

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

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

If we are no longer walking down to the end of our driveway in anticipation of reading what is going on in the world, and if we are no longer even going onto our favorite Internet news sites to find the news, what does this mean for the various news outlets and the businesses that support them?

We have shifted from a world in which the information and news were 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 media outlets. 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.

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 their decline will continue. Newspapers should no longer be just reporting the news; instead, they should be commenting on the news and what it means. Even if they do this, their chance of survival may still be slim and only a few, if any, will survive.

In fact, it was interesting to see legendary advertising and marketing columnist Bob Garfield start his 2010 presentation at the SXSW Interactive Conference by announcing, “I and traditional marketing and advertising are [slow reveal to a presentation slide] Fu%#ed!”

Despite these doomsday scenarios for traditional marketing, social media is more of an “and” thing than an “or” thing.

A quick ironic example is that as more and more companies cut down on direct mail (expensive to print, slow, environmentally damaging, more difficult to track than digital, etc.), the few

companies that continue direct mail pieces may actually see an uptick in results, because there is less clutter in the mailbox.

This book is actually a microcosm of the newspaper/magazine phenomenon. By the time this goes to print, many of the news items and examples 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 be only a handful of paper newspapers left, as well. Hence, the importance of 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. Please note that new examples and updates to this book can be found at [www.socialnomics.com](http://www.socialnomics.com). The irony is that it prompts the question: With e-readers, iPads, tablets, and the like, why can't I as an author simply continually update the digital version of the book you are currently reading? I see this coming soon and am surprised it hasn't happened already.

This digital shift will continue to present an uphill battle for traditional publishers because they still need to maintain 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 resume, it doesn't mean nearly as much as it once did. In fact, in the technology world it probably means more to have a *Mashable* byline than to be the technology writer for *Newsweek*.

### ***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.

For 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 seemingly limitless photographs and videos on the Internet. When was the last time you heard the *Sports Illustrated* Swimsuit Issue mentioned in a conversation? It went from part of pop culture to irrelevance. Even Hugh Hefner's venerable *Playboy* reduced its guaranteed magazine subscriber base by 13 percent in 2009, from 3 million to 2.6 million. Christie Hefner, daughter of the founder, stepped down as CEO at the start of the year.<sup>7</sup>

Craigslist, LinkedIn, Monster, CareerBuilder, TheLadders, 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>8</sup> In turn, LinkedIn will most likely make HotJobs, Monster, and CareerBuilder obsolete. This is how fast business cycles move these days. Today, 80 percent of all companies use social media tools to recruit, and of these, 95 percent use LinkedIn, according to the 2009 Jobvite Social Recruitment Survey. The online recruiting market is so lucrative that Facebook announced plans in 2012 to offer a competing service to LinkedIn.

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 the *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 has to understand that it needs to make its 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. 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. If distribution is limited, then the eventual effectiveness and ultimate viability will be doomed. So let's quickly showcase an A to B comparison of how this works in Socialnomics. For those who

believe bloggers can't report as well as a traditional newspaper reporter, this section is for you. Also, note that in 2012 a blogger (from the *Huffington Post*), for the first time in history, was awarded a Pulitzer.

### **News Site A**

Site A is one of the world's largest and best-known newspapers. Historically, it has generated revenue from print advertising, as well as paid subscriptions. In the past decade, it has put even more information on its website, along with additional video content, multimedia, and so on. It has seen tremendous growth in its online revenue, but that's not enough to offset the loss incurred by its traditional offline revenue model. The newspaper still has a substantial staff of expensive writers, large office buildings that need to be maintained, along with trucks and various types of overhead to distribute the paper. As a result of these high costs, the paper requires a paid subscription and login for online content in the hope 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., WordPress, TypePad, Tumblr, Blogger) and pays \$20 per year to have the vanity URL [www.idaho-senators.com](http://www.idaho-senators.com). Since she likes to stay current with events outside of Idaho, she 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 these news sources. One could argue that in this instance this is no cost at all because she finds intrinsic value in (aka enjoys) discussing the political topics on her blog about Idaho's U.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 senators' 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 a high school friend, Julie Patterson, was elected to the Senate. 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 passenger in the car – the senator's babysitter – and she was killed in the accident. The driver of the other car was a Supreme Court judge who was in Idaho on vacation. The Supreme Court judge is in critical condition at a local Boise hospital. As you might imagine, this is going to be big world news coming out of Boise, Idaho.

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. Surprisingly, no citizen was there with a digital phone to send a picture off via Twitter or Facebook. Jane is already 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; consequently, the assignment goes to a reporter based in the paper's Manhattan headquarters. This reporter is not at all familiar with the Idaho senator, so she immediately goes to her favorite search engine and types in the senator's name. Guess what 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. 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, but to presell her more in-depth story, she originally breaks the news she received from the courthouse via a microblogging tool like Twitter. She immediately becomes the recognized expert on this story. Microblog posts were the first to break such noteworthy news events as the 2009 U.S. Airways emergency landing in New York's Hudson River and the 2008 California forest fires, and will continue to grow in importance in the reporting and consumption of breaking news.

The purpose of this Jane the blogger example isn't to showcase who produces better stories – bloggers or traditional reporters; there are plenty of great articles 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, this has ramifications for commercial transactions. A study conducted by Jupiter Research in 2009 found that 50 percent of Internet users consulted a blog prior to making a purchase. A Nielsen study indicated that an astounding 81 percent consulted reviews prior to their holiday purchases. Ninety percent of us trust peer recommendations,<sup>9</sup> while only 14 percent of us trust advertisements.<sup>10</sup>

Pundits try to broad-brushstroke bloggers and microbloggers (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. There are certainly bloggers who act as leeches, can't source a story, and don't fact-check properly, but there are many who provide valuable original content and information.

Later in this book, we discuss how social media helps pinpoint the good sources of information and distinguish them from the bad ones. Understandably, traditional journalists who bad-mouth bloggers have a biased opinion; 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 scenario, 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 why Jane the blogger's story has a higher chance for success than News Site A's story:

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 reasons 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 has used some social media tools 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 really 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. If these tools inform him, the stories would be pushed his way by his friends and peers via social media tools like Twitter.

### ***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 before hitting the pay wall. 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. News Site A has put a hurdle in Trevor's path. As a result of this hurdle, 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. He clicks anyway but encounters a login screen for subscribers only.
4. 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 4 through 7 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 and articles contain by the tags they apply.) Other forms of tags may include #idahosenators for tools like Twitter. This is called a hashtag (#), and hashtags are helpful in categorizing conversations: #ford, #bpoilspill, #jokes, #doughnuts, and so on.

So, as we mentioned in the 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 bookmarking it, reposting it, retweeting about it, 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.

As reported by Facebook, the average person on Facebook has roughly 130 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 that by the time you read this book there will be limited subscription-based content models on the web (most will probably go to more of an app model on

tablets or a bundled subscription price where you have access to both offline and online subscriptions), but rather it is to indicate that most companies need to fundamentally rethink their business models.

The mind-set 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 digital offerings have similar content, as evidenced by the Tribune Company filing for bankruptcy at the end of 2008. Tribune is the second largest newspaper conglomerate in the United States 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 these dynamic digital shifts. Instead, many forge ahead and try unsuccessfully to impose outdated business models on a newly informed customer.

In 2009, the Associated Press (AP) asked Google not to feature its content in the search results. Other companies and publishers pay search experts to help them be high in the rankings because they want more traffic, yet the AP did the exact opposite. The AP was telling Google not to list its articles at all. It was putting up a distribution hurdle, which, as we previously mentioned, is a bad idea.

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. It has tested several different types of subscription models for e-readers and tablets, even going so far as to have an intimate relationship with Apple at one point. It is too soon to tell if it has found a model that 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 and by trying to work with Apple. 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. We don't know if this new model will work, but we do know that the old model does not.

## Crowd-Sourced 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 even before Fox News announced it. Entertainment blog TMZ and Wikipedia also scooped the untimely death of Michael Jackson. The online newspaper-subscription model works well if you are the only one holding the information. However, it breaks down if free information is available faster. Social media enables this "free and faster" information to exist. Online newspapers would argue that their information is more credible, and 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 these outlets continue to increase in power and relevance. 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 the *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>

Back in 2005, when Wikipedia wasn't fully vetted, this study was showing that it was as accurate as the *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 (however, it does censor and does have final

approval) in 2009. Wikipedia should be more accurate for major topics — if you have 1,000 experts contributing, versus three to five experts, the social graph will win every time. Conversely for niche products, however, where you have two or three contributors versus two or three encyclopedia experts, the experts, in most instances, 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. For the first edition of this book, one hotly debated topic was between Wikipedia and the *Encyclopædia Britannica*. Many were appalled that I indicated that in many instances the Wikipedia model was a better one. Well, in 2012, *Britannica* decided to do away with its traditional printed encyclopedias and move to a model that closely resembles Wikipedia's. I would be so bold as to suggest a partnership with Wikipedia — if you can't beat them, might as well join them.

One prime example of free and faster information is the Zillow site ([www.zillow.com](http://www.zillow.com)). Zillow allows users and Realtors to investigate the estimated values of various real estate properties. It aggregates various public data (most recent sales 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 you added 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 or otherwise modify items on the maps so that they are more accurate, such as updating a store that may have gone out of business in the past 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's. The difference is that Wikipedia doesn't produce a baseline; rather, everything is developed from scratch. In January 2008, Facebook introduced the Translations application, effectively turning the translation process over to its users. And why not? The users are the people who understand Facebook and their languages best. Even Facebook was blown away by the success. The site was translated into Spanish in two weeks; French followed soon after and was translated in just 24 hours. At the start of 2012, Facebook

is available in more than 70 languages, all translated by Facebook users using the Translations application.

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 as Wikipedia, think about how collaboration among colleagues can transform business. Many businesses are even starting to use social media collaboration tools like Yammer in the workplace. The theory behind tools like Yammer—a social networking tool for use inside companies—is that employees often communicate via e-mail, which is antiquated. Social media tools offer the possibility of better collaboration in the workforce. Please note that at the writing of this book there weren't very many proven success stories using social tools to collaborate in the workforce. Often the adoption at the beginning is high, but then the stickiness wears off as employees' time is being allocated to other areas.

It's important to keep in mind that not all uses of social media are golden, so this may be an instance where social media doesn't prove successful. There is a lot of collaboration potential here for employees to share their collective knowledge. However, only time will tell how many companies and organizations successfully pull this off. While social media will play an important role in most of our lives, it's certainly not a panacea for everything.

### **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 result in a product going from a crazy idea to production. Bacon Salt was an idea that was born out of the minds of two Seattle buddies, Justin Esch and Dave Lefkow, who over a few beers jokingly posed this question: "Wouldn't it be great if there was a powder that made everything taste like bacon?"

The genesis of their success was when Lefkow started a MySpace profile (remember MySpace?) 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, but they started receiving orders when they didn't even have a product yet!

World of Mouth took over from there. 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 non-social 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, but 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>

The Bacon Salt product and brand were built entirely using social media. Similar to JetBlue, Starbucks, Dell, Zappos, and Comcast, the founders of Bacon Salt started following what people were saying about their product 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: "We don't want them [big companies] to get on our gravy train."

### **Micro Revenue 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 that 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 will provide in the future will be the ability to have an automatic shopping cart and transaction model easily established. The social network will take a small percentage of all transactions. This is similar to what the Obama presidential campaign excelled at—small payments that add up to millions of dollars. Ninety-two percent of Obama's donations were less than \$100.<sup>13</sup> Essentially, this is almost a micro payment 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 collected from thousands of businesses. Companies like the T-shirt supplier Threadless are successfully completing e-commerce transactions on social networks.

### **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, as a result, companies often develop 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 Harding, a 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, which led to the production of his first “dancing” video.

All of us are known among our friends for something peculiar or quirky. Matt 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.

Matt decided to perform his unique dance whenever he was visiting an exotic location on his journey. After the trip, he was able to string together 15 dance scenes in exotic locations. All the scenes had him center frame, with the background music “Sweet Lullaby.”

This second “dancing” 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 country by country. The beauty of the video is that there are no language barriers; it’s simply Matt dancing in various locations.

It was a natural fit for Matt to upload it to YouTube. Stride saw a huge opportunity and approached him, offering to help sponsor his travels. Matt was delighted because he had been traveling on a shoestring budget – originally using a tour offered by a college travel company, STA Travel. With the help of Stride, Matt was able to produce a third video.

This video was the result of traveling to 42 different countries over 14 months and included shots from 70 different cities and locations.

One of the founders of YouTube, Jawed Karim, stated that Matt's video was his favorite. Karim said that he particularly liked 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." When told that Matt had been hired by Stride to go dance around the world, Karim said, "Sounds good to me."<sup>14</sup>

This sounds good to Stride as well. As of May 2012, over 60 million people had viewed Matt's two most popular videos on YouTube. Keep in mind that this doesn't include all the ancillary videos like "How the Hell Did Matt Get People to Dance with Him?" and "Where the Hell Is Matt's Girlfriend?" That video also produced a few million views.

If you type in "Matt" in Google, he shows up as the top result. 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 that the video is still being viewed by the millions, which is completely different from a *one and done* television commercial. In fact, this video is often showcased on one of the giant flat screens 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. Stride helped Matt improve on his original formula by suggesting that he 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 produced some genius results—one of the most inspiring being Matt surrounded in Poria, Papua New Guinea, by a tribe of 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 was quite a bit of work that could easily have gotten 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 also could have made Matt wear a Stride T-shirt and pass around free samples of gum, but the company was smart enough to leave well enough alone. Instead, Stride had a tactful message at the end of the video (i.e., post roll) and also had a discreet logo in the upper right-hand corner 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 viralness of social media can be seen in this American Airlines example. Over the course of four days, American Airlines had to cancel 3,000 flights as a result of a large percentage of its 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 its 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 communications channel we have available to us,” yet there is no specific mention of social media. The second is “we didn’t have to get involved in the conversation.” As an individual or company, you should feel compelled to become part of the conversation; people want to hear from you. A strategy based on only entering a conversation if it gets ugly is generally flawed logic in the sense that the damage will be done before one can

react. This is similar to trying to time the stock market; it's very difficult.

Website complaints to [www.aa.com](http://www.aa.com) increased 25 percent over the same period as 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 networks.<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 be caused only by teens, because teens index low on travel volume. Also, as noted, in the previous quote there was no mention by the American Airlines spokesman 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 spokesman, American Airlines wasn't using the popular social media tools, listening to what was being said, and attempting to address it. The airline chose to ignore these important conversations. Later in this book, we will show how JetBlue has correctly taken the appropriate measures to make sure it is listening and responding within social media to disgruntled consumers.

### 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 in which 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.

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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 *free*.
5. We no longer look for the news; the news finds us.
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., chewing gum company Stride and "Dancing Matt").
8. World of Mouth is an advancement of word of mouth as: (1) it disseminates the information quickly and globally, (2) its digital aspect allows the original integrity of the message to remain intact, and (3) it is traceable to an original source.
9. People want to know what their friends and peers think about products and services. Social search drives social commerce.
10. Businesses don't have a choice on whether to do social media; their choice is how well they do it.
11. Socialnomics = word of mouth on digital steroids.