



## The Facebook Era

Tapping Online Social Networks to Build Better Products, Reach New Audiences, and Sell More Stuff

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### Take-Aways

- The “online social graph” is a virtual map that illustrates how people connect and relate via the Internet.
- Relationships, which are vital in business, are the online social graph’s raison d’être.
- The development of the online social media is a profound paradigm shift.
- Companies that develop an online social graph presence have the opportunity to affect how millions of consumers relate to them and their products.
- They can use the social Web to increase sales, operate efficiently and build support.
- Salespeople can leverage social networking contacts to reach B2C (“business to consumer”) and B2B (business to business) customers.
- Advertisements on social network Web sites can target specific niche audiences.
- The online social graph is an almost perfect venue for word-of-mouth advertising.
- However, it comes with numerous corporate risks, including issues of transparency, intellectual property, security and other problems.
- As the online social graph’s cross-selling and upselling potential grows, profit-driven businesses will be forced to become more social.

### Rating (10 is best)

Overall	Applicability	Innovation	Style
<b>9</b>	<b>10</b>	<b>8</b>	<b>7</b>

## Relevance

### What You Will Learn

In this Abstract, you will learn: 1) What the “online social graph” is; 2) How businesses can use social Web sites to build sales, improve public relations and become more efficient; and 3) How to assess the social Web’s commercial possibilities and downside risks.

### Recommendation

In-the-know companies now actively leverage online social networks – MySpace, Facebook, Friendster and their numerous compatriots – to increase sales, improve public relations, gain market research data, reach customers, offer technical support, find new employees and more. Despite the stereotype that social communities are “just for kids,” many online sites exist strictly for business people and professionals, including CEO Network (controlled access for select senior executives) and LinkedIn (a professional referral and networking portal). Online social networking draws countless mainstream consumers. If you want to reach them, *getAbstract* recommends this book by Clara Shih, who developed the first business application for Facebook. She details online social networking and even explains how you might make some money with it.

## Abstract

*“Approximately once a decade, a radical new technology emerges that fundamentally changes the business landscape.”*

*“Increasingly... conversations about your brand aren't happening out in the open, but rather within the confines of social networking sites.”*

### The Value of Online Relationships

In business, relationships count. Without them, you are stuck in neutral. Online social networking, via such Web sites as Facebook, LinkedIn, Twitter, Hoover’s Connect and many more, enables you to develop extensive, valuable online relationships, including strong links with customers and prospects. Online social networking can build vital business relationships; in effect, it is the latest version of customer relationship management (CRM). Companies that leverage social networking Web sites can influence conversations about their products taking place constantly among millions of “netizens” (citizens of the Internet). Consider these examples:

- **Men’s clothing** – Bonobos, an online retailer specializing in colorful men’s slacks, advertises on Facebook (150 million users and growing exponentially) so it can “hypertarget audience segments” and send relevant ad messages to highly defined demographic groups. This approach delineates age, gender and specific interest in individual sports teams. Bonobos displays “pants for [Boston] Red Sox fans” to Facebook members who cite the “Red Sox” in their profiles. The ads designate “awesome fitting red cords by Bonobos” as “the unofficial trouser” for Boston’s Fenway Park baseball stadium. Bonobos positions other highly personalized online ads to reach fans of additional professional sports teams around the U.S. Social media Web sites enable this kind of hyper-segmentation of the market. Bonobos’ Facebook ads deliver strong “clickthrough rates and immediate sales.”
- **Computers** – Dell Computer launched IdeaStorm, a proprietary, online “ideation community,” to develop ideas and suggestions via “crowdsourcing,” that is, tapping cost-free into the thinking and ideas of its enthusiastic online supporters. The members of Dell’s online social network give it valuable feedback. For example, almost 100,000 IdeaStorm participants recently asked Dell to provide hardware support for the Linux operating system. Prior to IdeaStorm, Dell mistakenly

*“Today’s age of ‘everyone a publisher’ has fueled an explosion of content online. As human beings, we can’t possibly process all of this information.”*

*“Some believe Facebook is the new operating system for the Web. Only time will tell.”*

*“In many ways, traditional CRM was an important precursor to many of today’s social networking sites. At its most basic level, CRM is a fancy contact database.”*

*“The new mantra is don’t advertise to people, advertise between people. Recommendations and referrals from known and trusted friends can be powerful influencers of purchase decisions.”*

assumed its users did not care about such support. Armed with valuable IdeaStorm marketing data, Dell engineers developed the Linux hardware support that the online community desired, thus enhancing their customers’ connection to Dell.

- **Medical Equipment** – Rob sells medical apparatus and equipment to doctors. For the past five years, Rob has achieved double his assigned yearly sales targets. He relies on referrals. Rob used to find that acquiring referrals was a laborious, awkward process, but social networking sites make obtaining referrals much easier. Rob routinely visits LinkedIn and Facebook to look for local doctors’ profile pages and to scan their contacts, many of whom turn out to be strong sales prospects. Doctors are almost always preoccupied, but when Rob mentions their professional colleagues during sales meetings, many become animated and engaged, enthusiastically relating stories from med school or past professional associations. Having struck the right chord, Rob asks for referrals to their contacts. For Rob, social networking sites are vital, business-building tools.

### The “Online Social Graph”

The online social graph is a plot or “map of every person on the Internet” and how they connect to one another. It matters to business people for three reasons:

1. Business itself is eminently social.
2. Many sales depend on referrals and recommendations, that is, networking, which has a far more extensive reach online.
3. Companies can link to the Internet’s mesh of “weak ties,” tangential relationships that result from social networking. For business purposes, these connections have proven to be a more valuable source of “social capital” than family members or friends.

The online social graph lets companies connect in a serendipitous, meaningful and positive way with their customers, prospects, stockholders, workers and potential employees. Acting as online publishers, companies can align their commercial messages – in the form of Web pages, blogs, videos, photos, “tweets” and so on – to provide data that targeted online users want. On the Internet, particularly on social network Web sites, people will go out of their way to view, hear, read and experience your commercial messages. Given the singular capability of online “social filtering,” your company now can target consumers who seek your advertising.

People use social networking Web sites to build social capital, the “currency of business interactions and relationships.” Thus, the online social graph offers an ideal business environment. Interaction costs are minimal. Creating relationships (such as with new customers) is a natural process. As any salesperson would tell you, “people like doing business with people they like.” This axiom matters more now that you can leverage contacts online through social networking Web sites to become more likable to a vast realm of potential customers, in B2C (“business to consumer”) sales, particularly in the area of high-cost products and services, and in B2B (“business to business”) sales. Sales reps also can use social Web sites like LinkedIn or Facebook to present their qualifications and build trust. In the B2B market, salespeople can use such Web sites to collaborate with each other for cross-selling, building referrals and researching who they need to see within a prospect company. Using online resources, such as Hoover’s Connect, they can “navigate complex customer organizations” to identify decision makers.

Companies can reduce their customer service costs by crowdsourcing technical support queries. Manufacturers also use this process of outsourcing “to the crowd” for “prototyping,”

*“Traditional leads are a name, title and company. People are far more complex and interesting.”*

*“Social networking sites are becoming the de facto place for reviews on business professionals.”*

*“Four social networking sites (Facebook, MySpace, QQ and Hi5) are among the top 20 trafficked sites in the world.”*

*“Online social networking tools can help product managers transform customers into true participant partners.”*

that is, testing products prior to commercial release via social Web sites designed for that purpose, such as Backboard. Firms also use Twitter, Connectbeam and Yammer to secure “internal buy-in” from important stakeholders before taking a product to market.

### **Marketing via Social Networking**

Social networking Web sites, such as YouTube, Hi5 and MySpace, are equivalent in many ways to the giant U.S. television networks of the 1950s and 1960s in that they draw mass audiences. Users spend 2.6 billion minutes daily on Facebook, where your advertising can gain some part of their online attention. The online social graph offers four distinct advertising methods:

1. **“Targeted ads”** – These ads offer content directed to specific audiences. With “hypertargeting” or “microtargeting,” you can place your ads in front of the consumers you want, as identified by such filters as “location, gender, age, education, workplace, relationship status, relationship interests and interest keywords.” People post these traits on their individual profile pages on social network Web sites.
2. **“Appvertising”** – Use fresh kinds of advertising “platform applications,” such as “games, slideshows and polls,” to increase users’ engagement with your messages.
3. **“Social actions”** – Place your ad on sites where people discuss related social activities, for instance, advertise your eatery on pages where diners post restaurant critiques.
4. **“Engagement ads”** – Facebook uses this word for ads that give companies “opportunities to integrate into other aspects” of the site without being “disruptive.”

### **Word of Mouth**

Word of mouth, one of the definitive characteristics of the online social graph (think Twitter), is the most effective form of promotion. Companies like Bonobos effectively use social advertising to generate positive word of mouth about their products. When adroitly handled, such advertising can quickly go “viral.” Indeed, this is how Barack Obama’s 2008 campaign for the U.S. presidency delivered its advertising message, generated donations and enlisted volunteer workers. It created strong buzz online, particularly among younger voters, via social networking Web sites.

### **“Meme Feeds”**

Popular science author Richard Dawkins coined the word “meme” in *The Selfish Gene*, his 1976 book on the gene-centered view of evolution. A meme is an idea that moves from person to person and onward. Your staff can check to see what ideas people are discussing (including those that concern your firm) by monitoring online social network status messages. The business world has its own “meme broadcast tool,” Yammer, a microblogging service companies use to set up Web pages. Employees can use Yammer to post memes and short messages, checking back and forth with each other, sharing information, chatting about relevant issues and more.

Employees can tap into the expertise of the online community, asking questions concerning professional topics. Typical questions recently posed within the LinkedIn network include entries like: “Attention Flash developers: What books do you recommend for learning ActionScript?” and, “Do any company policies address quota relief for sales reps on maternity leave?”

### **Establish a Social Network Web Site Presence**

Companies can leverage social networking Web sites many different ways to increase sales and improve operations. Which way should your company go? First, create an

*“Where we are now with online social networking is similar to where we were in the late 1980s with the Internet.”*

*“Young people today...will have the ability if not tendency to keep in touch with everyone they have ever met.”*

*“More value than ever will be placed on social capital. People who are well-connected will be disproportionately favored.”*

understandable strategy and clear objectives. Develop metrics that will enable you to measure your progress accurately. Make sure that everything you do caters to the perspective of the customer, in this case, members of the online community. What will they like? Just as important, what will they not like? Whatever you do, don't violate online networking protocols.

Use Google Alerts and Twitter to learn what people are saying about your product. Have online communities formed “around your brand?” Find out. If not, you may want to create one. You can create a persona (a fictional character) to establish a presence on social networks. For example, Jack in the Box, an American fast-food restaurant, developed a traditional page on MySpace for “Jack,” its online personality. Jack is 7 feet 2 inches (218 cm) tall and has a ping-pong ball head. He also has a MySpace blog. A typical post: “Will one of you hopeless romantics out there please write a poem about my ultimate cheeseburger?” Sixty people did so. Does this type of promotion work? Jack now has 140,000 friends on MySpace; theoretically, they'll buy lots of cheeseburgers.

### **Be Careful**

The online social graph offers numerous opportunities, but it presents major challenges as well. For example, social network Web sites have few boundaries. They rely on intense openness and transparency, which can unnerve corporate managers. When you open up your company to social networking, “identity, privacy and security” become important concerns. So does “intellectual property and confidentiality.” Angry employees can misrepresent your brand online.

Because the online social graph offers so many capabilities, marketers have a tendency to try to do too much too fast. Have a plan and assign the resources to do things right. Start out slow and build. Draw people from your information technology, legal and public relations departments from the outset to choose the right network model, that is, an open community like Facebook or a private closed online community. Develop and promulgate a specific policy for social networking. Planning prevents future problems.

The Internet is evolving in breathtaking fashion from “technology-centric applications to people-centric applications,” like social networking Web sites. This paradigm shift is “one of the most significant sociocultural phenomena of this decade.” Although the online social graph and social networking Web sites are in their early stages, their rapid development of technical and commercial capabilities has been astounding. The future of these applications is sure to be more remarkable. As clickthroughs become part of your return on investment, the Web's impact also will be far more measurable. Expect tighter integration of the online social Web with other emergent technologies, including mobile and video. With social networks' increasing capacity, more businesses will need to adopt a “social strategy” and make use of the social Web's possibilities for deal-making, cross-selling and upselling. That may be the breakthrough reason for your business to get involved in social networking: making money.

## **About the Author**

**Clara Shih** is a product line director for the customer relationship management firm Salesforce.com. She formerly worked for Microsoft and Google, and developed Facebook's first business application. Unesco commissioned her first book, *Using New Media*, to help people in developing countries use digital media.