

Relationship Marketing 2.0:

New Channels, New Challenges



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R E S P O N S E **M** E D I A

Web 2.0 technologies are a disruptive force changing the way messages about products and brands are delivered and received. Marketers are looking to enhance their customer relationships by using Web 2.0 solutions which provide online collaboration, networking, and user-created content. Emerging Internet technologies and channels like social networks, blogs, Really Simple Syndication (RSS) and mobile marketing present new challenges and opportunities for effective relationship marketing.

Today marketers are discovering ways to leverage the one-to-one nature of email with the one-to-many reach of Web 2.0 channels to drive sales, opinion, web visits, downloads, registrations, ad views, ad sales, donations, or whatever else defines success for the organization. Tremendous possibilities await those marketers who are able to leverage the proven power of email with the advances that Web 2.0 brings to relevant content, context, and timing to deliver significant improvements in customer relationships.

Email Prevails

In this age of user-created content, email hasn't lost its luster. In fact, with almost universal penetration – 97% of consumers according to Forrester Research's Email Marketing Comes of Age – email is the most popular activity online. Email has certainly proven it can engage and move a prospect through the purchase process by delivering information that is tailored to the buyer's needs. According to the Direct Marketing Association, email's ROI will surpass \$45 for every dollar invested in 2008. Exact Target's 2008 Channel Preference Survey revealed that nearly two-thirds of those surveyed said they had made a purchase because of a marketing message received through email. And Jupiter Research reports that email marketing is growing from 1.2 billion in 2007 to 2 billion in 2012.

Reasons that U.S. Marketers Use E-Mail Marketing



Source: eMarketer citing Datran Media "2nd Annual Marketing and Media Survey 2008: Looking Forward" as cited in press release

Successful marketers recognize that email remains crucial for creating relevant and engaging customer communications, and they are looking for opportunities to leverage Web 2.0 communications to transform customer interactions and differentiate their brands. One example is Pepsi, which harnesses the power of brand influencers through a VIP program created for the most active subscribers to the company's Pepsi Extras loyalty program. Consumers who forward Pepsi's emails or demonstrate other acts of evangelism are identified and rewarded with a special VIP program within Pepsi's primary loyalty program. The company sends special coupons and other incentives via email to this select group to show that they are

appreciated and to further engage them with the brand. In addition, Pepsi recognizes the power of key influencers, awarding permanent VIP status to select bloggers in a program where most consumers have to re-qualify with each new campaign.¹

Marketers who best understand how to identify and reward brand influencers have the opportunity to strengthen their brand's overall relationship marketing efforts, enhance the customer experience, and build deeper connections with consumers.

Getting Social

Social networking is a many-to-many communication tool, which differentiates it from the conventional one-to-one email experience, and contributes to its popularity. Social networking, social media, and social computing are driving the evolution of the Internet as a transparent, conversational marketplace. User-generated tools like blogs, wikis, and audio and video podcasts are commanding attention across the industry. Web sites that are real-time and rich in user-generated content such as MySpace, Facebook, and YouTube are giving rise to an empowered consumer.

Research shows that younger generations may prefer to communicate through social networking websites and might not use email as often as older generations of users. Communication which used to take place in email pass-alongs has started populating across diverse social media platforms such as blogs, Twitter, FriendFeed, or Facebook where users can reach many friends or colleagues simultaneously. A Jupiter Media survey indicates that consumers 18-24 are less inclined to use email: 50% of this demographic segment use social sites instead of email, and 32% of 25-34-year-olds use social sites instead of email.

Social Networking and Relationship Marketing

For the makers of everyday household items, the Internet is proving to be a powerful medium for finding key consumer influencers, engaging them, and generating brand advocates. Consumer packaged goods (CPG) companies are developing a deep understanding of the give and take that forms the foundation for consumer relationships. The trend is clearly toward engaging consumers in meaningful conversations and serving customers better with information, communications, and resources that are relevant.

CPG brands know that consumers are searching the Internet for information, as well as for products they see advertised in other media. While brands prefer to focus their Internet campaigns on branding, sponsorships, and e-mail, they additionally use online coupons, sweepstakes and branded entertainment to obtain consumer data. Getting consumers to surrender at least some of the personal information is necessary to maintain relationships and help brands to determine which ads and promotions to present to consumers.

To help foment consumer relationships, CPG brands are leveraging new and innovative ways to incorporate and leverage email with social networking. As with email marketing, the goal is to foster conversations with and among consumers, whose behavior is best suited to the brand mix, and to subsequently send the most relevant messages to consumers based on precisely what they are seeking and/or conversing about.

A good example of social media use by a CPG brand is a Tampax promotion that used the popular high school athletics social-networking site Takkle.com. Tampax encouraged cheerleaders to

submit a 3-minute video clip of their best routines to Takkle.com. Users then voted on a winner who received \$10,000 worth of cheerleading equipment and apparel.

Girls who signed up for the contest were able to use a Tampax sponsored group on Takkle.com and were also added to BeingGirl.com's member base. BeingGirl.com is Tampax's education and information site for teen girls, with over half a million members. Members can sign up for RSS feeds on teen-centric topics and receive articles, videos, games, and polls.

The Tampax/Takkle promotion, and Beinggirl.com's blending of health information with community are powerful examples of how CPGs are building consumer relationships and brand advocates by combining the power of social networking, relevant information, and Web 2.0 channels like RSS.



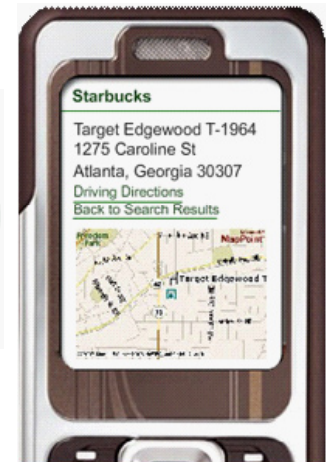
The image shows a screenshot of the Purina website. At the top, there is a navigation bar with links for Home, Programs & Events, Our Company, and Care. Below this is a red banner with the Purina logo and the tagline 'Your Pet, Our Passion.' To the right of the banner are buttons for 'Products', 'Dog Care', and 'Cat Care'. Below the banner, there is a section titled 'Send to Phone' with the text 'Get ringtones, wallpapers and text messages in two easy steps.' To the right of this text is an image of a woman in a green shirt looking at her smartphone, with a small dog sitting next to her.

Mobile Matters

Short Message Service (SMS) text messaging is another example of a new channel for consumer communication and relationship building. In a 2008 survey by Amplitude Research, 73% of buyers of new cell phones identified text messaging as the most important feature that they look for. And 39.6% of U.S. mobile subscribers use text messaging, according to M:Metrics. Text usage also reflects a stronger uptake with younger users. Jupiter Research

reports that 44% of 18-25 year olds and 49% of 25-34-year-olds use text messaging more than email because it is easier, instantaneous, and gratifying.

Nestle Purina provides an excellent example of how a company is leveraging text messaging to engage consumers. Purina stamps its brand on over 6 million highly targeted text messages a month sent to pet lovers who sign up via the Purina web site. Users can opt-in to receive free daily text-message alerts that integrate ad messages and feature click-throughs to content, coupons, and other special offers.



Air2Web, a mobile marketing company, uses Starbucks to illustrate how customer relationships can be extended via texting. In one campaign, customers used text messaging to send their zip code to MYSBUX. Customers then received three text messages with individual store details and links to a Wireless Application Protocol (WAP) site. Over 50,000 people used the Starbucks WAP-based store locator service in the first month. Consumers were easily able to locate Starbucks stores, and Starbucks was able to learn where more stores were needed based on consumer searches.

By serving more relevant and personalized messaging, brands are creating opportunities for consumer interaction, increasing brand awareness, and extending consumer relationships.

Conclusion

The surge in social media among younger users doesn't spell the doom of email. While 18% of the online population has used social sites for personal communication, 18% report forwarding promotional email and newsletters to others. According to the fourth annual Email Addiction Survey from AOL, 62% of people check work emails on weekends, 19% choose vacation locations with email access, and 55% of mobile email users upgraded to a new phone just to get email. All the trends indicate consumers will continue to use email, with it becoming more pervasive than ever.

One example of combining the pervasiveness of email with the power of social interaction is Wacom Technology Corporation, which reported great success when it extended its email campaign with a blog element, as reported in B2B Magazine's 2008 Interactive Marketing Guide. Diane Moore, Marketing Manager at Wacom, said that the company more than doubled its revenue by combining email with social interaction. According to Moore, incorporating email with a robust social community illustrated that customers "...love our products and want to buy our products, but they want to talk to each other." ²

The popularity and "buzz" surrounding Web 2.0 channels doesn't spell the end for email marketing but rather the beginning of a harmonious relationship – and stronger relationship marketing. As new approaches and channels emerge, marketers should be thinking of new ways to integrate Web 2.0 with email for relationship marketing. The challenge lies in changing the marketing approach based on what these new channels offer, while staying relevant to end consumers.

¹ B2B Magazine 2008 Interactive Marketing Guide

² 2008 Email Evolution Conference

About Response Media

Headquartered in Atlanta, GA, Response Media is an independent, national provider of interactive marketing and media services to clients within the consumer packaged goods, retail, travel, tourism, B2B, and financial industries. The agency provides ideas, insights, design, brand strategy, and customer relationship marketing solutions to the world's leading companies, including Procter & Gamble, Nestle', Disney, Cox Enterprises and Conagra Foods, Inc. Interested in implementing any of the suggestions in this report? Let a Response Media representative explain how to create similar initiatives for your company. Please call Josh Perlstein at (770) 220-5086 or visit responsemedia.com.