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Web 2.0: Profiting from the Threat

by Stefan Eikelmann, Jad Hajj, and Michael Peterson

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Web 2.0: Profiting from the Threat

Fresh trends in consumer behavior driven by social media pose significant challenges to companies stuck in a traditional market-to-the-masses mind-set. Here's how to thrive on the new Web.

by Stefan Eikelmann, Jad Hajj, and Michael Peterson

By all accounts, Web 2.0 — the second generation of Web-based services and communities that emphasize online collaboration, networking, and user-created content — is growing at a phenomenal pace. A recent Booz Allen Hamilton study shows just how prevalent this interactive consumer behavior has become and, at the same time, puts to rest any notion that social networkers are all 17-year-old boys — or that "average people" don't read Weblogs. The study found that 50 percent of all Internet users frequent social media sites, and that more than half of the visitors to MySpace, the notoriously youth-oriented social networking site, are 25 or older.

Among the many activities taking place on new technology platforms, such as blogs, wikis, podcasts, and online communication pit stops, is one that should particularly pique the interest of corporate managers: More and more, consumers are sharing their opinions about products, services, and the behavior of companies. What this means for business is not always clear, but most executives have a sense that their company must respond to this phenomenon. They're just not sure what to do or how to begin.

One useful approach is to frame the issue as a challenge: How do Internet-based social media change the marketing environment for companies? How do companies factor the hyper-connected marketplace into their brand and corporate promotion strategies? We have identified three ways that the Internet is altering the landscape, along with the hidden opportunities in each.

1. Web 2.0 means companies are no longer solely in control of their message. Corporations are unable to rely on traditional one-way methods of communication — for example, TV and print ads — to reach and influence consumers. Web 2.0 has turbocharged the whole notion of "word-of-mouth," circumventing traditional marketing by letting individuals talk directly to each other about their passions, their buying preferences, and their pet peeves.

Hence, instead of trying to "control the message," companies should focus on joining in these conversations. Web 2.0 offers limitless opportunities for companies to engage their customers in meaningful dialogues and learn exactly what they've wanted to know all along: precisely what their consumers think about their products and brand.

Companies can begin at sites like Technorati.com or Icerocket.com to find out what's being said about them online and respond to postings about their products or services, correcting misconceptions or addressing concerns as warranted. And they can begin generating conversations themselves by creating their

Stefan Eikelmann
(eikelmann_stefan@bah.com) is a vice president with Booz Allen Hamilton based in Düsseldorf. He focuses on information and communication technologies and leads the firm's related engagements in Germany, Switzerland, and Austria, and Eastern Europe. His main areas of activity relate to large-scale transformation programs, as well as strategy, organization, and operations.

Jad Hajj
(hajj_jad@bah.com) is an associate with Booz Allen based in Riyadh and Beirut. He focuses on information and communication technologies and has global experience in strategic and business planning, technology planning, marketing planning, product development, regulations, change management, and operating models.

Michael Peterson
(peterson_michael@bah.com) is a principal with Booz Allen based in Munich. He focuses on information and communication technologies with particular emphasis on strategic planning, marketing and sales planning, Internet business models, and industry-level disruptive trends and insights.

Ghassan Hasbani, **Christina Marsch**, and **Karim Sabbagh** also contributed to this article.

own blogs, as Sun CEO Jonathan Schwartz has done with Jonathan's Blog, or Southwest Airlines has done with Nuts About Southwest.

Schwartz's blog receives some 50,000 hits per month, and each post generates dozens of comments from existing and prospective customers, as well as shareholders. Southwest's blog has received more than 6,300 comments since it started in April 2006, in response to little more than 250 posts. And Southwest says that it has adjusted its approach to assigned seating and advance scheduling as a direct result of customer feedback on its blog. By actively participating in online conversations, these companies are engaging with their customers and demonstrating that they care about their opinions — which gives them a fair shot at influencing those opinions.

2. Web 2.0 is fragmenting marketing channels. The explosion of blogs and social networking sites — some 100,000 new blogs launch daily — is breaking already-fragmented marketing channels into even tinier pieces. Visitors to the Web no longer start at large portals like Yahoo, AOL, or MSN; rather, they go straight to niche communities and Web sites catering to their specific interests.

But fragmentation has its upside, offering companies a shortcut to highly desirable demographic groups. Want to reach mostly female animal lovers? Advertise on Cuteoverload.com. Or need to get the attention of professionals with an average of 15 years of experience? Try LinkedIn.com. Moreover, establishing a brand presence on online channels costs a fraction of what it does in traditional media channels. And it allows companies to leverage "consumer evangelists" — those customers who, once captured, undertake their own word-of-mouth marketing campaigns and help a company's customer base evolve.

In addition, companies can take advantage of fragmented channels to perform targeted, inexpensive product research — partly because customers are already using these channels to describe what they love and loathe about companies' offerings. Companies that collect and analyze this data can use it to improve and shorten product development cycles, which in turn can lead to increased predictability of product successes. General Motors Vice Chairman Bob Lutz, for example, author of GM's Fastlane Blog, says that the consumer intelligence he gets from reading the comments on his blog is better than what he's ever received from traditional market research channels such as surveys and focus groups. And he gets it for free.

3. Web 2.0 offers a bullhorn for consumer complaints. Learn from computer maker Dell's mistake: In 2005, it ignored a single blogger's complaint about its poor customer service, only to see that posting set off an avalanche of negative commentary online that eventually reached traditional media outlets such as the *Wall Street Journal* and the *New York Times*. In the months that followed, Dell's customer satisfaction rating, market share, and share price in the United States all plummeted.

Rather than ignoring — or fearing — criticism generated in Web 2.0 forums, companies should seize Web 2.0 tools to respond. For example, when frustrated JetBlue customers launched a blog recounting the hours that the airline left them stranded on the tarmac during a February 2007 storm, JetBlue responded not with a traditional press release but by posting a video apology from its CEO on YouTube. The video was viewed

40,000 times in its first seven days online, during which time JetBlue received thousands of supportive e-mails and phone calls from consumers. In addition, JetBlue was praised by blogger pundits for successfully incorporating social media into crisis communications.

Social media need not set off a panic. Although it's true that companies can no longer count on the power of one-way messaging, it's also important to realize that new platforms carry new potential benefits. Furthermore, building competency with the new platforms is not an option; it's a requirement for any company that wants to ensure its reputation is not hijacked. In the interactive context, traditional marketing campaigns are no longer enough; getting the desired message to the target audience takes vigilance and constant adjustment to the fast-changing communications landscape. ✚

Resources

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