

The elusiveness of social media monetization

We often hear from clients both within and outside of Puerto Rico who tell us that they want to *step up* their social media efforts, inferring of course that an expanded social media presence is a necessary condition for long-term growth. However, very few have well-articulated plans for how they will capture value from their social networking efforts. As a result, it occurs to us at V2A that the ubiquity of social media has led many to lose sight of the fact that it is actually quite difficult to monetize. Although there are many reasons for this, three stand out.

First, social media-enabled business models are by nature new and thus, poorly documented. They are typically driven by advanced data analytics and metrics which are seldom made available publicly. This leads companies that attempt to replicate the business models of others to have to start from scratch. Valuable insights and best practices that enable sustainable social media monetization are lost along the way, and players are left to 'figure things out' through repetitive trial and error.

Second, building genuine online relationships that also generate revenue and value is easier said than done. Facebook pages and thousands of 'Likes' are worthless, in and of themselves, without effective second-order monetization 'hooks' (i.e., what you actually DO with your community of Twitter followers). However, these 'hooks' are often distracting and value destructive, prompting users to sever relationships that are often built on nothing more than brand affinity. Examples include the out-of-context 'virality' ploys of many social games, intrusive display ads, and privacy violations. As such, precious time and capital are wasted on short-sighted social media campaigns that are highly unlikely to generate tangible and sustainable value.

And finally, the mechanics of social media-driven commerce are still not where they need to be. Currently, prospective buyers are required to jump over to iTunes, Google or Amazon to find and purchase products or brands that he or she "discovers" on social media networks. Statistically, this can lead to a drop of as many as 3 in 4 prospective buyers according to Amazon.com research, as intent to purchase is proven to dissipate proportionately with every incremental step that is built into the purchase experience. Accordingly, a more direct leap from brand awareness to transactions will require business models that can enable seamless purchase opportunities (i.e., no more than 2 clicks) at "discovery".

Let's explore this concept further.

Discovery is often said to be replacing traditional search. This is partly due to the belief that product or brand discovery through social or interactive media is expected to yield higher conversion rates (i.e., conversion from explore to find to buy) than pure intent-driven search. Discovery is by definition contextual as it often comes in the form of product recommendations and direct endorsements from people within the customer's social graph. In other words, the origin of a decision to purchase something may be triggered while we're online, most likely because we are actively interacting with or passively observing someone we know (a Facebook friend) or someone we're interested in (following on Twitter). As such, although intent-driven search will never truly go away (i.e., Google search to find specific products), discovery does feel like it could be a powerful 'call to purchase'.

If this is true, then the important question for businesses becomes: how can you position yourself to capture value at the point of discovery?

Discovery will very likely have a big impact on how, when, and why we search. However, what is most relevant is whether or not discovery ends in a transaction. In order for discovery to lead to transactions, social networks that help users discover things by using data to personalize and target information will also have to create strong incentives for users not to jump over to Google to satisfy their intent and find a way to make a purchase. This means allowing B2C businesses to provide a wide range of purchase opportunities that are both efficient as well as non-intrusive. For example, businesses can leverage a network's data mining capabilities to identify 'discovery moments', provide attractive pricing, and possibly store destinations for localized in-store pickup, all value-added prompts that do not interfere with the consumer's social experience.

It is important to keep in mind, however, that large social networks such as Facebook and Google + will undoubtedly wait until they can achieve scale with any explicitly commercial applications, so the full migration from search- to discovery-driven commerce may take a while. Nonetheless, as someone begins to think about a purchase and discovers something to buy, social networks provide strong filters that could influence and accelerate purchasing decisions. Learning about a new product from the right person at the right time within the right context, such as interests (explicit or implicit) or location (mobile), could bring the entire decision-making process online, from discovery to search to payment, entirely within one site.

This is ultimately the real 'social opportunity', and it is arguably unavoidable. As such, those who are left out will lose irrecoverable ground to their more thoughtful and prepared competitors.