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Business Intelligence

From customer loyalty to social advocacy

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Abstract

This paper highlights research into the improved effectiveness shopper insights can bring to social marketing programmes. By targeting known customers through their purchase history and identifying those active and influential in social media, brands can encourage greater levels of advocacy and generate a substantial and long-sustaining lift in sales. The study shows that targeting social marketing campaigns through household-level behavioural data generates more quality advocacy than using demographic or social influence data alone. Advocacy programmes that leverage both shopper and social data drive significant additional purchases of a brand in-store, increasing sales on average by 8 per cent. This sales lift sustains at an average of 4 per cent for 6 months after each programme ends, thanks to residual discussions and the lasting impact of personal recommendations.

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Shopping data underused in social media

Shopper marketing has become the fastest growing segment in marketing, but insights from these programmes are often ignored when it comes to marketing in social media. Social media has a strong influence on consumer purchase decisions, but for many marketers customers are anonymous online. Social media conversations are not connected to in-store purchase activities and loyal customers with the potential to be persuasive advocates are not recognized or engaged in a personal way.

Brand advocates — customers who recommend specific brands to their peers — are a valuable resource for marketers. The detailed product reviews and recommendations they create and share across Facebook, Twitter, blogs, YouTube, Amazon and various review sites influence the purchase decisions of many other consumers.

Many marketers looking to build brand advocacy target potential advocates based on demographic profiles, the brand's Facebook/Twitter followers or social advocacy scores. People identified through these methods may not have a strong connection to the brand, so their

Keywords: social media, loyalty marketing, digital marketing, Facebook, Twitter, shopper marketing

Best customers are often anonymous online

advocacy can lack in-depth personal experience and be short lived, limiting their influence on sales of the product.

Marketers collect extensive amounts of data on customers based on their purchases through retailer loyalty cards. These data enable online retailers to create 'shopper DNA' profiles of each customer that can be used to deliver highly relevant offers and promotions. Targeting offers based on shopping behaviours is far more effective at improving loyalty and growing brand value.

For many marketers, these valuable shopper insights are underused in social media. Social media is the most trusted and the most influential media, but most of a brand's most loyal customers are completely anonymous in social channels. They see the same Facebook posts, tweets and blog posts as everyone else. Word of mouth generated by these customers is not connected to their purchases or to the purchases made by anyone they may have influenced.

Most attempts to build advocacy with social media marketing are organized around the fans and followers of a brand's Facebook page. Yet these followers are not necessarily your best customers. The number one reason people follow a brand on Facebook and Twitter is to get free products and special discounts,¹ so it makes sense for brands to dig deeper.

Targeting people based solely on their demographic profile is problematic because demographic surveys have an inherent response bias. They often represent what people say, not what they actually do. Targeting based on social influence algorithms is an emerging practice, but the best advocates are not always the ones with the most followers on Twitter. Social media celebrities do not usually have a deep connection to a brand or the personal motivation to help others make better purchase decisions. Often, their engagement is shallow and short lived or driven by compensation.

Effective advocates are everyday people whose discussions are based on personal experiences. So it comes as no surprise that loyal customers can be the most effective brand advocates. They have deep experience with the product, are brand loyal and want to help others make better purchase decisions.

Billions of dollars in sales to be won

Advocacy represents a significant business opportunity

Advocacy is important in marketing because consumers trust recommendations from peers and act on those recommendations. Social media is accelerating the rate at which consumers are exposed to this 'earned' media. According to the 2012 Nielsen Global Trust in Advertising report,² the number of people trusting earned media more than other media types has risen 18 per cent since 2007 to stand at 92 per cent now.

Looking specifically at consumer reviews shared online, the study shows that trust in these posts has jumped 15 per cent in that time. This growth in trust of earned media has come at the expense of traditional media. Since 2009, trust in TV has fallen 24 per cent, magazines have dropped 20 per cent and newspapers are down

25 per cent. While word of mouth and recommendations from friends and family has long been the most trusted resource for product information, the evolution of social media has accelerated its credibility.

One national retailer estimates that by encouraging just 10 per cent more of their customers to become advocates, it could reap \$5.3bn in incremental sales. Other studies have quantified the potential impact of brand advocacy, including a 2010 McKinsey Quarterly study³ that found that ‘the digital revolution has amplified and accelerated word-of-mouth reach’, stating word of mouth to be the primary factor behind 20–50 per cent of all new purchase decisions.

Matching buyers to advocates

Research methodology

The programmes evaluated in this study utilized anonymous household-level shopper data from retail loyalty cards provided by dunnhumby. Access to these data enabled the identification of shoppers based on details of their purchase history.

Shoppers were invited to opt-in to programmes where their social media profiles were combined with their loyalty cards purchase profiles. They received product samples and pass-along offers along with activities designed to spread word of mouth among their social circles both in person and online across social media networks.

With a direct connection between shopper and social data, the influence created by the advocacy generated by these consumers across social media sites could be tracked directly to the sales of the product.

The findings in this research are from a retrospective analysis of 11 social marketing campaigns run by BzzAgent in the US and UK in 2010 and 2011 involving over 100,000 consumer advocates. Matched market analysis was conducted by dunnhumby using two test and two control markets for each campaign, and sales were determined using retailer loyalty card data in those markets.

Known customers active in social media are best advocates

Research findings

1. Prior brand or category purchase behaviour drives increased advocacy

Advocates participating in an advocacy programme who have purchased the featured brand in the past generate higher volumes of quality word of mouth about the product. The volume of advocacy from ‘brand buyers’ indexes at 118 compared to all shoppers (see Figure 1).

Even if they have not purchased the brand, a history of purchase activity in the product category is beneficial. ‘Category buyers’ generated a volume of purchase activity that indexes at 111. Advocates with no previous purchase connection to the brand or the category were at an index of 97.

A history of brand purchases shows that the product is highly relevant to the shopper — greater relevance drives higher levels of advocacy.

Figure 1: Level of advocacy activities by targeting segment

Figure 2: Repeat purchase volume by targeting segment

2. Participation in advocacy programmes drives repeat purchases

Advocacy programmes conducted with known customers not only result in higher levels of quality word of mouth, they also help improve their loyalty (see Figure 2). After involvement in an advocacy programme for brands they have previously purchased, more than twice as many advocates targeted by their purchase behaviour made repeat purchases compared to consumers targeted on demographic attributes alone (32 per cent versus 15 per cent).

Demographics are often a primary method of identifying advocates, but the more relevant the targeting, the better the advocacy and the better the retention of loyal customers.

3. Shopper-targeted advocacy programmes lift sales 8 per cent on average

Advocacy within the right group of consumers has a direct and measurable impact on sales of the product. These programmes generated an average sales lift of 8 per cent.

Sales lift was determined using actual store transactions from retail loyalty card purchases. A matched market test was conducted by

dunnhumby between two similar geographic markets. Consumers in the test market were exposed to the shopper-targeted advocacy programme, while consumers in the control market were not. Adjustments were made for market variables (eg price and promotions) and household-level purchases of the product were evaluated to determine the sales lift attributed to the advocacy initiative.

4. Sales sustain 50 per cent of their lift after 6 months

Unlike other traditional advertising and promotions, the sales impact of an advocacy programme sustains for months after a campaign ends. Even after their involvement in a programme ends, advocates continue discussing the product and recommending it to others, influencing a measured sales lift of 4 per cent.

With sales sustaining 50 per cent of their programme lift 6 months later, the longevity of advocacy is highly effective at improving margins and profitability.

Combining purchasing, social scores and demographics works best

How marketers should target consumer advocates

The most effective social advocacy programmes start by focusing on known, active customers and consider social influence scoring and demographic attributes to identify the ideal audience.

Shopper behaviour: The best customer shows a high frequency of visits, repeat purchases and purchases across categories. They are often ‘brand champions’ — the 3 per cent of customers who are responsible for 30 per cent of the sales for most consumer packaged goods products.

Social behaviours: Within this segment of customers, marketers should find brand advocates with the passion and knowledge to influence peers, who are active in multiple social networks, and have larger followings than the average consumer.

Demographics: The third layer of analysis ensures the advocates are in the target demographic profile. While advocates of any age, geography, gender and income can be valuable, those in a brand’s specific target audience are more likely to spread messages to others like them.

Expanding data sets will improve efficiency

Conclusions and future implications for marketers

The dunnhumby/BzzAgent research shows that advocacy marketing programmes that target consumers based on a combination of shopping profiles and social influence generate higher levels of advocacy that increase in-store sales and sustain long after the programme ends.

Moving forward, marketers will require a methodology to target the right consumer advocates as social data grow richer and the web of social media outlets grows more interconnected. Brands that successfully establish these systems will pull ahead of competitors.

The potential of advocacy marketing will continue to grow as we gain a wider yet deeper understanding of how social media activity

affects the behaviour of shoppers. Further, dunnhumby and BzzAgent research will involve the following:

Expanding data sets and establishing category benchmarks for social media engagement so that campaign planning becomes more efficient as the data improve.

Examining additional shopper attributes that correlate with advocacy, enabling a more granular correlation or match between the DNA of a product and the DNA of the customer.

Pursuing methods for integrating social advocacy with trade and consumer promotions and other media channels so that advocacy campaigns can help to inform the entire media mix and understand how and when it becomes the right branding tool.

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