Review

Figaro digital marketing conference

The US$10 billion start-ups

Ever read a news story about the latest dot.com sale and wondered how come it's valued so highly? Take Snapchat, the ephemeral messaging service, which at the time of writing may have been worth US$10 billion if a partial sale to Chinese e-commerce concern Alibaba went ahead. That is for a company that has no revenue base at all. Dropbox, which attracted venture capital funding earlier this year, has a similar eye-watering valuation (and an identical lack of income). At least Airbnb — another member of the $10 billion digital start-up club — can actually claim to have a way to make money, through the fees it charges on both sides of the room rentals it makes possible.

Growth hacking

The rationale for these sky-high prices for companies that may never make a profit is not just a tech bubble causing froth among investors. It stems from an entirely new way of approaching business start-ups that has seized hold along Silicon Valley, called 'growth hacking'. An explanation of its method and thought processes was given by Serge Milbank, joint managing director and co-founder of Stream:20, at the Figaro Digital Marketing Conference held on 17 July.

Cuckoo in the nest

'Growth hacking is being used instead of marketing, because start-ups don't have a marketing budget', Milbank explained. Instead of using paid media to attract and grow a customer base, the objective is to achieve exponential growth through non-traditional methods that are heavily focused on big wins. This often involves behaving like a cuckoo or wasp — finding a useful host to support the business in its early stages and then eventually outgrowing (or even eating) it.

Airbnb

Airbnb discovered a way to post its users' rooms onto Craigslist.com — the largest classified ad provider in the United States — without a formal application protocol interface (API) or partnership agreement. As a result of this philosophy of 'leveraging other people's audiences', it built a user base of 4 million in its first 4 years. Google started life as the provider of search results to Yahoo!, then one of the biggest internet service providers (ISP), for which it was actually paid by the ISP.

Twitter's 'Who to follow' prompts

'Josh Elman, the growth hacker behind Twitter, says the goal is to find active and passionate users, discover their patterns in the data and focus on getting others to do the same things. For Twitter at the start, that meant getting a new user to follow between five and ten people on Day One. Instead of using a conventional customer relationship management approach, it provided a "who to follow" suggestion. Now it is getting people to do 20 to 40 follows on Day One', explained Milbank.

Pirates say Acquisition, Activation, Retention, Referral and Revenue (AARRR)

As a business-building process, this is commonly expressed in the Acquisition, Activation, Retention, Referral and Revenue (AARRR) model (which sees these digital start-ups and their investors jokingly referred to as pirates, because of how it sounds when said out loud). It is obvious at first glance that this stands on its head any conventional wisdom about creating a business with its own income stream. Instead, the goal is to see 'hockey stick-shaped' growth in user numbers, such as the five million new users who joined Airbnb in its fifth year. That is what investors value so highly, rather than looking at a multiple of profit.

Choosing your content track

Milbank's quick primer on growth hacking advised delegates to 'brainstorm ten to 20 ideas, focus on four of them, expect three to fail and anticipate that one of them succeeds'. It is an example of the thought-provoking and challenging content that any conference delegate hopes to hear, but does not often get. Throughout the day, Figaro Digital was filled with a rich blend of such insights, mixed in with new marketing technologists, digital evangelists and established marketers discussing how they are trying to future-proof their business. For a day with two parallel tracks and 35 different sessions, it was very much a case of choosing a personal area of interest and following it as much as possible.

National Trust

For the editor, this meant hearing from established brands how they are responding to the rapidly changing digital and data-rich environment. National Trust is a good example — according to its head of digital, Howard Scott, when researching why people do not join the organization, one respondent said, 'I'm too young for it'. The person in question was aged 67! 'People just see us as a day out, but we are a charity', he explained.

Thoughtful story-telling

Through careful development of its social media strategy, the trust has been building up engagement, with a 200 per cent rise on this key measure, a 300 per cent increase in conversations on Twitter and 20 per cent more organic reach on Facebook. That has required a change in culture and how these channels are used. 'We used to be reactive and only responded when approached by somebody. We didn't plan ahead. Now we test continuously and have new themes for each quarter based on thoughtful story-telling to get across why these places are special to people', said Scott.

Post Office

If a 129-year-old charity needs to remain agile to keep up with the challenges of digital marketing, just imagine what they mean to a business started in 1660. Post Office is facing almost unprecedented change to its market from the rise of digital channels. Chief marketing officer Pete Markey had only had two and a half months to get to grips with the problems at the time he spoke, but was able to unveil a raft of new initiatives. Many of these are intended to leverage the strength of the Post Office retail network combined with new digital ways of doing business.

Human touch in digital channels

'We are the second-most trusted brand in the UK and 75 per cent of the population live within 15 minutes of a branch', he reminded the conference. 'Our main objective is to bring a human touch to the digital channel'. The company's digital presence online is being rebuilt around customer needs, rather than just reflecting the products that Post Office has

to offer. There will be greater multi-channel integration and opening hours will change to reflect when people want to access Post Offices.

In-store postal kiosks

Self-service kiosks are being introduced into branches and already see a significant level of uptake. 'In one branch alone, 24,000 items per week are going through the kiosk. That makes a huge difference to the customer experience, because it makes us more agile and faster and gives customers control', said Markey. 'But there is a lot more we can do with digital postage using online tools or a mix of online and physical. We can also use it to give customers a reason to come into a branch and get a positive customer experience', he said.

Rising numbers of parcels

One shift in favour of Post Office has been the rise in parcel traffic as a result of the explosion of e-commerce. At the same time, this is bringing entirely new competitors into play. One example is a business that offers a picking-up point for orders from online fashion retailer ASOS, complete with changing room — if the item is not right, the company takes care of sending it back, Markey reported.

Demonstrating wrapping on Vine

Post Office is competing strongly on travel currency, which can be ordered online and delivered to one's home, saving the customer from having to visit a branch (or bank). Many of the projects in-hand within the organization were not due to be unveiled until the Autumn, but Markey's presentation made it clear that there is a new enthusiasm and impetus within the business, including embracing social media and digital marketing tools like Vine — seven short Post Office videos on how to wrap unusually shaped items have already been viewed 1.5 million times.

Argos

Argos has reached some similar conclusions about how to continue its own evolution. Already successful with e-commerce, which shares half of the company's turnover alongside catalogue and retail, it is in the middle of a transformation plan to increase the alignment between digital and physical. As part of this, eight 'digital stores' were launched in December 2013, fitted out with iPads, screens and fast-track service. But as customer and digital insight manager James Finch revealed, 'there are no more pens, pieces of paper and catalogues. And where currently you go through two or three staff members before you get your stuff, there you deal with just one and, if you have paid online before collecting in-store, the goal is to serve you within 60 seconds'.

Digital-savvy Londoners

This has required significant investment into everything from the retail fit-out to staff training, but has already generated positive feedback on Twitter and Facebook from 'digital-savvy Londoners', said Finch. 'People are very honest about what they think and we are feeding that insight into the business'.

Channel 4

Channel 4 may only be 32 years ago, but the TV industry is being transformed by digital channels as much as any other, especially with online and on-demand viewing. 'We are seeing a change from one-to-many, ratings-based broadcasting towards digital engagement. That provides us with an opportunity to be more direct and personal', said Sanjeevan Bala, head of data planning and analytics.

Driving incremental ad revenue

Taking registration data from the 4OD online platform, the broadcaster has been gaining a better understanding of how its various brands — C4, More4, E4 and so on — are consumed and the differences between viewers

of each. 'Data also drives personalised email communications, tailored content and recommendations. The benefit to us from that is to drive incremental revenue, through selling more relevant advertising, which we can invest back into programmes', said Bala.

Alan Carr's Viewers' Promise

By offering a 'Viewers' Promise', fronted by comedian Alan Carr, on how personal information will be used, Channel 4 has established a high degree of trust and a sustainable value exchange. As well as the standard opt-outs, the company also offers online users an opportunity to opt out of its behavioural tracking, something not often emphasized by other brands.

Tribal segmentation of youth

Bala noted that in 2.5 years, Channel 4 has gained 10.5 million registrations, giving it information on 50 per cent of all 16–24 year olds in the United Kingdom, out of which it has developed a tribal segmentation of youth culture. This in turn drives targeting, not just of outbound communications, but even of which shows are promoted online within on-demand viewing streams.

30–45 per cent premium

'Our commercial teams have built predictive models for audience demographics which they apply to advertising buys — 15 per cent of all our ad inventory is now traded on this basis. That allows us to charge a premium of between 30 and 45 per cent for ads carried in video on-demand. Those ads deliver three times the level of brand recognition, twice the lifetime value and twice the level of effectiveness of standard ads', Bala told delegates.

Mumsnet

For media owners that are dependent on revenue from advertising, gaining such premiums through the use of data has become essential. When combined with the trust of users, it can be a powerful combination, as Mumsnet discovered. The online parenting forum has an ethical policy about ads on its sites, which sees it refusing Nestlé, pay-day lenders and cosmetic surgery providers. But when Barclays pulled all of its advertising during the LIBOR rate-fixing scandal, Mumsnet was the only publisher it continued to use, commercial director Sue Macmillan explained.

Filling the funnel

While pointing to the value of customer segmentations, especially in the new world of real-time bidding, Macmillan also sounded a note of caution. 'If you just do re-targeting, you will run out of targets. You also need to fill up the funnel', she said. For advertisers with the site, that means using more sophisticated metrics, rather than simple click-throughs. On the basis of a test campaign Mumsnet used, it has discovered that visitors can be exposed to seven ad impressions before they visit a brand's website, on average 0.8 days after the first exposure. 'People do see ads on our site and act, even if it is not a direct click through', said Macmillan.

T-shaped digital marketers

The conference did not just feature major brands explaining their experience with digital marketing and the challenges of optimizing activity. It also provided an opportunity to hear about cutting-edge technologies and methodologies, from social and search through to mobile marketing and retail beacons. That is why, given the demand for digital practitioners to become 'T-shaped' — having a breadth of knowledge of all digital marketing with a deep understanding of specific techniques — the Figaro Digital event has become a not-to-be-missed event on the calendar.

David Reed FIDM