



Advice to direct marketers: let the people do the talking

The explosion of social networking sites has been a boon for direct marketers. For the hundreds of millions of users of Facebook, MySpace, YouTube and so on, they are fun ways to communicate with their friends and make more friends. But for marketers they are huge databases of consumer information.

This information is used increasingly by direct marketers as an efficient and cost-effective way to send targeted promotional messages to customers. But is it the best way?
Peter Zubcsek

Not so, according to new research by Peter Zubcsek, a PhD candidate in management at INSEAD, and Miklos Sarvary, Professor of Marketing.

In fact, they say, using social networking sites this way can lead to significant profit losses for direct marketing firms.

“Current direct marketing techniques are designed to treat individual customers as independent consumption units and generally ignore the structure of customer communication networks,” says PhD candidate Zubcsek. “This is a mistake.”

By targeting the individual members of a network, many direct marketers are missing out on the real potential of social networks -- word-of-mouth communication. A powerful driver of consumer behaviour, word-of-mouth has been recognised as the most effective means of advertising. Ignoring it can be costly, the authors say.

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In their paper, “Direct Marketing on a Social Network,” Zubcsek and Sarvary examine the influence of social networking on direct marketing strategies.

“In my research, I’m trying to summarise a few new techniques that are becoming relevant our understanding of how to do marketing in this new environment where we have social networking sites (and) video sharing sites, where our cell phones are smarter and smarter,” Zubcsek says .

“The question is whether this instant knowledge of the network of people, of how they communicate, whether the technologies and new interfaces of how we talk, should make marketers change their strategies.”

Due to the new technologies a lot has changed, not just for consumers but also for marketing firms and their capability to get the message out. Services such as mobile phone providers can map the entire structure of network connections. And there are ways of discerning who is a sophisticated user of technology and who can use the multiple services provided by a website or mobile operator.

“This kind of differentiation didn't mean anything to

marketing firms 15 years ago because there was no technology to use,” says Zubcsek.

Now it does. For marketers the interesting thing about this is that the network structure maps the communication channels. As a result, they can actually identify the channels for word-of-mouth communication and potentially have a good idea about who is talking to whom and what they are talking about.

But the amount of information that marketing firms can get depends on factors as the type of service and legal regulations in place. But there are ways to get social network users communicating about your brand or product.

“Marketers rarely look into what gets communicated except for when they use memes,” says Zubcsek, who also has an advanced degree in technical informatics from the Budapest University of Technology and Economics.

Memes are chunks of user-generated content such as a picture, message or a viral video. They are an effective way to generate word-of-mouth across a network.

“For example, a viral video is intentionally created not only to see how it propagates across the network but actually to propagate information in the network,” he explains. “So very often humorous videos contain references to brands that they want to get attention for, and as the viral video travels, information also travels on network.”

The effectiveness of this method depends on how viral the message is. Humorous videos have a high degree of virality and so will be shared by many more people than one that only contains the brand reference. As a result, a funny video has the potential to spread a marketing message great distances across a network.

Except for the cost of creating the video and launching it, direct marketers invest far less by using word-of-mouth techniques such as this, compared to sending customised, private messages to every subscriber in a network.

“They will save money by not sending those messages, and they will actually gain on the revenue front because they will probably get a better response by the word-of-mouth messages than the direct marketing messages,” says Zubcsek. “Ignoring word-of-mouth can lead to significant profit losses for direct marketers. What they should do instead is let the people do the talking.”

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