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Opinion piece: Web 2.0: Profiting from the threat

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Introduction

By all accounts, Web 2.0 — the second generation of web-based services and communities that emphasise 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 behaviour 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 per cent 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 behaviour 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.

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, television 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.

Web 2.0 offers limitless opportunities for companies to engage their customers

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

Blogs

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.

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 websites catering to their specific interests.

Fragmentation has its upside

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 analyse 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.

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.

Web 2.0 allows companies to respond to criticism

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.

New platforms carry new potential benefits

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 realise 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.

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