

Building Online Communities in an Economic Downturn

A Reality Digital White Paper

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Social Media Marketing: Now More than Ever

Times are tough. With the economy in a tailspin, companies are hunkering down, guarding their bottom line, cutting costs and laying off workers. Despite the challenges, companies can't afford to risk losing customers. Now more than ever, they need to adopt compelling brand strategies to win customers and differentiate themselves from the competition. In other words, they need to do more with less. And just when they've got it figured out—that marketing matters in a down economy—they're faced with the reality that the same old channels for communicating their messaging simply don't work like they used to.

For decades companies have focused their advertising, marketing, and promotions strategies on delivering the right message to the right audience and leveraging a limited number of well-established communication channels, like TV or print, to foster an enduring bond between their brands and customers. But these tried-and-true strategies alone won't help companies get ahead in today's world.

Consumers are actively looking for ways to add their voice to online discussions, turning away from traditional communication channels in increasing numbers and instead preferring to engage directly, using online social media. Social media describes all the various ways consumers interact with one another and with the brands they care about in online communities, including blogs; forums; video, audio, and image sharing; user-generated content (UGC); video remixes; mobile participation communities; and more.

To remain relevant, companies must tap into the power of social media networks to enhance and extend their existing marketing campaigns. Brand-sponsored or brand-created social media sites create compelling new avenues for brand loyalty and customer interaction. These communities allow the marketer to communicate clearly, regularly, and honestly with consumers, while at the same time improving the brand identity and creating a level of interest and trust.

New Media for an Old Habit

The impetus behind social media is nothing new. For centuries people have counted on the advice of family, friends, and communities when making buying decisions. So despite the best efforts of even the most experienced marketers, relationships between customers, rather than relationships between customers and brands, have always been at the heart of all successful marketing efforts. Mega-hit author and pop psychology guru Malcolm Gladwell put it best: "The most successful ideas are those

that spread and grow because of the customer's relationship to other customers, not the marketer's to the customer."¹

A recent Forrester Research survey of Internet users in Europe found that when it comes to selecting a new product or service, consumers trust the opinion of family, friends, and colleagues more than any other source of information: 71 percent of respondents said they trusted their friends and family the most; 39 percent said they trusted a manufacturer's website; and 33 percent trust a retail website.² Companies can no longer claim complete control over the communication path between brands and consumers. And smart companies know that unless they enlist their customers to be autonomous advocates for their brand, they're fighting an uphill battle for recognition.

Peer-to-peer communication proliferated dramatically with the advent of the Internet. Consumers began communicating with one another using everything from Usenet groups and bulletin boards to emails and instant messaging. More recently, the scope and intensity of this social activity has increased exponentially. Ubiquitous broadband connectivity, commoditized storage, low-cost digital cameras, and new consumer communications technologies have all helped open the floodgates and unleash a torrent of online content creation and social collaboration. No longer restricted to personal computers and the Internet, social networks today are branching out to encompass mobile devices, gaming platforms, and GPS applications. Even traditional media, such as radio and television, are retooling themselves to accommodate social media dynamics.

Fast Facts: The Growth of Social Media

The growth of social media as a communications tool is staggering:

- A recent study from the Pew Internet & American Life Project found that the share of adult Internet users who have a profile on an online social network site has more than quadrupled in the past four years, from 8 percent in 2005 to 35 percent in December 2008. The study points out that adults make up a larger portion of the U.S. population than teens, which is why the 35 percent figure represents a larger number of users than the 65 percent of online teens who also use online social networks. However, younger online adults are much more likely than their older counterparts to use social networks, with 75 percent of adults 18–24 using these networks, compared to 7 percent of adults 65 and older.³

- Juniper Research predicts that the number of active users of mobile social networking sites will rise from 54 million in 2008 to nearly 730 million in 2013.⁴
- eMarketer estimated that in 2006, UGC sites attracted 69 million users in the United States alone, and in 2007 generated \$1 billion in advertising revenue. By 2011, UGC sites are projected to attract 101 million users in the U.S. and earn \$4.3 billion in ad revenue.⁵

Clearly, the next generation is already bypassing the corporate voice, preferring to speak directly with each other.

With consumers moving from a passive to an active relationship with brands and entertainment, the impact on traditional advertising strategies is potentially enormous. Not only does the social media ecosystem fragment established mass-media audiences, reducing the reach and effectiveness of traditional advertising, it also largely circumvents time-honored promotional channels, such as television and print. Consumers are more likely to go online or reach out to a peer or a friend, to interact with a like-minded stranger, or to get information about a product or service. As evidence, Forrester Research predicts that ownership of DVRs, which allow viewers to skip ads, will grow to 55 percent of North American households by 2011.⁶

Huge Opportunities for Companies That Can Adapt

Mass media and its associated advertising models will not go away overnight, but companies that are to survive, particularly during an economic slump, will find ways to adapt to an environment in which the consumer is the primary creator and distributor of content. For those who can adapt, the financial opportunities, as well as the opportunities in establishing or increasing brand equity, can be enormous.

Properly done, social media marketing can enhance a company's brand and transform its relationship with its customers. It can help:

- Expand the reach and relevancy of a company's marketing efforts
- Better position a brand within its current market and open doors to new markets
- Drive improved customer relationships, better brand reputation, and increased sales
- Gain a better understanding of emerging issues and trends
- Manage a brand's reputation and subvert potentially damaging rumors

- Get access to better competitive information
- Enhance product development and improvement efforts
- Discover new ways to monetize brand assets and related content in a fully brand-safe and media rich online community

Ultimately, social media enables companies to create interest and trust in their brand, while increasing revenue. It also allows them to communicate clearly, regularly, and honestly with consumers. The end result is a better product, a stronger brand, and happier customers.

Perceptions Slow Adoption

According to a Coremetrics survey of marketing professionals, 78 percent of surveyed marketers see social media marketing as a way to gain a competitive edge. Yet just 7.75 percent of total online marketing spend is devoted to social marketing.⁷

It's not surprising that many agencies have cold feet. The social media space can feel a lot like the Wild West. It can be risky or at the very least, expensive, when it's not done right. Tight budgets no doubt reign as prime barriers to adoption today, but other factors, such as a lack of expertise, confusion, and fear, also play a role.

It's the Economy, Stupid

Almost all companies understand that marketing in a bleak economy isn't a discretionary expense. They know that economic downturns can also deliver opportunity, and that creative marketing strategies can help get them there. But are they willing to allocate part of an already slim budget to a strategy that involves jumping head first into cutting-edge communications channels? Most companies just say no.

Companies should remember, however, that creative strategies, particularly in tough economic times, are more important than ever. Even as their budgets are shrinking, they can't afford to lose market share when consumers are already holding back. Companies and their marketers must make the most of their budgets by adopting creative strategies that rise above timeworn approaches and attract attention. It may feel risky, but the alternative may mean watching your hard-earned brand equity evaporate.

Lack of Expertise and Limited Resources

Few companies are set up to implement and manage a social-media marketing campaign without help. Even companies that understand the social media sphere inside and out often lack the time, experience, money, resources, or technology to launch, scale, and maintain a social media campaign entirely on their own. So in a sense they're right to hold back—social media can be risky and expensive if it's not done right.

As evidence, a recent Deloitte study of more than 100 businesses with online communities found that most corporate UGC sites failed to gain significant customer interest:

- 35 percent of the online communities studied have less than 100 members; less than 25 percent have more than 1,000 members.
- Close to 6 percent of these businesses spent over \$1 million on their community projects.⁸

Companies are also right to be concerned that they put their brand at risk when they venture into the social media sphere. It is easy to be caught unprepared by the speed and intensity with which a nasty rumor, an obscene parody, or a malicious “brand-jacking” can spread across the Internet and beyond. An innocent mistake can have significant consequences and will leave traces that won't easily be erased. However, when done right, the rewards can be huge. There is no substitute for expertise in the social media realm, so finding a partner that can help navigate the waters is critical.

Confusion and Fear

For many companies, the social media space is so complex and diverse that they don't know where to start. Do you invest in advertising on existing social networking sites? Build your own social media website? Attempt to leverage existing technologies to launch a viral, word of mouth campaign? Or implement some combination of all three? The confusion is compounded by the fact that return on investment for social media is still developing. The outcomes of social media campaigns do not always conform to traditional industry metrics for measuring effectiveness or ROI.

Effective social media marketing also requires companies to sacrifice a certain level of control in order to enter into a more genuine relationship with customers. Many companies are reluctant to do this and are further deterred by the perception that social media lacks security and transparency. They fear their brands could be damaged by their association with inferior content, obscenity, defamation, threats, or illegal behavior. Other companies are afraid their brands will be diluted in a diverse social media environment.

However, a well-structured and managed branded hub can provide all of the benefits of the social media experience with few, if any, of its pitfalls.

A Viable Social Media Strategy

To provide genuine value to the consumer, companies must build a genuine community, a place where people will want to spend their time. True social media marketing is based on encouraging consumer-to-consumer conversation and creativity, and providing an environment in which people are eager to engage. This approach provides an ideal platform to promote the unique value of a brand and a means to monetize brand assets through a combination of advertising, subscriptions, or purchases.

The Wrong Way to Do Social Media Marketing

There are many ways to implement a social media marketing campaign, but not all of them are equally effective. Here are some typical missteps:

- The biggest mistake is to try to apply “old media” approaches to the new ecosystem. For instance, simply splashing a banner ad on someone’s MySpace page is not social media marketing. While social media can provide companies with many new opportunities to monetize content and associated brand assets, consumers will reject such approaches as intrusive and opportunistic if they are done in ways that seem out of touch with the conversational dynamics of the community.
- A common approach to social media marketing is to actively promote and monetize the brand through existing mass aggregation social media channels, such as Facebook, MySpace, and YouTube. The problem with this strategy is that a company runs the risk of diluting its brand and relinquishing brand stewardship to a network that may not share the same values. It may target the wrong demographic or encourage activities that conflict with your brand identity. Most existing networks offer some tools for monitoring, but these are often quite limited. Even if the network does represent a good match today, nothing is stopping its operators from introducing features and/or messaging that conflict with your brand.
- Some companies choose to build their own social media site, but end up with a branded “microsite” that emphasizes one-on-one interaction with the brand rather than fostering true consumer-to-consumer

communications and synergy. This is a safe but often ineffective approach that is unlikely to produce true network effects or derive significant consumer insight.

- Companies can also go wrong by failing to offer anything of genuine value or interest to the consumer. Many “so-called” social media marketing sites are so focused on promoting the brand that they have forgotten that the message will not be shared unless it is seen as being intrinsically valuable to the consumer—it must be genuinely useful, funny, entertaining, or educational.

A company’s hosted community must provide a place for visitors to be entertained and to engage with other users via interesting content and structured activities. Properly moderated online contests and polls, for example, can be particularly effective ways to generate new brand messaging and entice consumers to become more active participants in the brand experience.

A branded community must also provide information that is comprehensive, accurate, and up-to-date so that consumers feel like they’re getting reliable information, which builds their trust in the company and its brand. Finally, it should provide the structure for a genuine and honest conversation that extends across the web and beyond. It can include a presence on existing social media sites, traditional media, or even sponsored offline activities.

A Well-Managed Hub: The Host Rules

Despite the fact that companies must encourage honest and genuine conversation on their sites, they don’t need to let it get out of control. An effective, social media site should not be a free-for-all. Good moderation is essential. Think of it as a dinner party in which the company is the host. Guests are free to speak their minds, but certain topics may be off limits as far as the host is concerned. If a guest broaches a topic in a way that is the equivalent of drinking too much and smashing the china, the host should by all means send the guest packing.

Taking A Team Approach

As critical as it is to have an effective social media strategy, companies shouldn’t have to do it alone, and these days, most cannot afford to. Developing such a

strategy requires an expertise in the software, a design team, and technology providers for specific site elements. Most companies or their agencies aren't equipped to launch such initiatives without heavy investments in additional personnel and technology infrastructure, and in today's economy, making these types of investments simply isn't feasible for many businesses.

Enter a new business model: a team approach, where companies, their agencies, and design shops work in tandem with technology providers to get to market faster and more cost-effectively with less business risk. It works something like this: An experienced technology partner develops and hosts a custom community that serves as the "home base" and launching pad for all a company's social media efforts. This type of arrangement utilizes software-as-a-service (SaaS), which enables companies to simply use the technology hosted by the provider, rather than having to build and manage it themselves.

Best Practices for a Healthy Social Media Partnership

To ensure a solid social media partnership between an agency and technology provider, keep in mind these best practices:

- Co-selling, or at least co-planning, should occur at an early stage in the process. This way, the customer, agency and vendor expectations are effectively set and achieved. To begin with, the agency and social media platform provider should meet and fully demo product capability, creative sensibility, and past work so that both sides are familiar enough to give a good top-level overview. Bringing the technology partner into the first client meeting following the pitch assures that the project is set up appropriately from the beginning.
- Clearly delineate each party's strengths and limitations. Clarifying the areas of project ownership, responsibility and timelines is essential as well. In a team approach, it is necessary to have a clear leader for each company at the table, and one person has to take ownership for the overall project management.
- Regular client meetings must include both parties. This is essential when addressing expectations and delivery. The most successful projects are led by project managers at the agency and at the technology provider, and include weekly meetings with the client and other third parties. Weekly meetings that document what has been delivered, outstanding issues, and responsibilities ensure that issues

are uncovered quickly and expectations are met or reset with limited trouble.

- Evaluate each product post-mortem. This allows the partnership to improve with each client engagement. Evaluating how to improve the process will result in stronger teams all around.

These practices ensure ongoing and transparent communication between all parties.

The Benefits of Working with a SaaS Provider

SaaS providers offer a unique value proposition to companies: The provider owns and manages the business risks of developing and maintaining stable software, which frees the company to focus on what it does best—building and communicating its brand value.

SaaS provides several benefits that are particularly attractive in tough economic times:

- No capital expenses. Companies don't have to invest in hardware or software, since the provider rents the use of the applications through Web-based delivery.
- Variable cost. Costs rise only if usage grows, so if an initiative is unsuccessful, the company won't accrue huge losses.
- Scalability. Companies don't have to guess how much system capacity they need or which technologies to use. The provider makes those decisions and can spread the costs over a wider customer base.
- Faster launch campaigns. Because a provider hosts all the technology, companies can take advantage of emerging trends much faster than they could if they were building the solution themselves.
- Fewer IT personnel. The use of a SaaS provider often means that a site build and its annual operations cost is less than the cost of one single internal resource!

With lower up-front costs, a scalable pay model, and the ability to launch campaigns within weeks, social media SaaS providers are key to navigating scaled-back budgets while still providing high-impact initiatives that companies want. Companies can provide their own creative, or use their trusted agencies for a dynamic front end, while leveraging the SaaS provider for the heavy lifting. Creating a good marriage between

an agency and technology provider results in a partnership that can deliver cutting-edge social media campaigns in less time, with greater success and with greater ROI all around.

Such an arrangement is a far more efficient and cost-effective approach for companies than trying to build a social media environment from scratch.

Reality Digital: An Experienced Social Media Partner

Since 2003, leading global brands in media, entertainment, sports, travel and retail have relied on Reality Digital to power their social media initiatives (see Reality Digital's customer case studies and testimonials on pages 16 - 17). At a time when the concepts of UGC, online video and social networking were in their infancy, Reality Digital was there as a pioneering technology provider and industry expert, partnering with early adopters in what would become the social media movement.

Reality Digital helps businesses develop brand recognition, promote audience engagement and generate revenue through white-label social media solutions that build custom online communities. Whether companies are looking to engage in dialogue with consumers in a UGC community, drive brand recognition and engagement through an interactive contest, or increase revenue with a branded campaign, Reality Digital offers SaaS solutions with complete media management, community features, and administrative tools to address all business needs.

Companies can design and implement Reality Digital's hosted media-sharing and social-networking platform on their own using Reality Digital's API, or they can use their own designs and Reality Digital's in-house development team to implement the platform via Reality Digital's framework. In either case, the software can support the most rigorous of Web communities or intensive video upload and sharing within a business context.

Today, over 150 enterprise-scale sites later, Reality Digital continues to power some of the most recognizable and trafficked social media properties on the Web. With the experience gained from these projects, customers can count on rock-solid technology, proven business expertise, and industry best practices gleaned from years of refinement and innovation.

From consultation and implementation to launch and ongoing support, Reality Digital is there every step of the way to strategize and partner with customers on their social media initiatives.

Social Media: Doing More with Less

Times are tough, and dollars count now. But a down economy also delivers opportunity. Social media initiatives help companies create interest and trust in their brand, have an open dialogue with consumers, and increase revenue. Social media also demands a significant level of technology expertise and resources. As a SaaS provider and partner, Reality Digital helps companies deliver high-impact social media initiatives with lower up-front costs, a scalable pay model, and the ability to launch campaigns within weeks.

Those who are willing to take the risk end up with a better product, a stronger brand, and happier customers.

Reality Digital Products and Services Overview

All Reality Digital products are built off of the core Reality Digital Opus platform which is rich in digital media capabilities, scalable to meet the most-demanding user generated content, and enhanced with the latest social networking capabilities.

Opus Platform

Reality Digital Opus is a full-service, white-label social media platform for enterprises and agencies enabling them to build highly-customized, fully-branded online communities. Customers have access to a complete solution comprising of professional services, design integration and business consulting which is complemented by a dedicated support team and service-level agreement (SLA) offering the highest industry uptime.

Available for brand new web properties or integration into your existing site, the Opus Platform offers seamless integration of highly customized designs, an extendible feature set for unique and tailored functionalities, and the flexibility to integrate with your existing technology and partners.

Opus API

For businesses and agencies that want more control over the end product and have the resources and technical expertise to integrate the technology, the Opus Platform is available as an application program interface (API) with select digital media management and social networking features.

Harmony

Reality Digital Harmony is a self-service, white-label social media platform for small to midsize businesses enabling them to build, configure and monetize an entry-level online community. Customers can quickly and easily build an online community site themselves with a comprehensive media and social networking feature set.

Harmony's Drag 'n' Drop UI allows site owners to immediately change the site's look and feel themselves by dragging and dropping configurable social media widgets anywhere on the page. A fully branded site is possible via 100% control of CSS. Advertising is also self-serve by adding ad widgets using any third party

ad provider and the customer keeps 100% of the ad revenue. Harmony offers full access to support documentation and daytime phone support.

Adobe Premiere Express Service

Adobe® Premiere® Express Service is an easy-to-use, in-browser, online video editor based on Adobe Flash® technology that is fully integrated with the Reality Digital Opus platform and hosted entirely within your website environment. With Adobe Premiere Express Service, end-users can create their very own remixes by combining video clips, audio, photos, graphics and transitions with drag-and-drop ease, and share them with the community.

This premium service is available for customers to create contests, video highlights reels, mash-ups and more, to drive audience engagement and increase site stickiness.

Consulting Services

Reality Digital also offers consulting services to guide you through strategy, implementation, and management of your social media initiatives.

Social Media Consulting

Take advantage of years of industry knowledge in social media, video broadcast, asset management, and professional services. The Reality Digital team can work closely with you to develop your social media strategy, drawing upon proven experience with industry best practices, business expertise, and sound legal advice.

Design

Reality Digital has in-house design services for small- to mid-scale projects and can consult on user interface designs and workflow or develop a design concept.

Engineering

The Reality Digital engineering team project manages and executes the implementation of the Opus platform in your project. The team can also work with you on development and configuration of the platform's standard feature set and/or integration with relevant third-party platforms to meet your specific business requirements.

Moderation

Reality Digital has extensive experience with moderation strategies and can show you how to navigate legal and workflow issues that are involved in developing moderated, brand-safe online communities.

Monetization

Many businesses are searching for ROI on their social media initiatives. Whether through integration of advertising, eCommerce, or other models, Reality Digital can assist you with developing your monetization strategy based on real-world experience and industry best practices.

Customer Case Studies and Testimonials

MTV News You R Here

MTV News approached Reality Digital for an online destination that would allow attendees at the 2007 music festival, Lollapalooza, to upload videos and photos of their experiences at the event to a site where fans at home could dynamically share in the experience in real-time.

To manage process and legal hurdles, Reality Digital developed an elegant workflow solution that managed user registration, legal release, and property rights, all via mobile phone during the upload. The Opus platform's rich moderation tools then allowed MTV News to review uploaded material and ensure they met content and copyright standards before publishing to the site. Fans at home were then able to catch all the action as it happened at the festival.

What was originally a one-time event, You R Here has outlived its original charter and continues to be used as a mechanism for MTV News and citizen journalists to share and report on live events in an immediate and dynamic way.

“We wanted to get into the UGC space quickly. As in, yesterday. Reality Digital shared our values, understood our mission, and helped us develop a turnkey set of mobile and web-based tools. Our You R Here site went live in record time, and rocked out of the box.”

—Benjamin Wagner, Vice President, MTV News

Sears Arrive Lounge

WhittmanHart Interactive needed to launch a two-month campaign for its client, Sears, which would introduce kids to Sears' latest line of back-to-school clothes. A social media site would tap celebrity icon Vanessa Hudgens to promote the clothing line in a video shoot and encourage kids to engage with the content and purchase clothes featured in the shoot. This provided a unique Web 2.0 shopping experience for youth consumers.

To power the site, WhittmanHart turned to Reality Digital for its Opus social media platform and its unique Adobe Premiere Express Service which allowed teens to remix video clips from the shoot, enter a contest and publish them to social networking sites like YouTube and Facebook. With total access to Reality Digital's

easy-to-implement API and design guide, WhittmanHart's design team had the tools they needed to add social media functionality to the Sears site within a few weeks and well ahead of its demanding delivery schedule.

“...your team has been great throughout the entire, often times difficult project, and I have nothing but praise for Reality Digital.”

—Joseph Rich, Program Director, WhittmanHart Interactive

NFL Replay Re-cutter

The NFL was looking to maintain their extraordinary bond with fans between games and beyond the 18 weeks of the regular season. By implementing Reality Digital's Adobe Premiere Express Service into the NFL site, fans were given an opportunity after each week's game to remix their own highlights reels, online and directly within the browser, and share them with other fans. In the off-season, an otherwise dormant highlights archive became the fans' playground for cutting their favorite moments from their favorite teams.

Start to finish, the project only took a few weeks to design, build, and launch and because of Reality Digital's proven, stable platform, the NFL was able to meet tight seasonal deadlines and launch with the confidence that the site would perform as promised from game one.

Dreyer's Dibs Film Festival

To promote the launch of Dibs, a new, bite-sized treat from Dreyer's Ice Cream, Dreyer's hired Tracey Locke, ID Society, and MTV Networks Digital Fusion to develop an online campaign to promote and build brand identity for the product. An online community would allow users to upload their own videos promoting Dibs, remix those video clips with content supplied by Dreyer's, and submit their Dibs “commercials” in a contest where people could vote via widgets on social networking sites.

Digital Fusion brought Reality Digital on to build the site and draw upon its expertise in the social media industry. Reality Digital took on the role of project manager, corraling the many players in an effort that resulted in a unique 3D animated Flash site that seamlessly integrated the Opus platform's community features with the Adobe Premiere Express Service's online video editing tool. With Dibs, the Reality Digital team also showcased its ability to guide unfamiliar agencies through the learning curve of designing a site for dynamic data and social media.

Learn More About Reality Digital

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Notes

¹Unleashing the Ideavirus, Seth Godin; forward by Malcolm Gladwell. – 1st ed., Hyperion, 2001

²Forrester's European Technographics® Online Media, Marketing, and Retail Survey, Q3 2007

³Pew Internet & American Life Project, December 2008 survey

⁴"Mobile User Generated Content; Dating, Social Networking & Personal Content Delivery 2008–2013," Juniper Research, September 2008

⁵"User Generated Content: Will the Web 2.0 Pay Its Way?" eMarketer, June 2007

⁶Forrester's European Technographics® Online Media, Marketing, and Retail Survey, Q3 2007

⁷Second Annual "Face of the New Marketer Survey," Coremetrics, October 2007

⁸"2008 Tribalization of Business Survey," Deloitte Consulting, August 20, 2008