Trending now: The Web 2.0 data monetization opportunity

People from all segments and geographies are spending numerous hours online, publishing huge amounts of data. Never before has so much unbiased and timely information been available for those able to translate data into a basis for making commercial decisions. Some are already taking advantage of this.

Web 2.0 is dramatically transforming how consumers communicate and relate to others. A recent survey conducted by McKinsey among Internet users reveals that in countries where social networks are used heavily, more traditional means of communication (such as e-mail, SMS, or telephone) are used much less. Spain is one example of this shift, where up to 50 percent of respondents (depending on the segment) are active members of social networks (Exhibit 1).

Such networks are often open, giving marketers masses of data to leverage for greater insight into consumer preferences, brand affinity, or desirable features of a new product. It can even be used to manage customer satisfaction. To offer some idea of the amount of information available: 75 percent of households in the developed world are online, 55 percent of adults have a profile in the "cloud," and 21 percent publish in blogs.

Some might argue that powerful tools for understanding consumer behavior have been around for a long time; and they would be right – but never on this scale, so topical, and at such low cost for gathering data. In the past, marketers' options to understand customer preferences in the product development process were limited to two main options. Traditional market research is always biased to a certain extent by factors such as

overclaim. For instance, respondents are up to twice as likely to be neutral or positive about a certain brand if interviewers wear any logo of the brand being surveyed than if they do not. The other alternative is to wait until consumers had bought the product to analyze their behavior – which is clearly too late.

Social media can completely transform this traditional approach to consumer research. By monitoring what is said about a brand or a product in social networks, a marketer can gain unbiased information. Even if posting on an open network, customers do not feel observed, so they do not skew their behavior. Furthermore, this information is close to real time (from the vast information flows overnight), at scale (with much larger samples), and at much lower costs.

Using social media along the value chain

Social media is not just useful in fostering product sales. Its power spans product development throughout the different phases of integrating customer feedback, brand positioning and health along the customer decision journey, defensive actions, all the way to customer service and satisfaction.
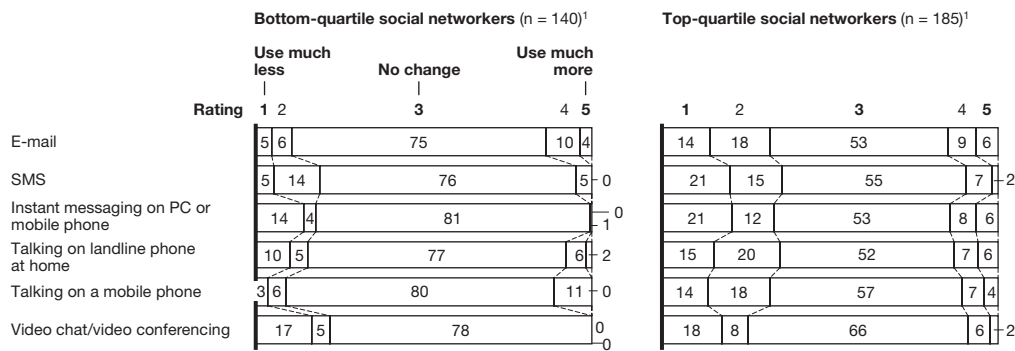
Social media can serve, for instance, to monitor brand health. Here, it is possible to compare the evolution of key brand attributes and distinguish between unprompted responses (buzz) and prompted responses (surveys) on a monthly basis.

Beyond this, social media can also improve customer care. BestBuy uses its Twitter page, where it has enrolled

01

Social networking is driving polarization in the use of other communication means

How much (if at all) have social networking sites caused you to change the amount of communicating you do in other ways?
Change in time spent because of social networks
Percent of respondents by quartile

Bottom-quartile social networkers (n = 140)[1] Top-quartile social networkers (n = 185)[1]

	Use much less		No change		Use much more						
Rating	**1**	2	**3**	4	**5**	**1**	2	**3**	4	**5**
E-mail	5	6	75	10	4	14	18	53	9	6
SMS	5	14	76	5	0	21	15	55	7	2
Instant messaging on PC or mobile phone	14	4	81	1	0	21	12	53	8	6
Talking on landline phone at home	10	5	77	6	2	15	20	52	7	6
Talking on a mobile phone	3	6	80	11	0	14	18	57	7	4
Video chat/video conferencing	17	5	78	0	0	18	8	66	6	2

1 Defined by bottom-/top-quartile minutes of use for browsing/posting on social networking sites and Twitter searches/postings on computer
(only respondents with more than zero minutes of use, different sample size results from randomly assigned survey paths)

SOURCE: McKinsey European iConsumer survey, 2010   SPAIN

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most of its employees to respond to users' questions. The average answer time is 15 minutes, and each question receives an average of 1.4 replies.

The potential – and power – of social media is enormous. A recent example: Gap, the apparel player, redesigned its logo in early October 2010, part of a planned brand overhaul. The change lasted literally less than one week, since the public expressed their dislike of the new brand. A dedicated Twitter account amassed over 5,000 followers, and a "Make your own Gap logo" site was created. Monitoring the drama closely, the company decided to withdraw its decision and return to its previous look and feel. Gap's North America President announced the decision in a press release on Facebook: "We recognize that we missed the opportunity to engage with the online community." A turning point in terms of learning – for many more companies than just Gap.

Another example of how to use social media to manage customer satisfaction is Comcast, which uses the Web site comcastmustdie.com to respond to customer complaints. To date, Comcast has resolved over 13,000 technical concerns on this Web site via online engagement. The operator posts claims resolutions (and apologies) directly on sites dedicated to angry customers. As a consequence, Comcast's sentiment scores have improved, especially in the service arena. Similarly, Southwest

Airlines uses its Twitter account to offer to contact customers and remedy their complaints.

One more example from the product development phase focuses on scouting the Web to identify the success factors of mobile applications. Web monitoring gives operators insights into which handsets and applications are considered the "hottest," and also enables them to visibly include the attributes that generate the most buzz in their marketing campaigns. The NM Incite Applications Scan from July 2010 showed, for example, that installation and setup are among the features discussed most frequently, so it is critical to make sure customer experience with them is good.
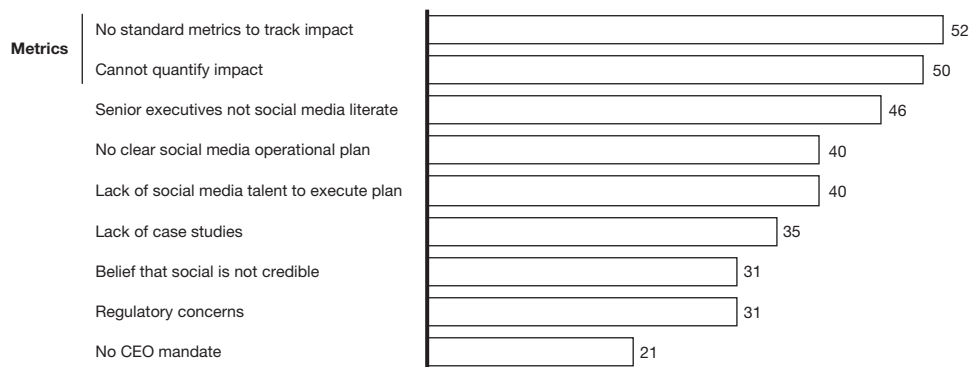
Capturing the opportunity

The opportunity is clearly huge, but McKinsey experience indicates that capturing it will require a significant shift in how companies approach the Web. A recent survey of executives on the key barriers to using social media as a source of value in the organization (the NM Incite Social Media Summit Survey) revealed that correct, reliable metrics are the essence, but a new mindset and capabilities will prove vital as well (Exhibit 2).

Separating the wheat from the chaff. Measuring buzz in social media is not a simple operation. A recent analysis

02 Metrics and mindsets are the main barriers to using social media

What are the main barriers to further using social media across the organization?
Check all that apply
Percent of respondents

Metrics	No standard metrics to track impact	52
	Cannot quantify impact	50
	Senior executives not social media literate	46
	No clear social media operational plan	40
	Lack of social media talent to execute plan	40
	Lack of case studies	35
	Belief that social is not credible	31
	Regulatory concerns	31
	No CEO mandate	21

SOURCE: NM Incite Social Media Summit Survey (n = 48)

shows that up to 50 percent of it can contain completely unusable information, whether spam, self-promotion, or pointless babble. But the other half can have a significant influence on sales and product uptake – between 20 and 50 percent, depending on the product. This information is mainly focused on conversations, news, or pass-along (retweets). Converting online conversations into meaningful metrics requires tracking a number of specific elements:

■ Volume of mentions. Number of comments relating to a specific brand, for example, and the number of individuals talking about the brand

■ Sentiment. Overall tone of the comments via the classification of keywords

■ Topics. Features and words that are associated with the brand

■ Reach. The size of the audience viewing the blog or the comments

■ Placement. The number of communities in which the buzz is taking place

■ Influence. The ability of individuals participating in the forums being analyzed to create buzz

■ Advocacy. The attitude of online participants toward the product. Are they advocating it or espousing a negative opinion?

Instilling a new mindset and new capabilities.
Numerous mindset and skill barriers also prevent companies from embracing social media as they should, and this starts at the very top. Best-in-class companies

NM Incite

Sifting and calibrating such sheer volumes of data seems insurmountably complex. Still, solutions are developing as new specialist companies in this field emerge. NM Incite is one. This company was created to address corporate needs surrounding social media intelligence. Jointly owned by Nielsen and McKinsey, it has codeveloped proprietary technology for analyzing social media, leveraging billions of (open-site) conversations per year across 120 million blogs, message boards, customer reviews, and social networks. Its coverage breadth and depth across 14 countries and growing continuously has already established it as the market leader in enterprise social media monitoring and analytics.

appoint a dedicated customer digital insights manager. In the NM Incite Social Media Summit Survey, 20 percent of respondents confessed that no one at the company had been allocated to this, while another 63 percent replied that there were "many people in charge." Likewise, the reporting lines were outside the traditional marketing, communications, or customer insights function in almost 40 percent of the cases. Ideally, a specific manager will be assigned to supervise all relevant digital information and developments, integrating and directing the insights within the company, and reporting to the marketing manager.

Budgeting for social media is also a key issue. Although the effectiveness of its higher targeting is clear, companies remain reluctant to move away from traditional media. What best-in-class companies do is to calculate the ROIC for each medium they use and reallocate their funding accordingly.

Finally, making the most of social media requires a clear policy and guidelines for employees regarding how they should engage with customers via the Web. This can often mean hiring specialized talent profiles.

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Web 2.0 has made vast quantities of cheap, timely, and unbiased information available to marketers. Whether or not companies will be able to monetize this data remains to be seen, but doing so will require a significant shift in both mindsets and operations.

Guido Frisiani
is a Director in McKinsey's Milan office.
guido_frisiani@mckinsey.com

Gloria Macias-Lizaso
is a Principal in McKinsey's Madrid office.
gloria_macias@mckinsey.com

Daniel Singer
is a Director in McKinsey's New York office.
dan_singer@mckinsey.com

Menno van Dijk
is a Director in McKinsey's Amsterdam office.
menno_van_dijk@mckinsey.com