

HOLISTIC MARKETING MANAGEMENT AND SOCIAL MEDIA

Prof. William PERTTULA, PhD

Internet Marketing Professor,
College of Business, San Francisco State University

Abstract:

Social media and social media marketing are real challenges to holistic marketing management approach focusing on real customer value. A distinct problem for social media is making a profit when the standard practice is to not charge the user any money. Social media marketing relies on its similarity to word of mouth marketing which has always been praised for its effectiveness. Social media marketing can be faster and cheaper than other forms of marketing, and should be integrated with the rest of the marketing plan in keeping with the central ideas of holistic marketing management.

Key Words: Social media marketing, Internet marketing, Marketing plan

JEL Classification: M15, M31

Any discussion of holistic marketing management must take note of social media and social media marketing. Social media is dominated in 2011 by Facebook after its explosive growth to 800 million registered accounts world-wide. Other big names in social media are YouTube, Twitter, Tumbler and LinkedIn. Social media marketing is the use of social media in its various forms by organizations trying to communicate with their customers or clients.

Top 3 Social-Networking Websites

by U.S. Market Share of Visits %

<u>February 2008</u>			<u>February 2011</u>	
MySpace	41%		Facebook	64%
Facebook	8	→	YouTube	19
YouTube	7		MySpace	2

Source: Experian Hitwise

As Internet marketing became pervasive in the developed countries in the years after 2000 many commentators wrote that the rules of marketing had changed: the new rules of marketing were digital. After several years of this misinformation there has been general agreement that no basic rules of marketing have changed, rather, the Internet has meant lower costs and higher speeds for nearly everything in the marketing and customer relationship field. Social marketing exhibits these two changes. Communication is much faster and cheaper than in the past.

Social media marketing relies on its similarity to word of mouth marketing which has always been praised for its effectiveness. Trust and believability are usually characteristics of word of mouth communications. Word of mouth communications usually have great effectiveness but in the past have taken too long to reach a large enough number of people for most businesses that are trying to grow quickly. It is a rare product or service that can grow at 30 to 40 percent a year relying on its customers or users to tell friends in person or by telephone. Rapid sales or usage growth in the past relied on mass advertising to reach mass audiences at great expense. Dropbox, a web based file hosting service, is a recent startup that benefited from universal electronic communication techniques. Dropbox began in 2008 with a file storage service that was simple to understand and that worked quickly and reliably. The company encouraged electronic word of mouth by giving existing users who referred a new user more free storage for their files. Publicity, which is free, in the major tech magazines and other media contributed greatly to its growth to 50 million users in 2011 after just three years of operation. Dropbox grew rapidly despite not using advertising or even search engine marketing with Google Adwords text ads after discovering that it was costing about \$300 per new user for a service that was free to users who needed only 2 Gb of file storage.

The speed of communications enabled by the Internet has meant that a type of word of mouth communication can be practiced at high speeds by millions of people. A 2011 study by bitly.com on the “half-life” of Tweets on Twitter, the 140 character microblogging service, and posts on Facebook showed that brief communications move very quickly through social media. In the first three hours after a Tweet or a post on Facebook containing a bitly.com shortened link approximately 300000 people click on the link. [2] In the next few hours another 300000 people are likely to click on the link. Thus, for no promotional expense an audience of nearly million may have seen your picture or story. It is no wonder businesses are using social media. The costs are near zero and the speed of communication is measured in just hours with potential audiences in the hundreds of thousands. However, the persistence of the message is very short compared to a newspaper or magazine advertisement or a television campaign run over a period of weeks.

If a business is willing to pay for a Tweet by a person with a large number of followers on Twitter, its brief message may be seen by millions in a couple of hours. Famous people such as celebrity Kim Kardashian, actress Lindsay Lohan, or skateboarder Ryan Sheckler charge \$2000 to \$3000 to send one promotional Tweet to their millions of followers.

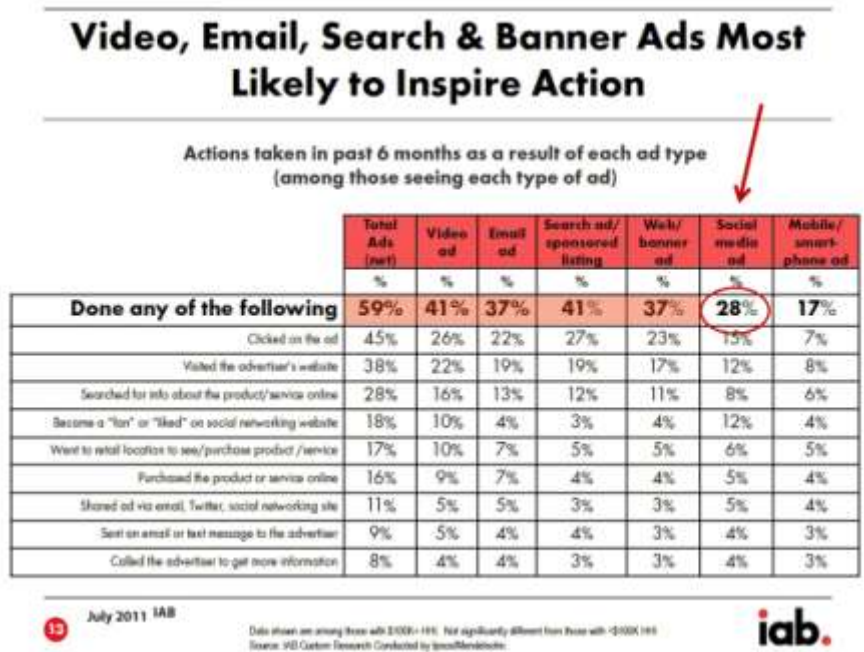
A significant cost advantage that social media sites have over online newspapers and magazines is that newspapers and magazines must pay for their content while social media sites such as Facebook get their content for free from their users. A cost/benefit analysis strongly favors social media.

A distinct problem for social media is making a profit when the standard practice is to not charge the user any money. There are two basic ways to make money online: sell a product or service or sell advertising space to advertisers who want to reach your web site audience. Facebook, until 2011, relied solely on selling advertising space. Advertisers liked the large number of Facebook users and their extensive time spent on the web page but generally found that Facebook users were not interested in the ads and so the bid price or cost per thousand (CPM) viewers that Facebook could charge was very low. Dividing

Facebook’s total revenue in 2011 by total registered accounts yields only about \$.30 per account per month. Compare this to \$.40 per account per month for Dropbox in 2011 after just three years. After seven years of operation Facebook generates very little income.

This appears to be a rather common attribute of social media because the users’ focus when visiting the web site is the news and pictures from their friends not commercial messages from businesses no matter how targeted the message is.

This table shows that fewer people reported taking action after seeing an ad on a social media site compared to four other types of ads.



Social media marketing can be faster and cheaper than other forms of marketing. Most organizations should be using social media marketing once they learn how to present themselves and their products appropriately on whatever types of social media they chose to use. Social media marketing should be integrated with the rest of the marketing plan in keeping with the central ideas of holistic marketing management.

Bibliography:

- [1]. Experian Hitwise
- [2]. <http://blog.bitly.com/post/9887686919/you-just-shared-a-link-how-long-will-people->