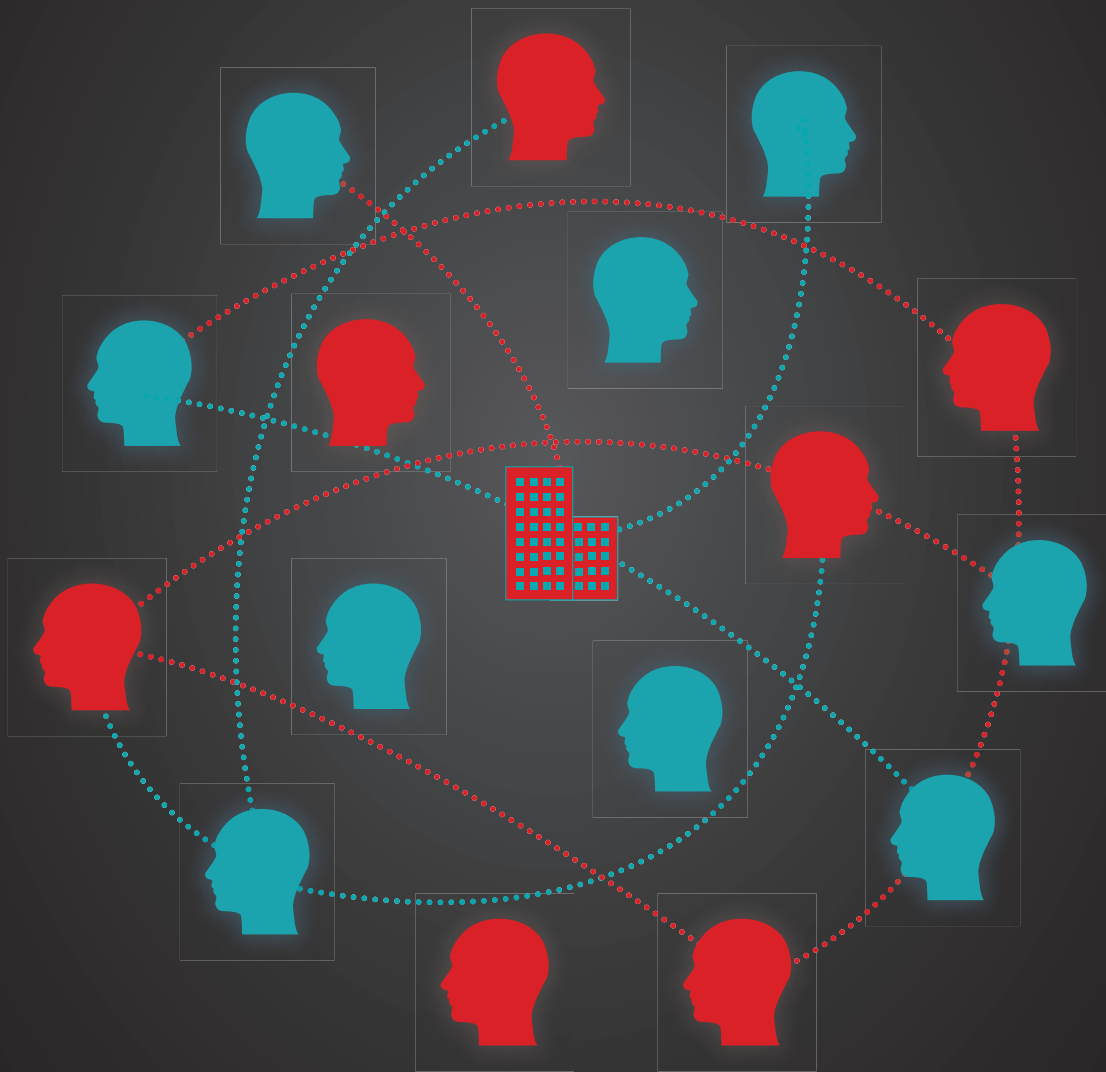


THE COLLABORATIVE MARKETING FUTURE

How co-creation and advocacy will drive winning companies



LEARN 5 TRENDS AND 5 STEPS TO
BUILDING A COLLABORATIVE BRAND

EXECUTIVE SUMMARY

“A more open and connected world will help create...more authentic businesses and better products and services.” – Mark Zuckerberg

Just ten years ago, Facebook did not exist. Communication was primarily one-to-one, and marketers focused almost exclusively on mass communication to a mass audience. The last decade saw rapid change and technological growth that marketers are just beginning to put into perspective; not only change in communications, but in empowerment, permitting consumers to influence and take co-ownership of brands.

The common theme across all of this change is an evolution towards collaboration. This whitepaper focuses on the future of marketing – a future where brands must market “with” consumers, not “at” them, thinking strategically about how to invite consumers into the marketing process.

A Collaborative Marketing Future is not a pipe dream. It’s a reality already set in motion, one that is consistent with consumers’ innate tendencies to share and contribute. It’s a future where the companies that are closest to those who buy, use and advocate for their products win.

THIS PAPER WILL EXPLORE

- The evolution of marketing towards collaboration
- The definition of Collaborative Marketing
- Why the time is now to embrace Collaborative Marketing
- 5 trends driving the shift in Collaborative Marketing
- 5 keys to success in The Collaborative Marketing Future

A LOOK AT THE PAST AND PRESENT

The first recorded advertisement was placed in a Boston newspaper in 1704. For the previous 300 years, the formula was roughly the same – deliver mass marketing messages to mass audiences. This was the dominant means through which consumers discovered new products and services. In the 1990s and early 2000s, the Internet, and more recently transformative social technologies, began to change the underlying fundamentals of how companies market their products.

In 2006, Facebook opened its doors beyond college students, and the next year Twitter's growth also began to explode. The emergence of social technologies brought about a new era of real-time communication where anyone could share anything with the rest of the world. This began what we have termed the first phase of social marketing, Social Listening. Marketers were able to eavesdrop on consumers' conversations about their products for the first time with tools like Radian6 and Collective Intellect.

In 2008, Facebook launched the brand page and prompted a race for marketers to acquire fans. In turn, the second phase of social marketing was launched: Social Management. Platforms like Buddy Media, Wildfire and Vitruve emerged to help brands acquire and manage these fans. Marketers built large social databases, and the challenge became how to best leverage social communities to drive real, bottom-line value.

Today, we are entering the third phase, Collaborative Marketing. A new group of platforms, like Crowdtap, will emerge to help brands market with, not at, their most loyal customers. By providing these consumers with a seat at the table with their favorite brands, consumers will generate an endless supply of insight, ideas and content on the brands' behalf. Perhaps even more importantly, these customers will serve as a core media channel for delivering a brand's message to relevant audiences.

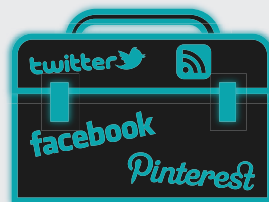
THE EVOLUTION OF SOCIAL MARKETING

Social Listening



Eavesdropping
on customers

Social Management



Building a following

Collaborative Marketing



Marketing with
customers

DEFINING THE COLLABORATIVE MARKETING FUTURE



One of the first definitions of “collaborative marketing” was developed by top management consultant and author of The Power of Pull, John Hagel. In 2006, he described the major shifts in business moving:

FROM CONVENTIONAL MARKETING BUILT UPON THREE “I’S”

INTERCEPT

Target and expose customers to your message wherever you can find them

INHIBIT

Make it as difficult as possible for the customer to compare your product or service with other options

ISOLATE

Enter into a direct relationship with the customer and, wherever possible, remove all third parties from the relationship

TO “COLLABORATION MARKETING” DEFINED IN TERMS OF THREE “A’S”

ATTRACT

Create incentives for people to seek you out

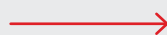
ASSIST

The most powerful way to attract people is to be as helpful and engaging with potential customers as possible; this requires a deep understanding of the various contexts in which people might use your products and a willingness to “co-create” products with customers

AFFILIATE

Mobilize third parties, including other customers, to become even more helpful to the people you interact with

In short, collaborative marketing can be defined as



The practice of marketing **WITH** customers



“Users Should Be Passionately Involved in Every Stage of an Invention” – Famed Futurist and Director of Engineering at Google, Ray Kurzweil

Marketing is changing. Consumers are exposed to more new products than ever before, and learn about them from a wider variety of sources. A brief look at new product development in the beverage industry helps explain some key forces driving these shifts:

1. MORE PRODUCT LAUNCHES

Companies surveyed in the Beverage Industry’s annual Product Development Survey said they launched nearly twice as many products in 2012 as in 2011, and 64% surveyed plan to launch more products in 2013 than in 2012. Only 2% intend to launch fewer products.

2. LONGER LAUNCH TIMES

Perhaps counterintuitive, but BI’s respondents said that the time to launch new products actually increased from 9 months to 10 months in 2012.

3. HIGH FAILURE RATE

Booz & Company reports that 66% of new products fail within two years, and the Doblin Group finds that 96% of all innovations fail to return their cost of capital.

4. INCREASE IN NICHE TARGETING

Symphony IRI’s New Product Pacesetter report shows that year-one sales of major CPG products decreased over the past decade from \$35 million to \$25 million. This decline is largely attributed to products that are increasingly targeted to the needs and wants of smaller, more discrete consumer segments.

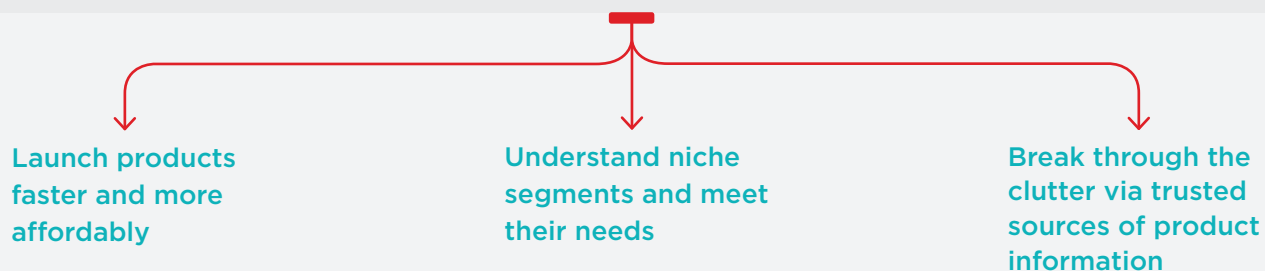
5. OVERLOAD OF MESSAGING

The number of marketing messages a consumer is exposed to per day has increased by as much as 10x over the last 40 years to 5,000 messages per day.

6. DECREASE IN TRUST

Surveys continue to find a decline in consumers’ trust of advertising. Conversely, research finds that consumers regard their peers as the most trusted source of product information. Nielsen’s Global Consumer Trust Survey, for example, showed that 92% of consumers trust earned media such as word-of-mouth and recommendations from friends and family above all other forms of advertising.

These trends point to a strong need for marketers to develop close relationships with consumers to be able to:



While nearly all Fortune 1,000 companies are now dabbling in some form of collaborative marketing, perhaps no marketer has embraced it as fully as Pepsi did with its Mountain Dew DEWmocracy initiative. Far more than a campaign, Pepsi developed a platform and brand for its passionate base to get involved in creating, voting on and promoting new Mountain Dew flavors. The consumers' excitement for the initiative allowed Mountain Dew to generate \$85 million in year one sales for DEWmocracy. In fact, the launch resulted in the highest sales for any new beverage product across convenience store brands by a wide margin.

“It is becoming very obvious that this is a trend, consumers want some control, some power over the brand that they love.” – Joanne Nicoletti, Brand Manager, Mountain Dew.

“When a brand asks me to provide feedback on a product or marketing, I feel

Responses from a Crowdtap poll to 1,000 men or women



HOW THE FUTURE WILL BE WON



5 TRENDS

THAT WILL CREATE THE BIGGEST CHANGES AND ULTIMATELY OFFER THE BIGGEST REWARDS FOR MARKETERS:

1. DEMOCRATIZED PRODUCT DEVELOPMENT

New models and technologies continue to make it easier and quicker for upstart companies to create and market products. Brands must keep pace with the speed and crowdsourced brainpower that these platforms enable across all stages of product development, including:

FUNDING

Crowdsourced funding platforms like Kickstarter and Indiegogo make it easy for anyone with a good idea to raise millions to build a product with little risk.

PRODUCTION

3D printers like Makerbot look to revolutionize how prototypes and products are produced through low-cost printers. Staples is even introducing in-store 3D printing later this year.

DISTRIBUTION

Quirky democratizes invention by providing a development and distribution platform for anyone with an idea. Etsy provides a global marketplace for designers and artists to sell their goods to a vibrant community of buyers.

2. CLOSE, CONTINUOUS CUSTOMER RELATIONSHIPS

IBM's Global CEO Study found that 88% of CEOs said "getting closer to customers" was the top priority for their business over the next 5 years. Given the rapid pace at which businesses need to develop and market products, maintaining a continual pulse on those consumers that actually purchase products is critical. Brands who have a genuine, real-time dialogue with customers will be well positioned in a world of evolving and increasingly niche markets.

Krister Zackari, President of Gum and Candy at Mondelez, has employed a strategy built around ongoing optimization for its Twist brand to ensure it offers teenagers exactly what they want from a snack brand. He states: *"Because we're working with teens on the strategy, we're developing it as we go along. It means that we've had to change how we would normally go about planning the marketing for a brand. We don't know what we'll do next with Twist because we want to evolve naturally as a result of our work with teens."*

3. OPEN ORGANIZATIONS

Businesses in the past succeeded with secrecy. Keeping technology, formulas and processes under wraps often led to a competitive advantage. Today, competitive innovation stems from open information. Perhaps no company is better known for its "secret formula" than Coca-Cola. Yet, Anthony Newstead, Coca-Cola's Global Director of Innovation, IT and Interactive states: *"[We are going] through a phase of risk awareness rather than risk aversion [when it comes to innovation]. You need to have a good way to communicate for that to work and email is not it: social collaboration is the way to go. You have to move away from a command control top down secretive model to a more collaborative one."*

One recent example of a consumer crowdsourcing project is the company's newly launched Facebook app that asks its 50 million fans to suggest ideas to make the world a happier place. The winning idea will be funded by Coca-Cola and launched in 2013.

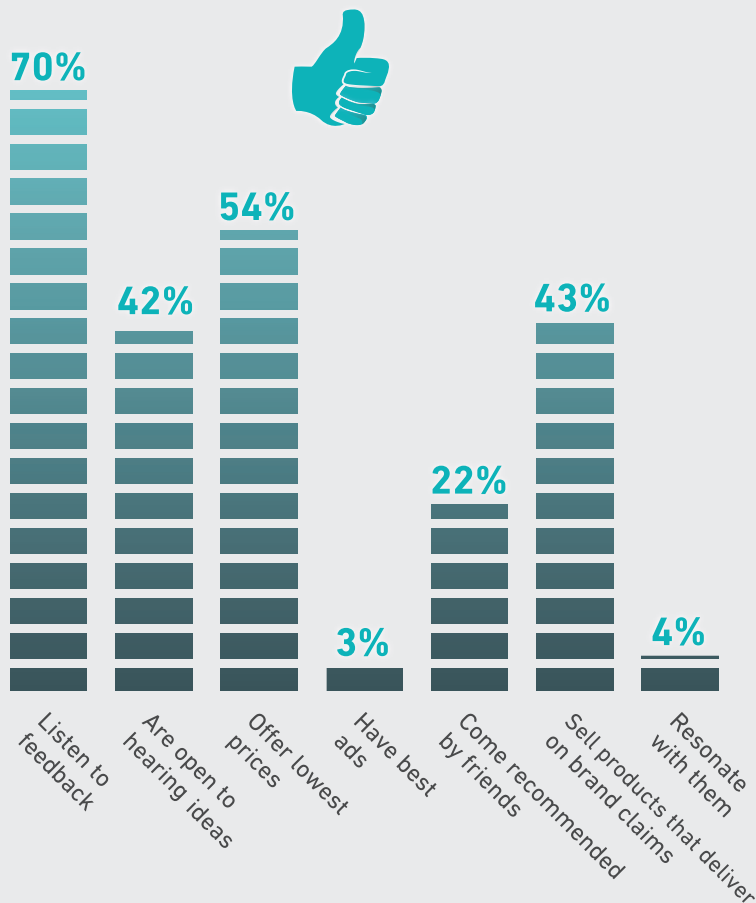
4. PEER-POWERED MEDIA

“When information is cheap, attention becomes expensive.” – James Glick “Faster”

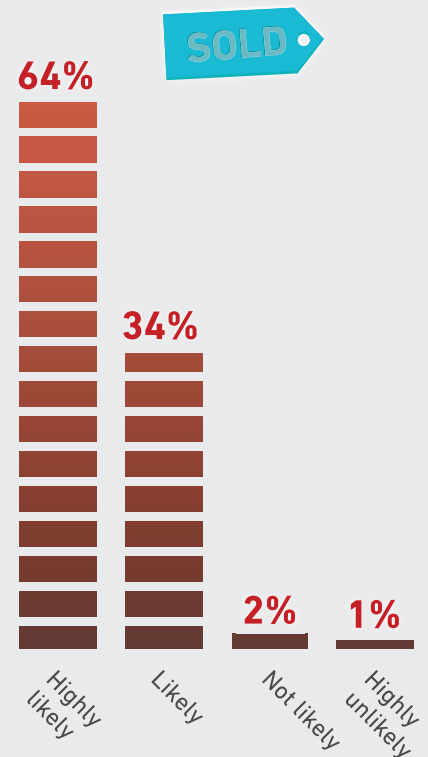
From 2006 – 2011, the amount of global information created increased by nine-fold, per the IDC. Pushing out mass messages simply will not cut through the clutter in this age. One-third of all display ads that brands pay for are never shown, and 86% of people skip TV ads. Customers are simply too fragmented, too over-stimulated and have too many distractions for these conventional marketing strategies to maintain their effectiveness.

Already, 80% of online content is consumer generated, and content will increasingly come from a customer’s peers. This trend began when Facebook and other social technologies ushered in The Age of Discovery where consumers discover products from their social graphs. Today, friends are exposed to one another’s location, mood, music, likes, and more. And with Facebook’s new graph search, friends can search and discover nearly anything through the lens of their friends. Marketers need advocates talking about their products as increasingly people receive information about brands from their social connections.

People feel most loyal to brands that:



How likely are you to purchase a product you helped ideate?



5. MEASUREMENT OF INFLUENCE NOT IMPRESSIONS

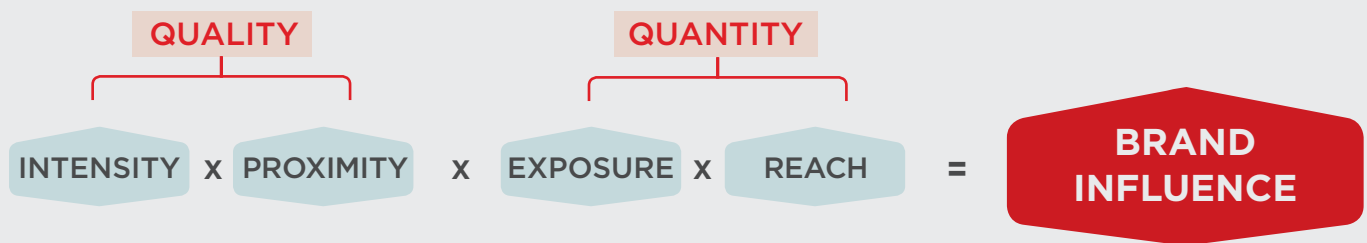
Impressions provided a simple metric for a simple, mass marketed world. Success today, however, is not based on quantity alone; quality of the engagement with a message must be factored in as well. In order to measure the quality of any customer communication, Crowdtap developed the Brand Influence Metric along with Joanna Seddon, the former CEO of Millward Brown Optimor.

Brand Influence looks at both quantity and quality of impressions, breaking the latter down into two distinct factors: proximity and intensity. Proximity measures the trust and relevance of the message's source; the influence of a message from a close friend is higher than that of a TV commercial. Intensity measures how fun and memorable the communication is; engaging with a brand at an event or trying a product has much greater intensity than viewing a banner ad or billboard.

Marketers should look to implement a measurement system, similar to The Brand Influence Formula (shown below), so they begin prioritizing the impact and influence of their communications, in addition to the reach and frequency.

The Brand Influence Metric report can be downloaded [here](#).

FORMULA FOR CALCULATING BRAND INFLUENCE





THE COLLABORATIVE WORKOUT - SIX MONTHS TO A NEW YOU

5 STEPS

TO EMBRACING COLLABORATIVE
MARKETING STRATEGIES.

1. AUDIT YOUR AUDIENCES



Look at all of your brand's existing communities and databases, including CRM, Facebook, Twitter, and other social sites. Every brand has consumers that want to participate at different levels. Some love to tell you what they think of your brand, others want to shout from the rooftops, while many may just want a good deal. Brands need to understand all of these consumer segments and ensure they have plans to maximize the value of each.

2. ENGAGE YOUR CORE



Just as Barack Obama won a 2nd term due to a strong ground game, marketers must empower their loyal consumers to amplify their messages for them. In the Harvard Business Review article, "How Valuable is Word of Mouth?," the authors state, "A company's most valuable customers are customers who are both excellent buyers and marketers." These brand advocates actually have a higher lifetime value to your business than do loyal customers who don't advocate but purchase more.

BRAND ADVOCATES SPEND

2X

AS MUCH AS YOUR
TYPICAL CUSTOMER

AND RECOMMEND OR SHARE

2-4X

MORE THAN YOUR
TYPICAL CUSTOMER

3. ALIGN YOUR CONTENT



Earned media is a popular buzzword these days, but most advertising content is still not developed for the social world. Many marketers now attempt to create the next viral hit, which often causes them to lose focus on what actually makes content shareable. Creating content in hopes it will go viral is often laughed off by agencies; virality is an unpredictable thing.

Virality is difficult because sharing occurs in small groups - not via an elite group of influencers. In fact, the median number of views per share of a piece of viral content is 9 on Facebook and 5 on Twitter. With that in mind, it takes tens or hundreds of thousands of regular people sharing with their friends to achieve scale. Given how diversified and niche consumers now are, developing content much more frequently and targeting that content more accurately to various interest groups will become the new formula for achieving scale in communications. Having a direct connection to advocates willing to share frequently is critical to success.

4. DO IT FASTER, SMARTER, BETTER



It simply does not make sense to develop a yearlong marketing plan anymore. The fact is, major platforms like Pinterest and Instagram pop up out of nowhere on a regular basis. Even with new platforms excluded, attempting to forecast spend and message on a yearly or even quarterly basis simply doesn't fit with how content is now consumed or how quickly culture evolves.

Marketers today must operate more like tech companies than like advertisers. The new model, according to Steven Cook, former CMO of Samsung, "...is more akin to a startup mentality. The CMO will need to learn what it's like to move fast and do things on the cheap. The future is, after all, about doing more with less."

Marketers now need to frequently test and optimize messaging, platforms and products. A mindset that shifts focus away from yearly or quarterly ad campaigns to a structure that enables brands the ability to continually create, test and repeat is one of the most critical and difficult changes marketers must make.

5. COMMIT TO COLLABORATION



Perhaps this sounds contrary to the previous recommendation, but marketers must commit to marketing with consumers for the long run. Collaboration cannot be thought of or bought as a campaign. With each success, brands can develop a deeper relationship with consumers and build a long-term asset that will derive increasing value.

This doesn't mean brands should commit their full budget to collaborative marketing on Day 1. Rather, the money they do commit needs to be focused on ongoing initiatives that start to shift thinking to a collaborative approach. These initiatives can and should be tested, reviewed and optimized, but success must be evaluated in the context of a long-term solution.

CONCLUSION



While two-way dialogue and conversation have been popular topics over the past five years, most social marketing still resembles conventional marketing with the broadcast of messages coming direct from brand or agency, only on new platforms.

Collaborative Marketing will bring much greater change than enabling consumers to comment, like or re-tweet posts. Collaborative Marketing will mean that the current barriers between companies and their consumers will be removed. Successful brands will create and improve their products and messaging continually, side by side with their consumers. The brands that do this best will have eager and active advocates championing their products. Technology will continue to make maintaining consumer relationships easier, more profitable and more measurable.

Conventional marketing still has value, but that value will continue to decrease every year. The Collaborative Marketing Future has arrived, and it's going to be a fun ride.

ABOUT



Crowdtap is the Collaborative Marketing Platform

The leading enterprise technology solution that allows marketers to partner with their most engaged consumers throughout the marketing process.

With Crowdtap, brands can learn, ideate and market with their consumers on-demand.

Crowdtap's Social Advocacy Suite drives deep social conversations and word of mouth at scale from brands' most passionate fans.

Crowdtap's Insights Community Suite allows brands to learn from and ideate with their social communities in real-time through a branded research community.

Crowdtap helps leading brands including Verizon, Reckitt-Benckiser, Old Navy, AT&T, Mastercard, Kia and Sony drive deep collaboration with consumers. Headquartered in New York, Crowdtap has raised \$10MM led by leading Venture Capital firms The Foundry Group and Tribeca Venture Partners.

Learn More at Crowdtap.com or email corp@crowdtap.com

