

# UNDERSTANDING THE GROUNDSWELL

Charlene Li and Josh Bernoff of Forrester Research propose a segmentation of Web 2.0 users and show how companies can profit from those users

All of us are familiar with blogs, online product reviews, community forums, and social networks. Charlene Li and Josh Bernoff have studied these Web 2.0 offerings and how companies have attempted to use these tools or their users for marketing purposes.

The authors use the term 'groundswell' to refer to the phenomenon by which people use new technologies to obtain things and information from each other. Their definition reads: "The groundswell is a social trend in which people use technologies to get the things they need from each other, rather than from traditional institutions like corporations."

From a business perspective, the groundswell amounts to a consumer autonomy movement. Consumers are now much freer to comment on products and to read the comments of other consumers. Obviously it is the web, still only thirteen years old, which has driven this form of consumer collaboration.

Companies can ill afford to ignore the groundswell – you have to join it in some way and indeed try to thrive in it. Before trying to profit from groundswell netizens you need to understand who they are. Li and Bernoff help

us by proposing a segmentation of the groundswell.

## Groundswell segmentation

There are five segments, ranging from the most active to the least active: creators, critics, collectors, joiners and spectators.

The first category, creators, are the people who publish blogs, web pages, post articles, create video and audio content which they upload (to the YouTubes of this world). For example, a Forrester survey indicates that nearly a quarter of Indian netizens perform such online creative activities.

The second category is critics. These are the people who rate products (recall for example your last visit to Amazon), comment on blogs, contribute to online forums or to wikis. A quarter of Indian netizens engage in these forms of online feedback.

Collectors make up the third category. These people save URLs and tags on a social bookmarking service like de.icio.us, vote for web sites on a service like Digg. Only some 10 % of Indian engage in such tagging, but the figure for most other countries is even lower.

The fourth category is joiners. These are the social network participants, the netizens who maintain profiles on sites like Cyworld in South Korea or Facebook in the US. Nearly half

of online Indians are joiners. Indeed India leads the world in this category, in front of South Korea which tends to be the California of groundswell.

Spectators constitute the fifth category. These are people who consume all the output produced by the four previous categories but do not contribute to the output. 40% of Indian netizens are only spectators.

Inactives form the final category. These are the netizens who choose to ignore all the blogs, forums and social networking sties that constitute the heart of the groundswell. A little less than a third of online Indians fall in this category.

Obviously a netizen can be a member of several categories:

a creator is quite likely to be a critic. A critic is likely to be a joiner. A joiner might very well be a collector.

It is important for companies to know how their customers fall in these segments. What Li and Bernoff call a social technographics profile encompasses such a summarisation (technographics refers to Forrester Research's methodology for surveying consumers). The profile shows what percentage of your customers are creators, what percentage critics and so on. The higher the percentages, the more you need to engage with the groundswell.

Relative percentages are also important. For example, if many more of your customers

are joiners than creators, then you will probably want to put more focus on social networks than on product review sites. If many of them are critics, you need to listen carefully to the review forums. For examples of social technographic profiles, see Chart 1 which gives the social technographics profiles of various countries including India.

There are 5 ways of engaging with the groundswell, ranging from the less active to the most active: listening to it, talking to it, energising it, supporting it and embracing it.

## Listening to the groundswell

The fundamental reason for listening to your customers is the fact that your brand is whatever your customers say it is. In the past, to find out what customers thought of their brand, marketers would use syndicated research sources such as Nielsen (such research earned Nielsen some \$3.7 billion in 2006). They could also turn to surveys, which cost \$10,000 and upward. The one problem with surveys is that you may have left out the question that counts. Focus groups, which can cost slightly less than surveys have the advantage of spontaneity. Unfortunately, there is no guarantee that you will have the most insightful customers in the

dozen people that form the group.

Listening to the groundswell gets you beyond the bias of surveys and the limitations of focus groups. In all likelihood there are creators blogging about your products, critics rating and reviewing them on various sites. You should be listening to them. Firms have been created to help you listen in this task. Two prominent examples are Nielsen Buzzmetrics and TNS's Cymfony.

A further possibility is to set up a private community in which customers can communicate to each other about your product or service, and you can listen to this community. Again, companies have sprung up to supply the technological infrastructure for such communities. Communispace is a leader in this field, but MarketTools and Networked Insights are following in their footsteps.

Li and Bernoff provide three example of companies listening to their customers. The first is New York's Sloan-Kettering Memorial Hospital which, in a consortium of other hospitals, and working with Communispace, set up a community for cancer patients. By listening to these patients Sloan-Kettering realised how important primary physicians are in the selection of a cancer facility and as a result, focused more of its



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marketing on primary physicians.

Axe bodyspray set up a community for young men. They were asked to upload pictures of their rooms and talk about their attitudes. Axe listened and watched to create an ad campaign using settings and language similar to what could be seen and heard on the community site.

Mini USA turned to Motive Quest to monitor the brand's online buzz. The monitoring showed that Mini owners were extremely enthusiastic and generated more online discussion than all other brands except one. To reach out to these owners, increase their loyalty and to publicise the brand, Mini created a series of rallies for Mini owners all across the United States called its "Mini Takes the States".

## Talking to the groundswell

A second method of engagement is talking. There are four major ways of talking: posting a viral video, engaging in social networks, or joining the blogosphere.

Blendtec, a manufacturer of high-power and expensive blenders, is a great example of the success of viral videos. Blendtec produced videos in which their blender works on all sorts of unblendable objects, such as perhaps most famously an iPhone. The series called "Will it blend" started with 5 videos costing \$50 to produce, was uploaded on YouTube and spread virally from there. You can check one out for yourself. Sales are up 20% since the series started appearing on sites.

Ernst and Young has chosen to talk to prospective employees via the social networking site Facebook. Their Facebook site which had over 8,000 members in 2007 allows students to talk about Ernst and Young and also Ernst and Young employees to dialogue with graduating students. The American director of campus recruiting reads the site regularly and answers questions on it periodically. Other companies with brand enthusiasts, such as Victoria's

The social technographics profile of online adults					
(% of online adults in the particular groundswell category)					
Category	India	China	South Korea	UK	US
Creators	24%	36%	38%	9%	18%
Critics	24%	44%	27%	16%	25%
Collectors	12%	18%	14%	5%	12%
Joiners	42%	32%	41%	21%	25%
Spectators	39%	71%	39%	37%	48%
Inactives	31%	25%	36%	54%	44%

Creators: create blogs or wikis, for example  
 Critics: participate in review forums or rate products  
 Collectors: save URLs and tags on a social bookmarking service  
 Joiners: maintain profiles on social networking sites  
 Spectators: consume what the rest produce  
 Inactives: ignore what other individuals produce

Source: Groundswell p.44, p.50

Existing business functions and their groundswell alternatives	
Existing Function	Groundswell Activity
Research	Listening for customer insights in the forums
Marketing	Talking to spread company messages, say by blog.
Sales	Energizing by letting your enthusiastic customers speak
Support	Supporting by facilitating exchange of technical information
Development	Embracing by seeking design input from customers

Source: Groundswell, p.69

Secret and Adidas have benefited by meeting their customers at social networking sites.

A third way of talking to one's customers is blogging. HP is a company that has put blogging to powerful use. It has nearly fifty executive blogs on all sorts of technical topics. HP builds customer goodwill through these blogs. For example, when Vista was released, laser jet printer owners experienced interface problems. The vice president in charge of laser jet printers posted a solution on his blog. The explanation proved so useful that it rose to the top result on Google in a search for "HP Vista printer problems". (See Box: ROI of an executive blog)

### Energising the groundswell

Energising the groundswell amounts to building up word of mouth. Perhaps not unsurprisingly, companies have sprouted up to foster such word of mouth. BzzAgents is one such company. It has recruited more than 250,000 critics, put them on retainer, and lets them try new products. If they like the products they will talk about it; if not, then not. Talking critics talk to an average of sixty people. A 10,000 agent campaign costs 280,000 which puts the energised customer cost at \$28.

But the best ways are to tap into your customer's enthusiasm with ratings and reviews, or by creating or participating online communities for your enthusiastic consumers. An example of a company using reviews to good effect is eBags. This company sells various kinds of luggage on the Internet and has grown at a 30% clip since its creation. Three weeks after a product ships the

company sends an email to the customer suggesting a review. A 22 percent response rate makes for an appreciable number of reviews. Not all reviews are positive and eBags has used these reviews to correct manufacturing problems with suppliers. It is interesting to note that only a quarter of ecommerce sites have rating systems; this despite the fact that software companies such as Bazaarvoice have arisen to build these review systems (See Box: ROI of a review system).

Lego is another example of a company energising a community. Adult fans of Lego (AFOLs) account for over 5% of Lego's sales. Some of these enthusiasts set up LUGNET, the International Lego Users network. Lego energised this community by creating Lego Ambassadors. These Ambassadors represent the company to Lugnet by receiving information on products coming out. They represent LUGNET to the company by relaying member's desires and opinions to the Lego company. They are paid in Lego bricks and competition is fierce among the AFOLs to become one of the 25 ambassadors. Lego has taken a vibrant set of customers and energised it further.

### Helping the groundswell support itself

Supporting customers is a burden. Call centers are expensive; Forrester estimates that technical support calls cost between \$10 and \$20 per call; non-technical calls cost half of that. One method to reduce the cost of support centres was to outsource them. India profited greatly from this switch. Now, thanks to Web 2.0 tools, people are beginning to seek help from

## ROI OF AN EXECUTIVE'S BLOG

Assuming a high-level executive in a large company.

### COSTS

Planning and development	\$25,000
Training	\$10,000
Blogging platform	\$25,000
IT support	\$3,000
Brand-monitoring service	\$50,000
Content production, executive time	\$150,000
Review and redirection	\$20,000
<b>Total year one costs</b>	<b>\$283,000</b>

### BENEFITS

Advertising value (7,500 daily views at \$2.50/thousand)	\$7,000
Public relations value (24 stories at \$10,000/story)	\$240,000
Word-of-mouth value (370 referring posts at \$100/post)	\$37,000
Support value (50 daily calls avoided at \$5.50/call)	\$69,000
Research value (feedback equivalent to 5 focus groups at \$8,000)	\$40,000
<b>Total benefits</b>	<b>\$393,000</b>

With these numbers the net benefit is approximately ... **\$100,000**

Source: Groundswell p.113

## ROI OF RATINGS AND REVIEWS

For a company sight with 10 million visitors.

### COSTS

Up-front development cost	\$50,000
Yearly vendor costs (e.g. Bazaarvoice)	\$25,000
Yearly staff analysis cost	\$125,000
<b>Total one year cost</b>	<b>\$200,000</b>

### BENEFITS

Assumptions:

- Ratings increase the conversion rate by 20%
- Ratings increase the transaction size by 10%
- Site visitors: 10 million
- Visitors seeing reviews: 20%
- Visitors seeing reviews: 2 million

Sales without reviews at 2.5% conversion, \$100 transaction	\$5 million
Sales with ratings (3%, \$110)	\$6.6 million
Net sales increase	\$1.6 million
<b>Net additional profit at 25% margin</b>	<b>\$400,000</b>

With these numbers, the net benefit is ... **\$200,000.**

Source: Groundswell, p.139

each other rather than from call centres. Customer support is coming less from the companies through call centres than from the customers themselves.

Support at Dell is a prime example of this. Dell has implemented a support forum (www.dellcommunity.com) driven largely by some very committed and knowledgeable customers. Li and Bernoff cite the example of one of the main contributors, an electrical engineer who does not work for Dell, named Jeff Stenski. Since 1999, Jeff has been logged on to the forum for nearly 500,000 minutes or the equivalent of 123 working days a year. Over that time he has posted 20,000 items which have been read 2 million times. Every week about 7,000 Dell customers log in to the support site generating some 9,000 posts (the site has accumulated 4 million posts over its lifespan). If you are a technical company and know of a few Jeff Stenskis out there, let them work for you... (See Box: ROI of a support forum)

BearingPoint is a large systems integration consulting firm that competes with companies like IBM and Accenture. They needed a way to pull together all the information from white papers and client communications in a productive manner. So they developed MIKE2.0 (Method for an Integrated Knowledge Environment) and then built a wiki around it: www.openmethodology.org. Since May 2007 the wiki is open to everybody; it now functions as a sort of Wikipedia for information management. BearingPoint's bookings have increased significantly and management feels that the wiki is the main reason.

## ROI OF A COMMUNITY SUPPORT FORUM

For a technology company with 5 million customers

### COSTS

Planning and development	\$25,000
Software platform (e.g. Lithium)	\$60,000
Management (5 people)	\$500,000
Advertising to drive traffic (10,000 clicks at \$1/click)	\$120,000
<b>Total year one costs</b>	<b>\$705,000</b>

### BENEFITS

Assumptions:

- Assume 1% of customers contribute: 50K
- Assume 5% of customers view the forum: 250K
- Assume these customers would make 1 support call
- Assume that 33% find answer on the forum
- Support calls avoided: 100K

**Benefits of avoided calls (100k at \$10/call) ... \$1,000,000**

With these numbers, the net benefit is ... **\$295,000.**

Source: Groundswell p.162

### North American sources of trust in product

(% of people who trusted the source at 4 or 5 on a scale of 1 to 5)

Friend who has used the service	83%
Review in the media	75%
Information on the manufacturer's web site	69%
Review by a known expert	63%
Consumer reviews on a retailer's site	60%
Consumer reviews by a users of a content site	52%
Information at online consumer opinion sites	50%

Source: Groundswell p.132

South Korea provides another interesting example. Lack of Korean-language content meant that Koreans could not use Web searches to find what they were looking for. A gaming company NHN created a question and answer site, Naver, which took off in a big way. Every day Koreans pose 40,000 questions and receive 110,000 answers on the site. Naver contributed half of NHN's profits in 2006. A classic example of people helping each

other through the web.

### Embracing the groundswell

Embracing the groundswell means making your customers part of your company's innovation process. By embracing the groundswell, you are able to move more quickly. Because customers don't take long to tell you what they want. And also because you can make iterations easily, thus making quick improvements.

In the fall of 2006 salesforce.com

launched an idea exchange: ideas.salesforce.com. Over five thousand new ideas arrived and with a voting mechanism in place, the popular ones bubbled to the top. In 2007 salesforce issued four new releases as opposed to two in 2006, with three hundred new features, half of which came from the idea exchange. Gone are the days when developers had to imagine what customers wanted – now they know thanks to the groundswell.

A word has come to designate the sourcing of ideas through the groundswell – crowdsourcing. Crowdsourcing is a global phenomenon as a final Canadian example can attest. Loblaw's is Canada's largest grocery chain. Its brand President's Choice accounts for 20% of its sales. Customers can review President's Choice products, much like

Amazon customers can rate the books they purchase. Canadian winters being long, Canadians have a lot of time to review President's Choice products (as an example there are 48 reviews of the Blackcurrant and Pomegranate juice). The company uses these reviews to improve its products. Take the moussaka which received low ratings for the lack of eggplant - the amount of eggplant was doubled.

GO hopes that this trip through the groundswell will have been illuminating. Perhaps you will want to attend to the social technographics profile of your customers, and based on that profile and your in-house capacities, start listening or talking or energising or support or even embracing the groundswell. As Shakespeare would put it, get thee to the groundswell! ■