

The Smack logo is a white lowercase wordmark inside an orange rounded square.

# Marketers Call for Brand Communities

Smack took a long look at some of the world's top brands and found the most successful businesses all have one thing in common: a loyal following of everyday consumers. Consumers that form vibrant and loyal communities around a brand, what Smack calls Brand Communities.

*This white paper is designed to give insight into the current advertising market, including examples of how non-traditional and community based ad spending is leading to greater consumer loyalty.*

A grayscale illustration of a two-story suburban house with a lawn. In the foreground, there are silhouettes of people: a child on a tricycle, a child on a bicycle, a person sitting on a lawn chair, and a family of three (two adults and a child) walking together.

## Brand Community Market Summary

The past decade has seen a vast improvement in the ways in which marketers pitch their wares to consumers. Armed with reams upon reams of consumer based research, marketers are making smarter, more analytical and quantitative decisions. The numbers are giving them newfound insight into their consumer's needs and guiding every decision from product development, to strategy, right through to the resulting creative.

But as good as marketers have become in analyzing and discerning the needs of their consumers, a new type of consumer is quickly emerging. A consumer that won't necessarily wash away the processes of tried and true marketing methods, but will give the industry newfound purpose.

### Technology and the emergence of a new type of consumer.

If you think that the introduction of the Internet into popular culture was a world changing event, you really haven't seen anything yet. Right now, as we speak, the very fabric of the Internet is changing. Never mind the billions of websites currently in existence. Never mind the boundless libraries of both old and cutting edge information all readily available. The Internet has become more than that. It has become a tool that facilitates the most basic of human needs: a tool for conversation. Through blogs, message boards, and sites like MySpace and Flickr, people are now engaging in conversation with countless others. Engaging others with similar interests. Sharing opinions and taking note of new ideas. People now have networks of friends they have never physically met, but share interests like childhood buddies.

So what does this tell us about this new type of consumer? Smarter, more informed, savvier than ever, today's consumer is more engaged not only with those that share similar interests, but also more engaged in the comings and goings of brands. And more interested in connecting personally, philosophically, morally. More than ever before, the consumer has the freedom to choose the type of marketing material they wish to absorb, pulling the reins of marketers and demanding new, more honest, and more interactive forms of brand communication.

### Pressure the New Consumer is putting on Marketers

The changing consumer has ultimately led to an adapting marketer. The last 10 years have seen marketers slash their traditional media buys for TV, Print and Outdoor, all while funneling unprecedented funds into more experimental buys like loyalty programs, and consumer relationship management projects. The move is on and ongoing, not only on initiatives to better understand the new and emerging consumer base, but also methods that will enable companies to better speak to their consumers.

The question here remains, are agencies - including advertising, PR, and media - in line with what marketers are now expecting? According to the Chief Marketing Officer of Verizon Wireless, no they're not. In a fiery speech to the media and advertising industry in February 2006. John Stratton strongly criticized them for not finding new and innovative methods to reach the consumers of today and wasting far too much of a client's marketing budget on traditional media.<sup>1</sup> A poll of marketing professionals in Strategy Magazine's March 2006 issue found similar sentiments when time and time again marketers suggested that, even though budgets were on the rise, less money was being spent on traditional forms of media with the difference going to new, interactive forms of media.<sup>2</sup>

### The Needs of the Current Consumer

The push is on to engage consumers on a level that is personalized throughout highly segmented markets. If you think about it, it's sort of like direct marketing on steroids. The most successful brands don't simply share a product/consumer relationship whereby the consumer exchanges their hard earned dollars for some presumed expectation of tangible benefits. The most successful brands are those that consumers share a moral and philosophical bond with. Whereby when a consumer opts for a brand, they are doing so because that brand not only provides them with a tangible benefit, it also provides them with a means of exhibiting who they are, what they believe in, and what social stratum they most closely associate themselves with.

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Obviously, traditional forms of media like TV, Print, and Outdoor will serve to expose relevant Brand messages to attract specific consumers, however, once exposed and attracted, consumers are now seeking to engage in open conversation with not only the Brand but other consumers like themselves.

Open conversation and interaction with others about their brand experiences reaffirms the truth behind the brand, and validates a consumer's belief that they not only share the values of the Brand but that they are a part of something much larger than themselves - that they are a part of a community. A community of shared ideals, shared values, shared philosophies, shared loyalty, and shared experiences around a Brand - a Brand Community.

<sup>1</sup> Cuneo, Alice Z. (2006), "Verizon Wireless CMO Admonishes Agencies", [adage.com](http://adage.com).

<sup>2</sup> Williams, Natalia (2006), "State of the Nation: Marketing Survey," *Strategy Magazine*, (March), 31-44.

## Building Your Brand Community

Building a Brand Community around your Brand can be both prosperous and beneficial to the growth and maturity of your company. But you don't have to tackle building your own Brand Community alone. Smack can help.

Smack Inc is a brand management agency that specializes in executing fully integrated marketing strategies that help develop your Brand Community.

We can help your company build better relationships with your consumers and cultivate passion for your brand. We'll promote your company's consumer-centric benefits while encouraging your consumers to engage in worthwhile experiences with your brand and other consumers like themselves.

To learn more about Smack services or Brand Communities, please feel free to contact us at [community@smackinc.com](mailto:community@smackinc.com) or browse to [www.smackinc.com](http://www.smackinc.com).

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## Select Excerpts and Quotes

### BRAND IMPLICATIONS

In this way, developing a strong brand community could be a critical step in truly actualizing the concept of relationship marketing. A strong brand community can lead to a socially embedded and entrenched loyalty, brand commitment (Jacoby and Chesnut 1978), and even hyper-loyalty (McAlexander and Schouten 1998). Brand communities are collections of what Gruen and Ferguson call “active loyalists,” users of a brand who are “committed, conscientious - almost passionate” (1994, p.3) about the brand. As such, they may be good places to look for lead users of the brand (Von Hippel 1986). But most important to remember is the fact that they are connected to other consumers through the benefit of community.

Community is arguably the fundamental social relationship, having its roots in the familial relationship often used to define relationship marketing. Thus, it provides a good template to overlay the relationship between the company/brand and those who consume. Moreover, a community framework is consistent with a number of traditional perspectives in marketing, particularly given its inclusion of other consumers in the relationship, such as the social interaction view of marketing, in which marketing is an exchange between social actors (Bagozzi 1974), and the macro network approach, in which the relationship among the entire network of users and the brand is important (Iacobucci 1994). Deprived of their social connections, the value of these brands to consumers would certainly be diminished.

Relationship marketing stresses attracting, maintaining, and enhancing long-term customer relationships instead of focusing on individual transactions (Berry 1995). Such long term relationships provide a competitive advantage and strategic resource for the firm (Webster 1992). However, it is not always efficient to maintain one-on-one relationships with customers as time spent developing the relationship can take away from time spent actually serving the customer (Gruen and Ferguson 1994; Iacobucci 1994). Yet brand communities carry out important functions on behalf of the brand, such as sharing information, perpetuating the history and culture of the brand, and providing assistance. They provide social structure to the relationship between marketer and consumer. Communities exert pressure on members to remain loyal to the collective and to the brand.

*Albert M. Muniz Jr. and Thomas C. O'Guinn (2001), “Brand Community”, Journal of Consumer Research, Vol.27 (March), 427.*

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### MARKETING PROFESSOR'S 'BRAND COMMUNITY' RESEARCH GETS BROAD ATTENTION.

An article on the concept of “brand community” co-authored by Thomas O’Guinn, a marketing professor with the University of Wisconsin-Madison School of Business, is one of the 20 most cited papers in the field of economics and business worldwide.

The paper was published in the *Journal of Consumer Research* in March 2001. In it, O’Guinn and his co-author, Albert Muniz, Jr. of DePaul University, coined the term “brand community” now commonly used to describe a connected group of admirers of a brand.

In the paper, they demonstrated that wired groups of consumers behave similarly to traditional communities and present significant challenges and opportunities for marketers.

“Brand communities have changed the basic marketing paradigm in that it has forced marketers to realize the enormous importance of consumer-to-consumer communication in a wired world, where groups of consumers may speak not with the voice of one, but with the power of thousands,” says O’Guinn, who is the executive director of the Center for Brand and Product Management at the UW-Madison School of Business.

O’Guinn maintains that consumer demands to be taken seriously are driving the creation of brands and influencing how the brand is marketed.

Several major companies have consulted O’Guinn and his colleagues, and the idea of brand community has become an important concept in 21st century marketing.

The paper’s impact was announced earlier this month by Thomson Scientific, a company that provides information about innovation to businesses and academic institutions, and quantitatively tracks the impact of scientific contributions.

O’Guinn came to the UW-Madison School of Business in 2006. His research interests focus on the sociology of consumption, brands, advertising, branded entertainment and visual communication. He came to Wisconsin from the University of Illinois at Urbana-Champaign, where he was a college scholar at the College of Communication. O’Guinn also has taught at the University of California at Los Angeles and Duke University. He received his Ph.D. in communication from the University of Texas at Austin.

*University of Wisconsin-Madison (2007), “Marketing professor’s ‘brand community’ research get broad attention.”  
University of Wisconsin-Madison News, [www.news.wisc.edu/13705](http://www.news.wisc.edu/13705) (April).*

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### ADVERTISERS BANKING ON SOCIAL NETWORKING IN 2008

If you look at all the hype around social networking, you might think that it's a fad that will soon fade. Advertisers don't think so. After seeing how many teens and adults (40%) in the US are on social networking sites, they are upping their budgets for the new year.

Last year, advertisers spent \$920 million advertising on social networks. They plan to spend a lot more this year - 69 percent more, according to eMarketer - around \$1.6 billion. It's not expected to slow either. In the next four years the figure is expected to reach \$2.7 billion.

Advertisers are still trying to see what works on popular sites like Facebook, MySpace and niche online social networks. In a report titled: *Social Network Marketing: Ad Spending and Usage*, author Debra Aho Williamson, points out that: *"In 2007, 37 percent of the US adult internet population and 70 percent of teens used online social networking at least once a month."*

Teens in the US are heavy social network users. eMarketer predicts that by 2011 some 84 percent of teens who are online will visit a social networking site at least monthly. That adds up to about 17.7 million teens.

eMarketer predicts that by 2011 more than 85 million adults in the US who are online will be on social networks. That's almost half of all adults online (or 49 percent). That's pretty optimistic. They predict that most of that growth will come in 2008.

If you look outside the US, the numbers are also growing - 75% in this year alone. Starting at \$1.2 billion in 2007 this is expected to reach \$2.1 billion in 2008. Globally, social network ad spending is expected to more than double over the next few years to over \$4 billion in 2011.

### A LOVE / HATE RELATIONSHIP

Why do advertisers love social networks? They can easily get a lot of information about not only individual preferences but also your peer groups. You can target ads: by location, keywords, and interests. Another reason - people return to a social network (to interact) often. That means more chances to get your attention.

Advertisers also struggle with how to best market on social networks. People often ignore ads because they are on the site to interact not buy. They don't welcome being marketed to. Or worse, people find the ads obtrusive. Another issue is that the information people give may not be accurate. Many people make up information on their profile to protect their privacy online (and 31% do, according to one report).

The whole challenge of marketing to networks is that it's tough to reach people in this context. Once you exploit a network it loses its appeal. A network's value comes from its authenticity and from trust. Advertisers not only need to be transparent, they need to add value to the community (entertainment, fun, relevancy). It won't work based on models of exploitation or mass marketing.

Janet Meiners (2008), *"Advertisers Banking on Social Networking in 2008."* Marketing Pilgrim  
<http://www.marketingpilgrim.com/2008/01/advertisers-banking-on-social-networking-in-2008.html> (January).

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Our customers tend to be very opinionated and they will tell us exactly what we are doing very wrong or very right. Our employees are another big source of innovation for us. They're also observing our customers and giving us a lot of ideas.

Online, we get a lot of information in our social-media newsroom. It's not monitored. I find that very exciting. Everybody is now so used to being online and giving their opinions that we absolutely need to reach out to them and bring them into our social web and learn from what they want.

**Dee McLaughlin, Vice President of Marketing,  
Virgin Entertainment Group.**

*Dee McLaughlin (2008), "Born Again Virgin: Virgin Megastores sails where others sank. Dee McLaughlin tells how.", Hub Magazine, (January/February), 23.*

Check out GENERATION TOYOTA. It's a video blog loaded with behind-the-scenes action at Toyota Canada. Not just our cars and trucks, but a full range of Toyota's most interesting and innovative activities... from community-based initiatives to far-reaching environmental efforts... from past vehicles and Motorsports to glimpses into what the future of transportation may hold.

There's even a category for "Owners", so you can send us a Toyota story of your own. Who knows, you may end up the subject of a future video!

Visit [www.generationtoyota.ca](http://www.generationtoyota.ca) and see what we're all about. We look forward to hearing from you.

**Toyota Canada announcing the launch of Generation Toyota.  
A community site for Toyota enthusiasts.**  
*Toyota Canada (2007), email (August).*

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### **Brand Awesomeness: All that matters is doing stuff that makes sense to your customers.**

What makes a ton of sense for specialized customers is the Specialized Riders Club an awesomely feature-rich community site for cyclists. You can create a profile, you can create a profile for each of your bikes in super-geek detail, you can find rides and riders in yours or any zip code. You can keep journals post ride stories and photos and gossip with community members about gear and rides and whatever it is cycle freaks talk about.

### **Lessons learned:**

They were expecting hardcore riders to like it the best. Unexpectedly It made the biggest difference for new riders to help them find rides and how to get involved in the community.

People won't tell you outright that you should build a brand community. But as a tipoff, you might think of this as a big red flag that your customers are ready for a brand-centric community:

**“Does Specialized have an authorized tattoo? I am considering having the logo “S” tattooed on the lower part of my right calf. Do I need some kind of copyright authorization?”  
(they sent him the .EPS file)**

*Tom Purves (2007), “CaseCamp5 Toronto pt 3”,  
TomPurves.com,  
www.thomaspurves.com/2007/06/12/  
casecamp5-toronto-pt-3, (June).*

Since opening its first retail outlet in 1999, Lululemon has launched 27 stores in Canada, plus another nine abroad. Revenues have doubled every year for the past four years, and are now estimated to be about \$120 million. And Lululemon achieved this growth without any traditional advertising — no television commercials, no radio ads, no national newspaper campaigns. The company doesn't even describe its in-house marketing team as such, labeling the division Community Relations instead.

*Laura Bogomolny (2006), “Toned and ready: Lululemon transitions.”, Canadian Business  
www.canadianbusiness.com/managing/strategy/  
article.jsp?content=20060424\_76424\_76424  
(April 24 - May 7).*

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In explaining the runaway success of the brand, van Stolk is the first to admit, "The world doesn't need another soda." But what young cynical consumers apparently did need was a brand with which they could identify. Van Stolk gave that to them quite literally. He created a virtual community of fans who gather at the company's website to chat, blog, enter contests, share movie reviews and download freebies. Unlike the slick Madison Avenue spin of huge competitors, Jones Soda -- without any money for advertising -- created a cool under-the-radar appeal by urging fans to send in photographs to the website to use as bottle labels. The Seattle company now has over a million submissions and has used 4,372 of the photos. Consumers collect the ever-changing labels and trade them in web chat rooms, and even have their own Jones Soda custom labels specially made for them.

"We allowed the labels to be discovered and that gave consumers a sense of ownership. It makes it more relevant to them and provides an emotional connection," van Stolk explains. "With big soda brands, the 'Britney Spears model' -- paying a lot of money to some hot artist to sponsor your beverage -- is just so done. The wonderful thing about our competitors is, for all the money they have, they should be thinking more originally but they don't. If they ever do, I'm dead."

*Corporate Design Foundation (2005), "Keep Up with the Jones, Dude! Internet-savvy and youth-aware, Jones Soda makes customers prime participants in marketing the brand and keeping it fresh." , Reprinted in BusinessWeek [www.businessweek.com/innovate/content/oct2005/id20051026\\_869180.htm?chan=sb](http://www.businessweek.com/innovate/content/oct2005/id20051026_869180.htm?chan=sb) (October).*

Since the start of the internet I have been a die-hard community believer. It seems that smart eCEO Michael Dell has read this great community marketing book: *Communities Dominate Brands* as well? Just take a look at Michael Dell's video where he announces two new digital community tools, designed to foster two-way communications with customers.

Dell IdeaStorm allows customers to participate in the development and enhancement of Dell's products and services by sharing their ideas online. IdeaStorm contains already 7599 community generated ideas.

At StudioDell Consumers, SME's and IT Professionals can upload their own home-grow videos. This smart and interactive Dell approach could really create a better 'user generated' helpdesk.

*Igor Beuker (2007), "Dell: Smart UGC Community Marketing Moves.", ViralBlog [www.viralblog.com/2007/10/20/dell-smart-brand-that-dominates-communties/](http://www.viralblog.com/2007/10/20/dell-smart-brand-that-dominates-communties/) (October).*

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This use of social media is helping Nike to better allocate its marketing budget.

Last year, Nike spent just 33 percent of its \$678 million United States advertising budget on ads with television networks and other traditional media companies. That's down from 55 percent 10 years ago, according to the trade publication Advertising Age.

Between 2003 and 2006, Nike "increased its nonmedia ad spending 33 percent, to \$457.9 million, according to the Advertising Age data."

How is this working out for Nike? Standing back, and letting the consumer decide how to interact with the brand, appears to be working. Recent reports suggest that 40% of Nike+ users end up converting to the Nike brand running shoes.

*Andy Beal (2007), "Nike: a Lesson in Social Community Marketing", Marketing Pilgrim*  
<http://www.marketingpilgrim.com/2007/10/nike-a-lesson-in-social-community-marketing.html> (October).

