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Predictive Conversations

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Make every conversation count™

Measuring Word of Mouth and Predicting Business Outcomes

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August 11, 2017
MASB

Opening thoughts

- Intrinsically people know conversations are highly trusted channels used in our purchase decision.

- But the very nature of conversation is unstructured.

- Therefore companies often don't consider this a channel to measure and grow.

- They adopt a passive attitude towards a critical brand asset, allowing it to languish.

- "With so few companies actively managing word of mouth—the most powerful form of marketing—the potential upside is exponentially greater." (McKinsey)

The visible conversation is not enough

- Many marketers monitor the visible social media conversation

- But the conversation lurking beneath the surface is bigger -- and often very different!

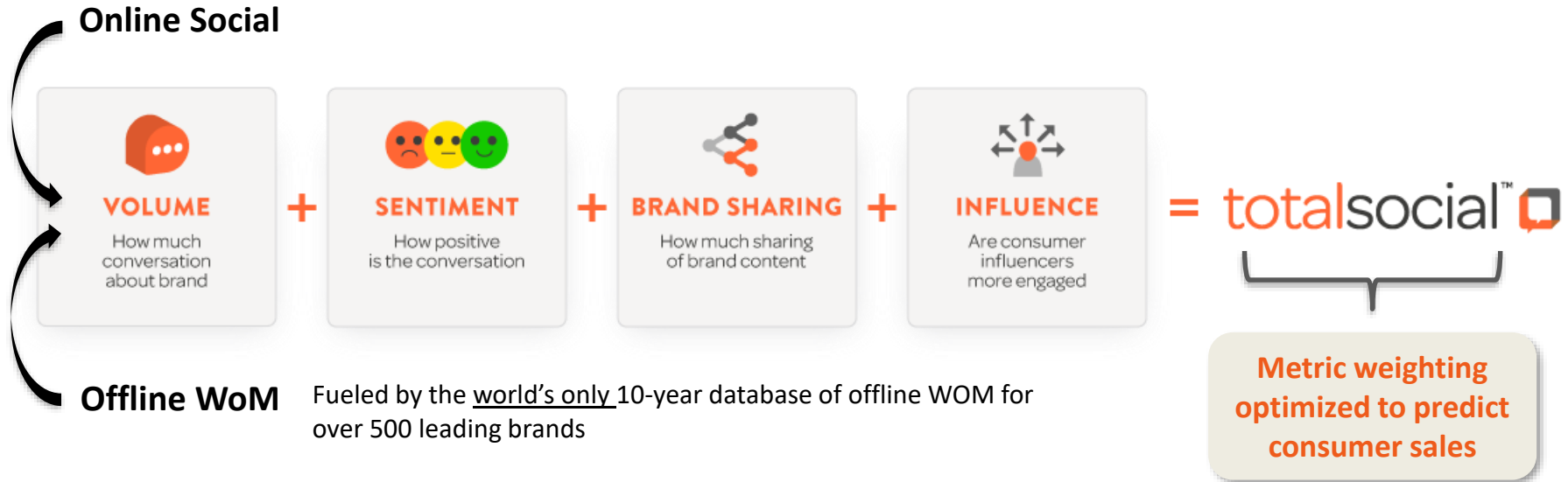- To **maximize ROI** you need to look at both
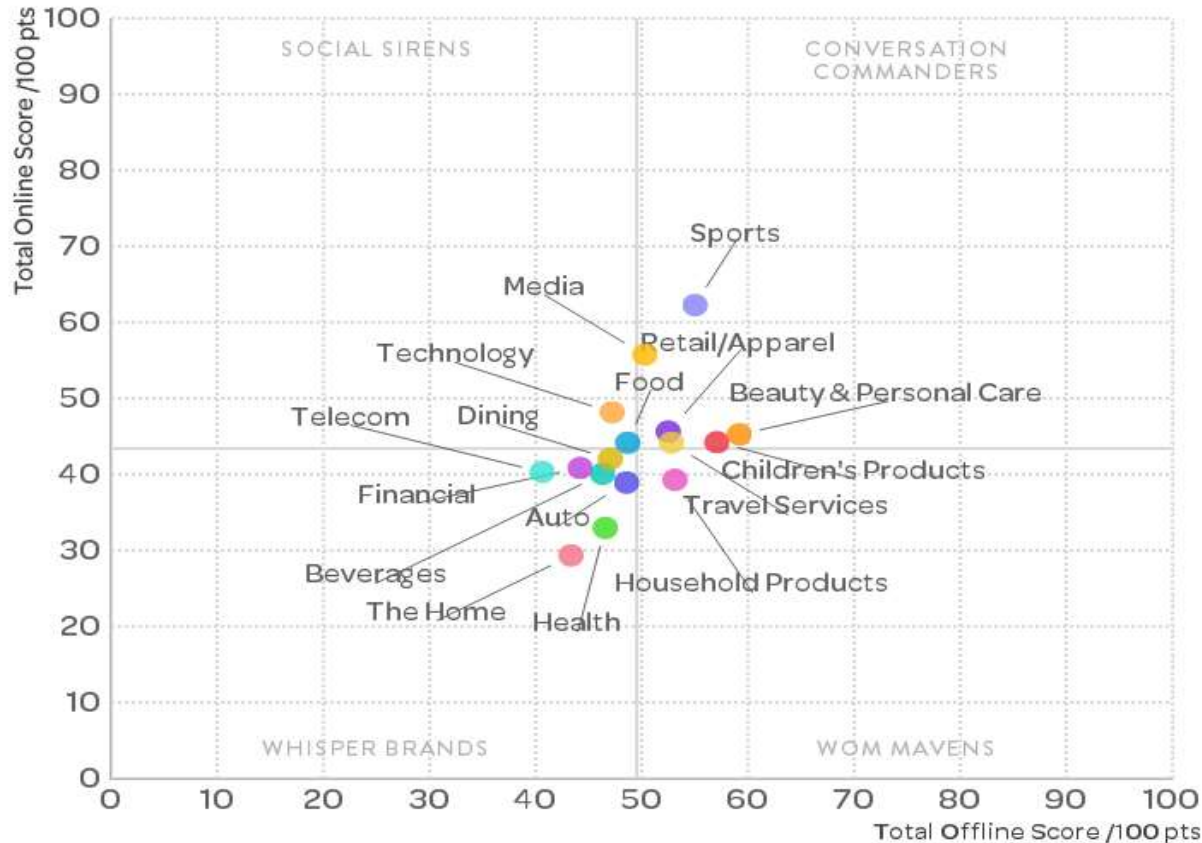

Social Listening

WOM Conversation

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About our data:

totalsocial offline + online conversation in a single scoring system

Online Social

VOLUME
How much conversation about brand

+

SENTIMENT
How positive is the conversation

+

BRAND SHARING
How much sharing of brand content

+

INFLUENCE
Are consumer influencers more engaged

= totalsocial™

Offline WoM Fueled by the world's only 10-year database of offline WOM for over 500 leading brands

Metric weighting optimized to predict consumer sales

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TOTALSOCIAL® TALKSCAPE
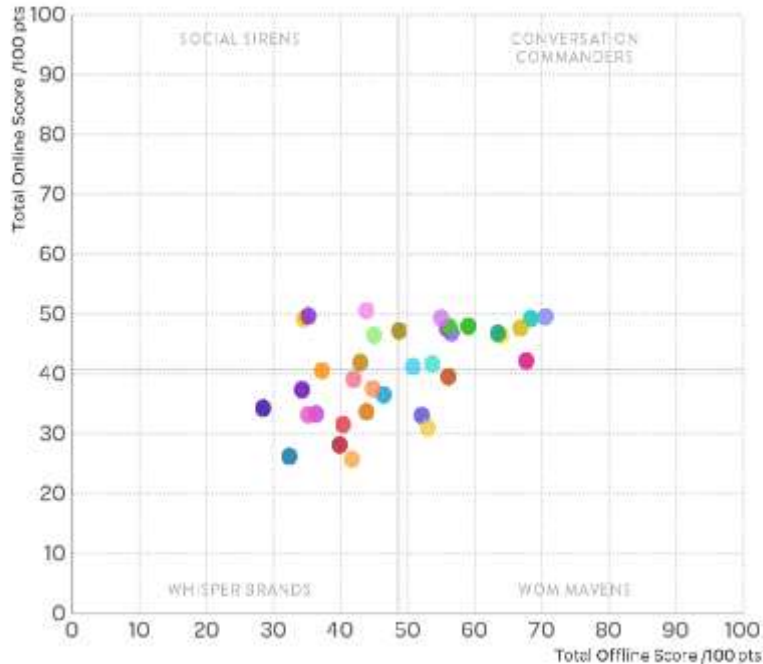
Jun 27, 2016 – Jun 25, 2017

Legend:
- Auto
- Beauty & Personal Care
- Beverages
- Children's Products
- Dining
- Financial
- Food
- Health
- Household Products
- Media
- Retail/Apparel
- Sports
- Technology
- Telecom
- The Home
- Travel Services

Chart axes:
- Y-axis: Total Online Score /100 pts (0–100)
- X-axis: Total Offline Score /100 pts (0–100)

Quadrant labels: SOCIAL SIRENS, CONVERSATION COMMANDERS, WHISPER BRANDS, WOM MAVENS

Plotted labels: Sports, Media, Retail/Apparel, Technology, Food, Beauty & Personal Care, Telecom, Dining, Financial, Children's Products, Auto, Travel Services, Beverages, Household Products, The Home, Health
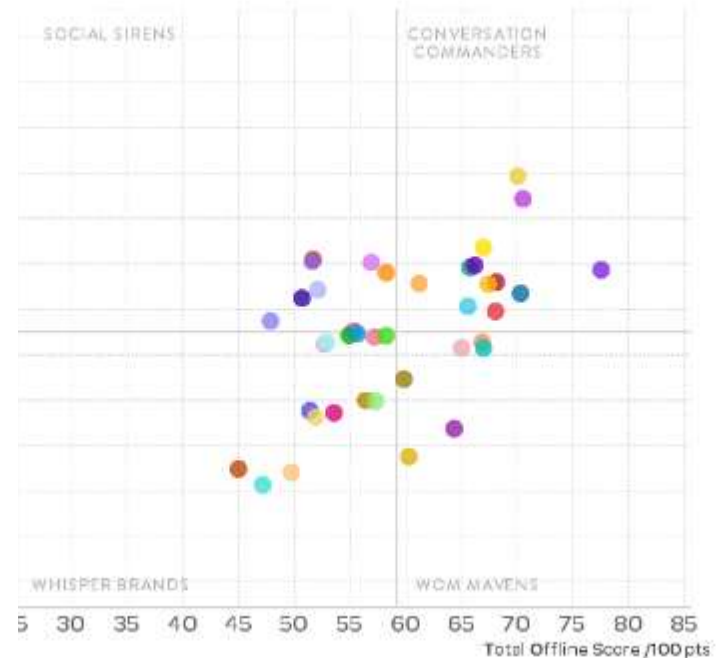
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Within category, lots of variation by brand

TOTALSOCIAL® TALKSCAPE
Auto
Jun 27, 2016 – Jun 25, 2017

TOTALSOCIAL® TALKSCAPE
Beauty & Personal Care
Jun 27, 2016 – Jun 25, 2017

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Does Conversation Predict Sales?

# Today's goal: Share new quantitative evidence of the relationship between offline/online conversations and sales

Method	500 Brands Conversation Analyzed	200 Sales Models Built	3 Deep Client Explorations

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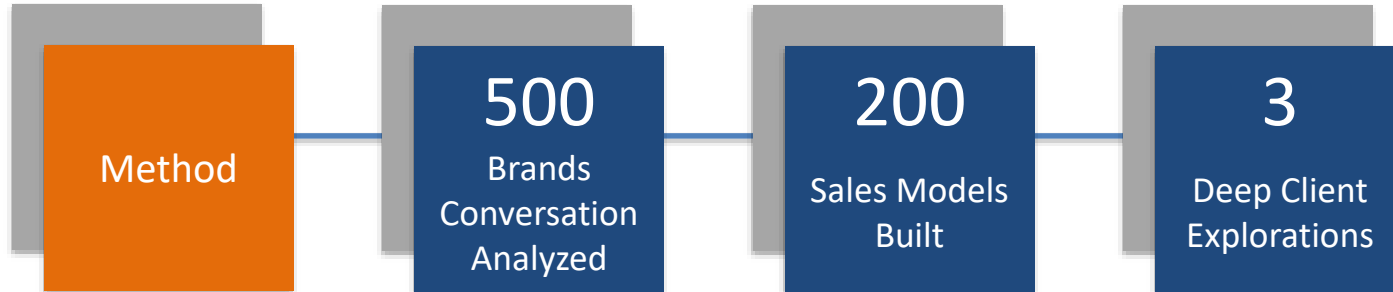
Learning 1

The Offline to Online correlation for 500 Brands shows low correlations for all metrics.

Avg. Correlation

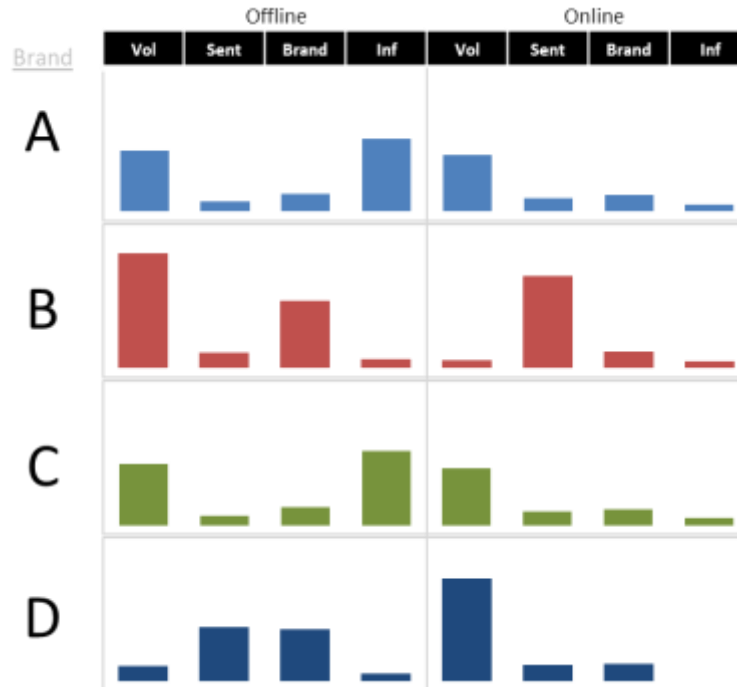|	
Volume	8%
Sentiment	0%
Brand Sharing	0%
Influencer	-2%

Distribution of Offline to Online Correlations for Volume

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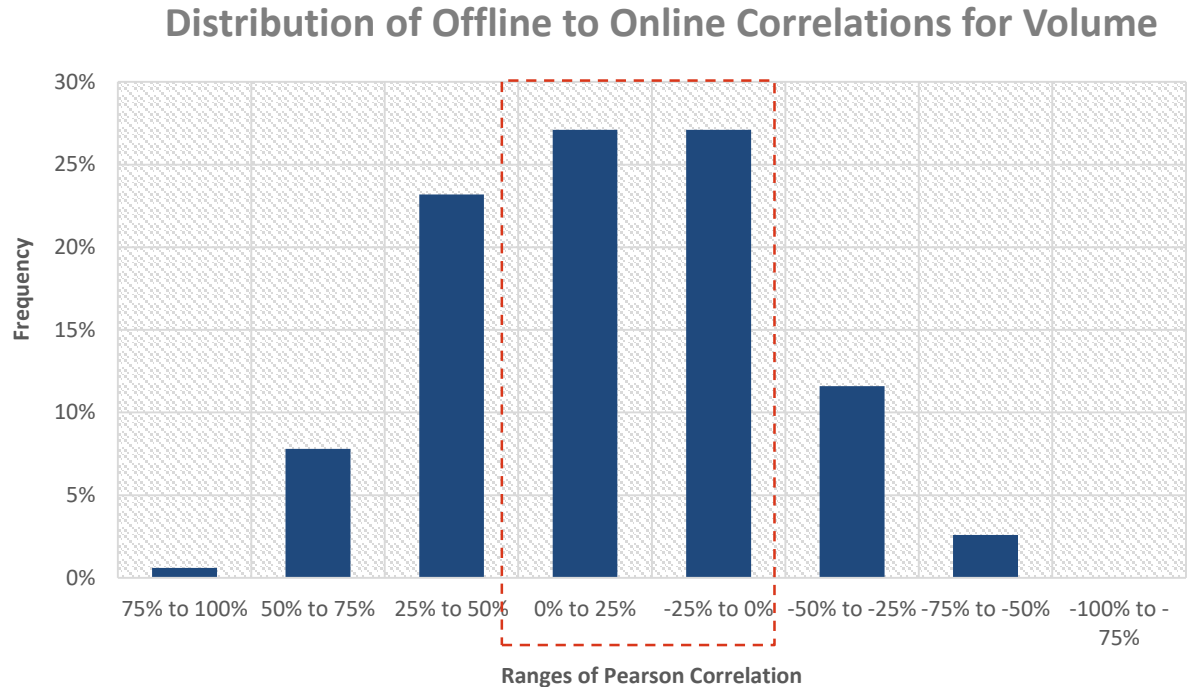
Every company/brand has a unique Word of Mouth and social DNA structure
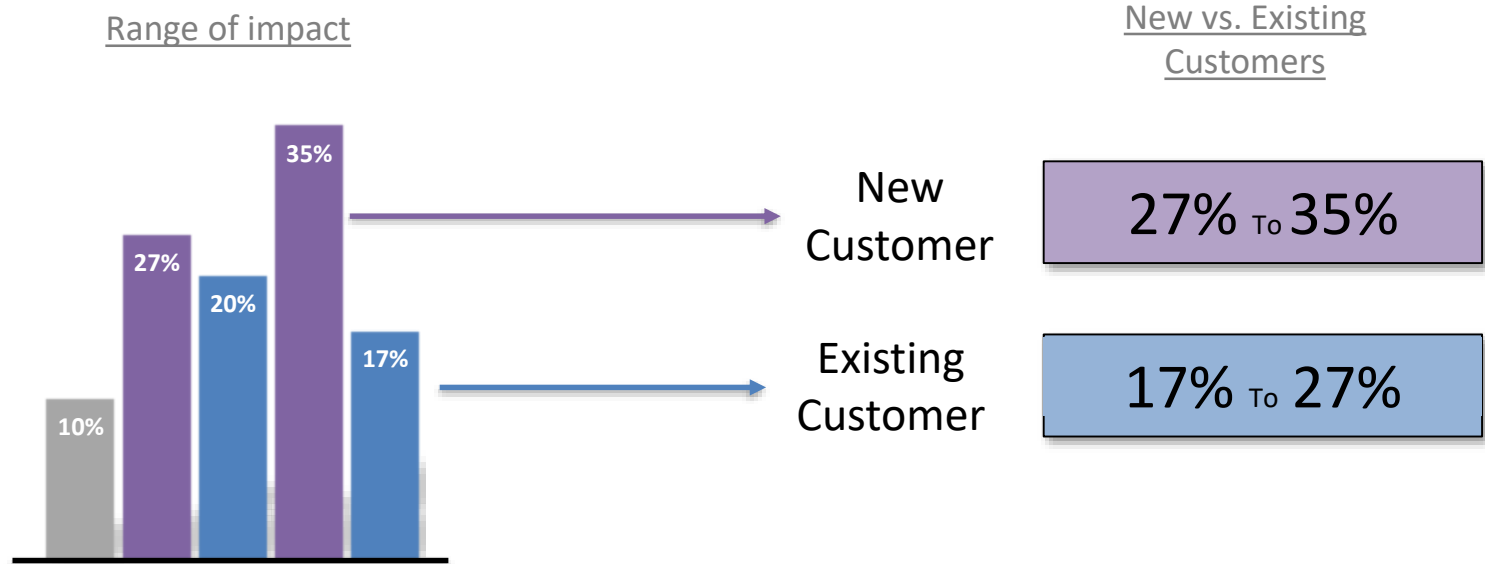
Relative Impact to Sales of 4 close competitors

Note
Offline is a critical social component driving sales.

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Case Study: Business Questions

Questions:

- Do conversations explain, or predict, my business?

- Are they leading indicators, if so how long in advance?

- Are there signals of increased competition based on shifts in WOM Competitors?

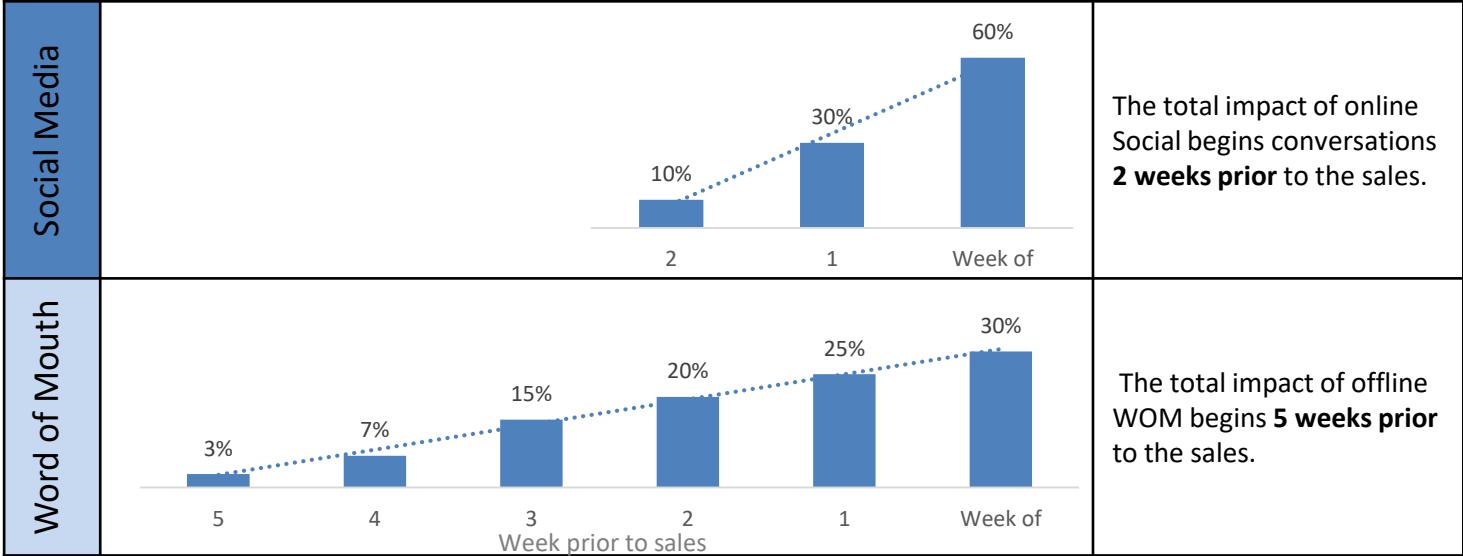- Can we identify which specific social metric can delivery the biggest business impact if raised?

Conversation impact varies by Brand X's KPI and is influential for both new and existing customers

Range of impact

New vs. Existing Customers

35%

27%

20%

10%

17%

New Customer   27% To 35%

Existing Customer   17% To 27%

Source: Engagement Labs TotalSocial®

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Word of mouth and social media are leading indicators

Offline brand conversations influence this purchase decision up to 5 weeks in advance for brand x.

% of impact to sales

Social Media

	2	1	Week of
	10%	30%	60%

The total impact of online Social begins conversations **2 weeks prior** to the sales.

Word of Mouth

5	4	3	2	1	Week of
3%	7%	15%	20%	25%	30%

Week prior to sales

The total impact of offline WOM begins **5 weeks prior** to the sales.

Marketing is a strong driver of conversation and can drive up to 50% of the volume

Economics
Seasonality
Marketing
Competition
News
Product Innovations
Pricing/Discounts

drivers

→

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Offline Word of Mouth
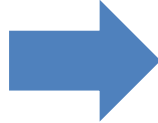
Social Media

Simulations identified Offline Volume as the biggest opportunity to increase new customer acquisition

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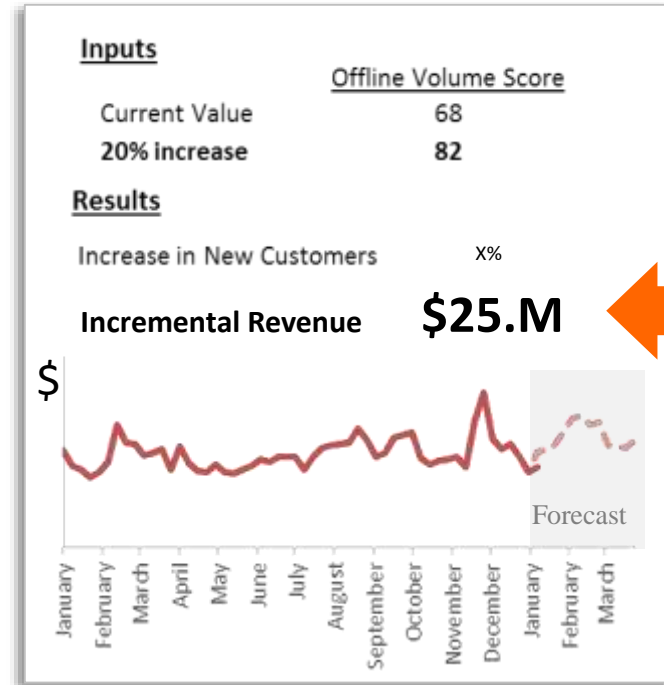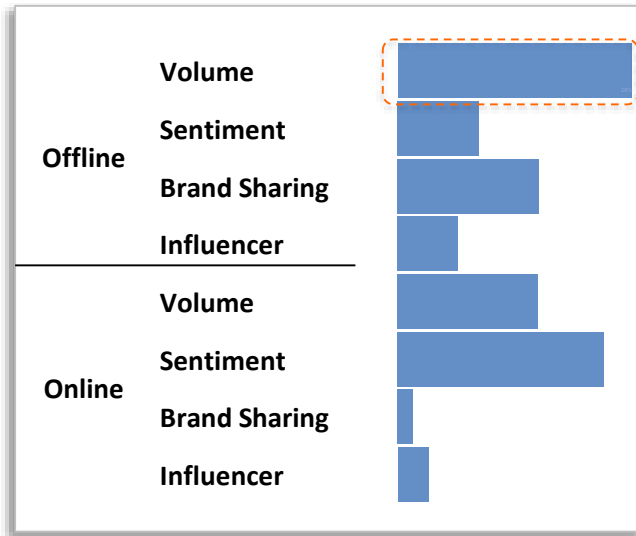
Do TotalSocial Metrics Tie to Stock Performance?

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Retail Case Studies

- Chose a handful of retail brands
  - Focus on retailers with sales concentrated in US—Macy's Home Depot, Kohl's
  - Focused on our key summary metrics—Total Online & Total Offline
  - Found very interesting correlations to <u>average daily close for each week</u>
- Hypotheses
  - Word of mouth is an early indicator of sales success, which leads to higher stock prices
  - Offline WOM likely more representative of sales than online buzz, due to broader participation in offline WOM
- Objective
  - A preliminary look to determine whether it makes sense to undertake a more ambitious analysis

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Offline WOM Gives Strong Macy's Signal 1-3 Weeks Ahead

Online buzz correlates gives little advance signal

Macy's vs. Offline Score

Macy's vs. Online Score
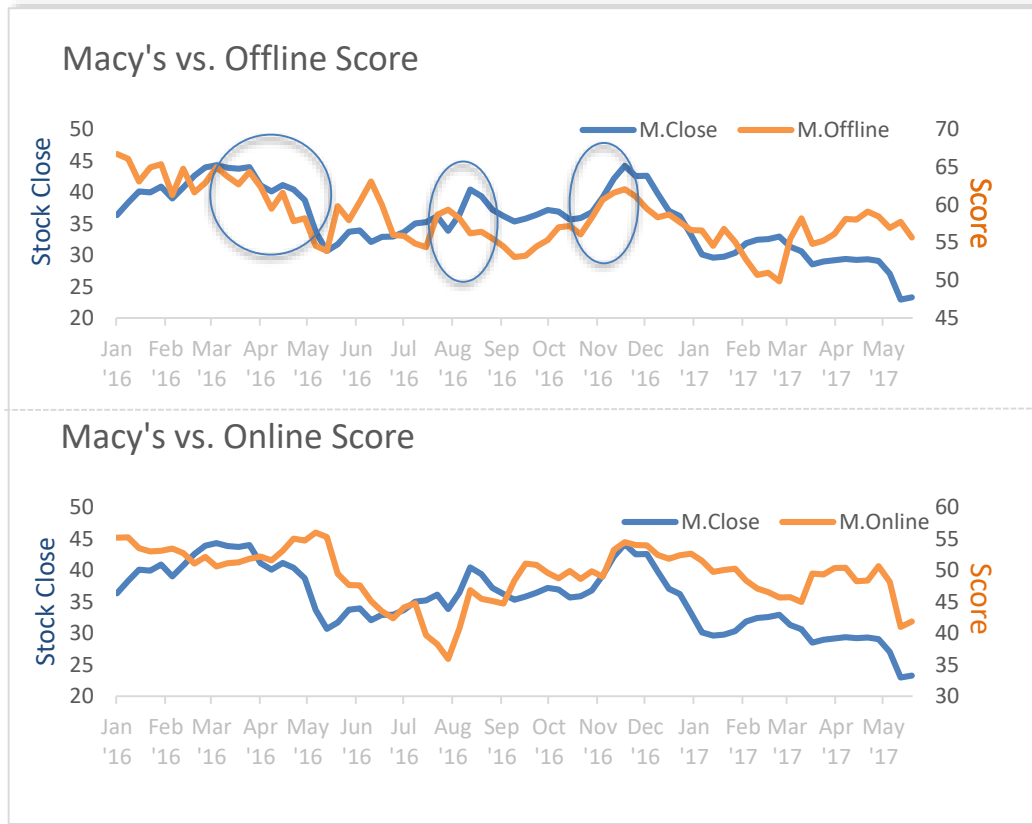
Stock to TotalSocial Correlations

M	M.Offline	M.Online
Close	56%	43%
Lead 1	57%	31%
Lead 2	58%	18%
Lead 3	55%	12%
Lead 4	52%	8%
Lead 5	49%	6%
Lead 6	45%	4%

Stock Close is the weekly average of the daily stock close

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Offline WOM Correlates to Home Depot 3-5 Weeks Ahead

Online buzz correlated negatively

Home Depot vs. Offline Score

Home Depot vs. Online Score
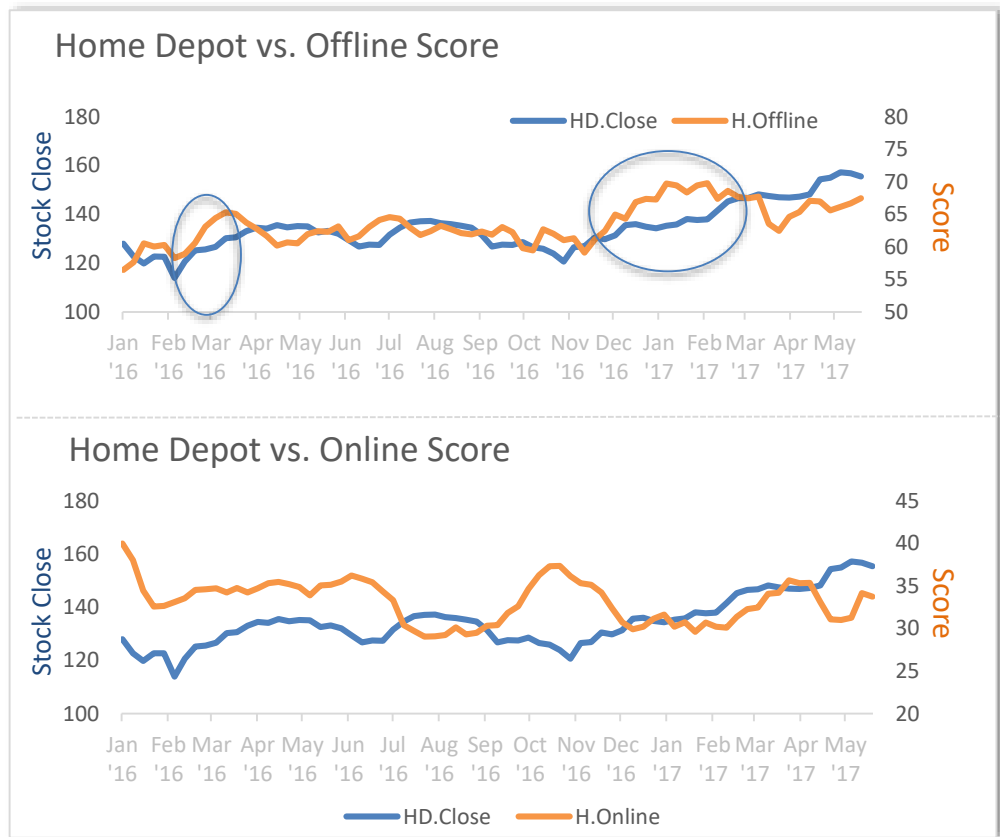
Stock Close is the weekly average of the daily stock close

Stock to TotalSocial Correlations

HD	H.Offline	H.Online
Close	64%	-30%
Lead 1	67%	-34%
Lead 2	70%	-34%
Lead 3	71%	-27%
Lead 4	71%	-22%
Lead 5	70%	-16%
Lead 6	68%	-8%

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Offline WOM Correlates to Kohl's 0-2 Weeks Ahead

Online buzz close to zero correlation
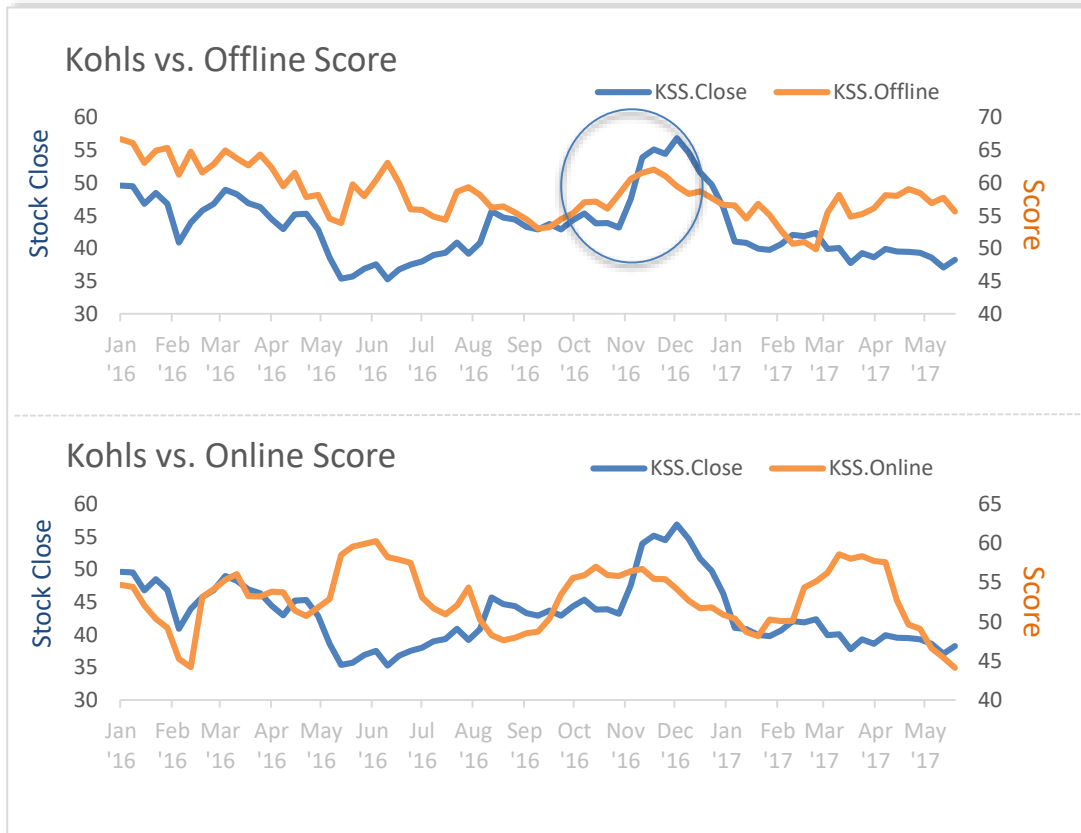
Stock Close is the weekly average of the daily stock close

Concluding thoughts

❖ There is strong evidence that conversations about brands and products <u>predict</u> sales

❖ Each brand has it own social architecture, with offline and online conversations both playing a role

❖ Measuring, modeling and improving the quantity, quality and impact conversations about your brand is critical

❖ Conversations are **<u>your asset</u>**, don't let them languish

THANK YOU!

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