



Valuing Advertising's Original Medium: The Conversation

This is the first in a series of brief whitepapers intended to stimulate dialogue, discussion and debate around models for valuing social media and word of mouth.

March 08

In this paper:

- > Advertisers recognize the power behind consumer-to-consumer product recommendations. They just don't know how to *value* the medium.
- > Associating a premium with the unique attributes of word of mouth is one way to arrive at a value.
- > This methodology results in a \$300 CPM for word of mouth.

> INTRODUCTION

Brand advertisers inherently value the power of consumer-to-consumer product referral as the most impactful form of marketing. They recognize that nothing cuts through our ad-cluttered environment like a personal testimonial delivered openly, honestly and triggered at the precise point of interest. They want to activate word-of-mouth (WOM) for their products and services.

Today's \$1B WOM marketing industry is growing rapidly thanks to the success of both companies who ignite product-specific conversations as well as companies who measure the brand buzz across online and offline media channels. As media buyers plan, flight and measure more WOM campaigns as part of an integrated strategy, they seek standardized WOM valuation metrics that will allow for media comparison and optimization.

Let's consider a few potential valuation constructs in order to define WOM as a medium. In this paper, we will explore the commercial value of WOM in CPM-based terms.

> WOM VALUE: \$250 – \$300 CPM

A \$300 CPM for WOM might drive a media buyer into an apoplectic fit at first pass. Particularly since some would say this medium still clamors for greater trial and scrutiny. However, when compared to traditional media, WOM media offer a set of distinct advantages that help marketers cut through the multitude of advertising messages bombarding consumers every day and deliver the right message at the right time in an open, honest, transparent way. That advantage has clear value.

In WOM, the message being delivered is a consumer-to-consumer conversation. (Yes, this is already referred to by some as C2C media!) So if traditional media impressions are measured in terms of ratings points, homes passed, audience and views, WOM's comparable currency is the total number of conversations.

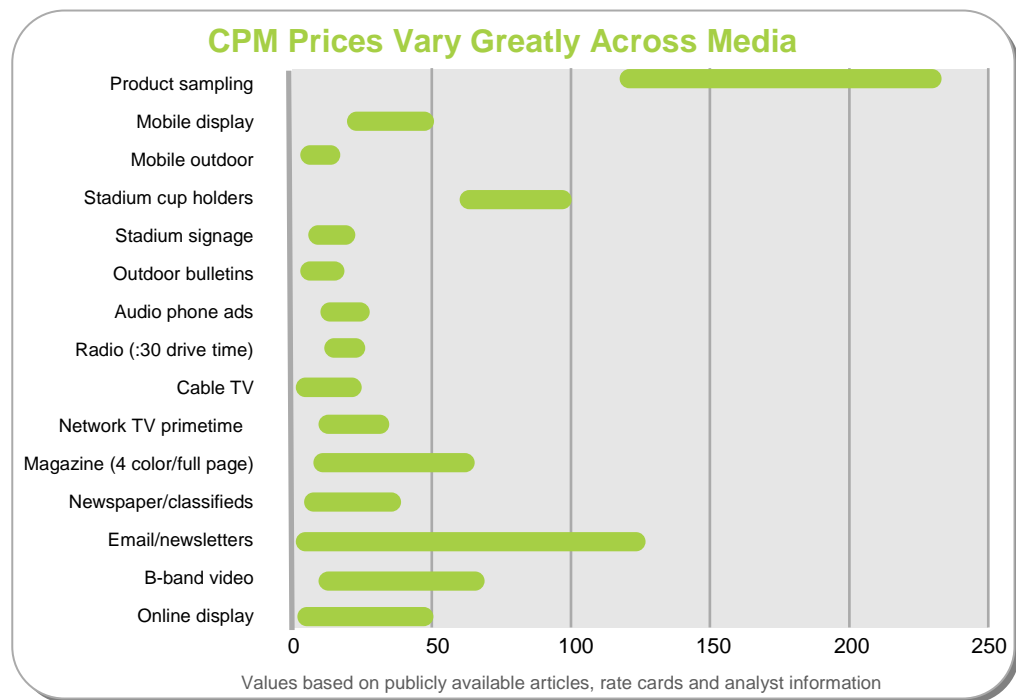
> STARTING WITH A \$15 AVERAGE MEDIA CPM BASE

The market price of media, expressed in CPMs, varies due to conventional wisdom and factors of each medium's ability to deliver against traditional marketing objectives and ROI including: driving awareness, attitudinal shifts, purchase intent, demographics, day-part, ratings and other actions and results.

In general, marketers are willing to pay at least \$15 CPM for the basic delivery of an advertising impression. We begin our WOM valuation model suggesting that a directed product conversation must be at least as valuable as an online impression or television or radio spot. From a CPM base rate of \$15, can we add CPM media multiples to arrive at a bottom-up proof for the value of WOM?



Consider below the average CPMs that marketers pay for traditional media:



> WOM IN TERMS OF COMPONENT MEDIA VALUE

The following are distinct benefits that WOM offers marketers and the premium marketers might be willing to pay:

Customer targeting premium: +\$50

WOM campaigns are more precise and less assumptive about the target audience than television, sampling or even behavioral targeting programs. WOM thus propagates from a finely segmented, highly efficient audience pool that is exactly what the media planner ordered. WOM fulfills behavioral, contextual and demographic targeting objectives.

Content intimacy and engagement: +\$125

WOM advertising programs are designed and delivered directly to the intended audience. Moreover, the audience member actively volunteers to experience the product pitch. A single campaign represents a deep brand experience with multiple touch points. In typical WOM campaigns, members will spend five to seven hours interacting with the product or service, from experiencing the product, discussing it with friends, relatives and co-workers, reading information (online/offline), reacting to other related advertising and reporting their activity back to the WOM company.

Lifetime value: +\$25

WOM has stamina as media. Participants continue to discuss the product long after the formal campaign ends. The initial experience will result in ongoing awareness and interest, and conversation.



Exclusivity and single sponsorship: +\$50

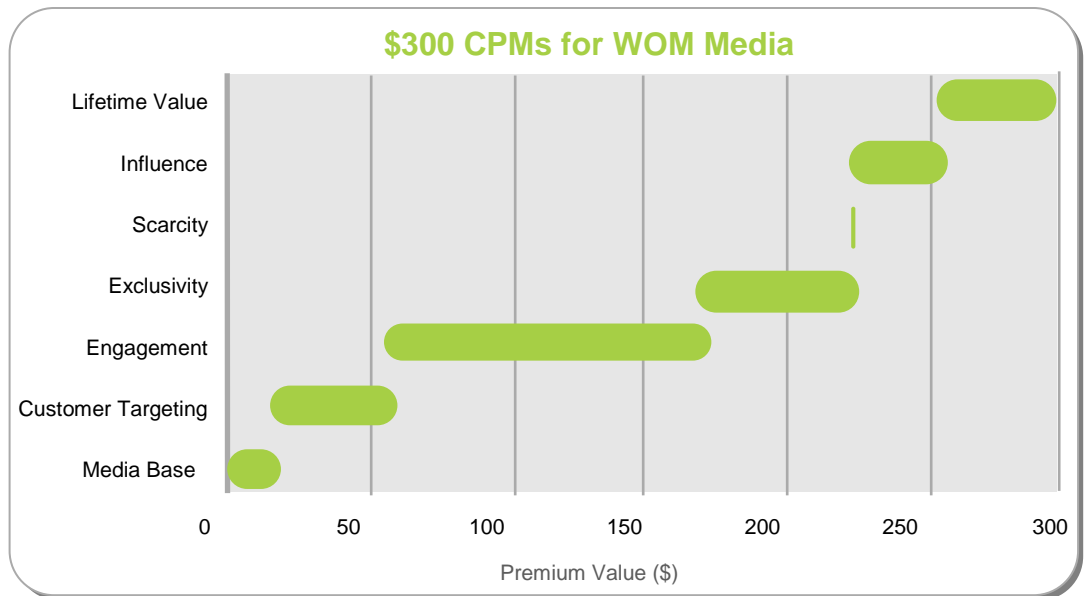
Mostly, WOM campaigns are bundled and delivered as single, exclusive experiences. Product consideration is not diluted by multiple offers or a selection of complementary (or competitive) products. This level of intimacy and exclusivity cuts through cluttered advertising tactics to create strong awareness and trial.

Inventory scarcity: \$0

As WOM campaign delivery systems become more mainstream and sophisticated, there may be a future multiple due to scarcity of appropriate windows to deliver campaigns. Certain seasons/holidays or limited time offers may provide future multiple value here.

Generational impact/influence: +\$35

Although other forms of media, when successful, trigger conversations and WOM, this form of media specifically activates generational messaging. Participants volunteer for the opportunity, and enjoyment, of delivering messages and information to other members of their social network. Marketers track the actual propagation of conversations from the initial participant through several rounds, or generations, of chat that take place.



Maybe a CPM-based, bottom-up approach is too subjective and marketers are not willing to accept the ROI risk presented by this model without seeing specific results? If so, would WOM be easier for you to purchase as a CPA or auction-based media? Either way, it's an electric moment for WOM.

