

The  
Economist

## Marketing in the digital age

# A brand new game

**As people spend more time on social media, advertisers are following them**

Aug 29th 2015 | SAN FRANCISCO | From the print edition

EARLIER this year BMW advertised on WeChat, a popular messaging app in China with around 550m monthly users. But its ads were shown only to those whose profiles suggested they were potential buyers of expensive cars. Others were shown ads for more affordable stuff, such as smartphones. The campaign bruised a few egos. Some of those not shown the BMW ad complained, referring to themselves as *diao*, or (putting it politely) losers.

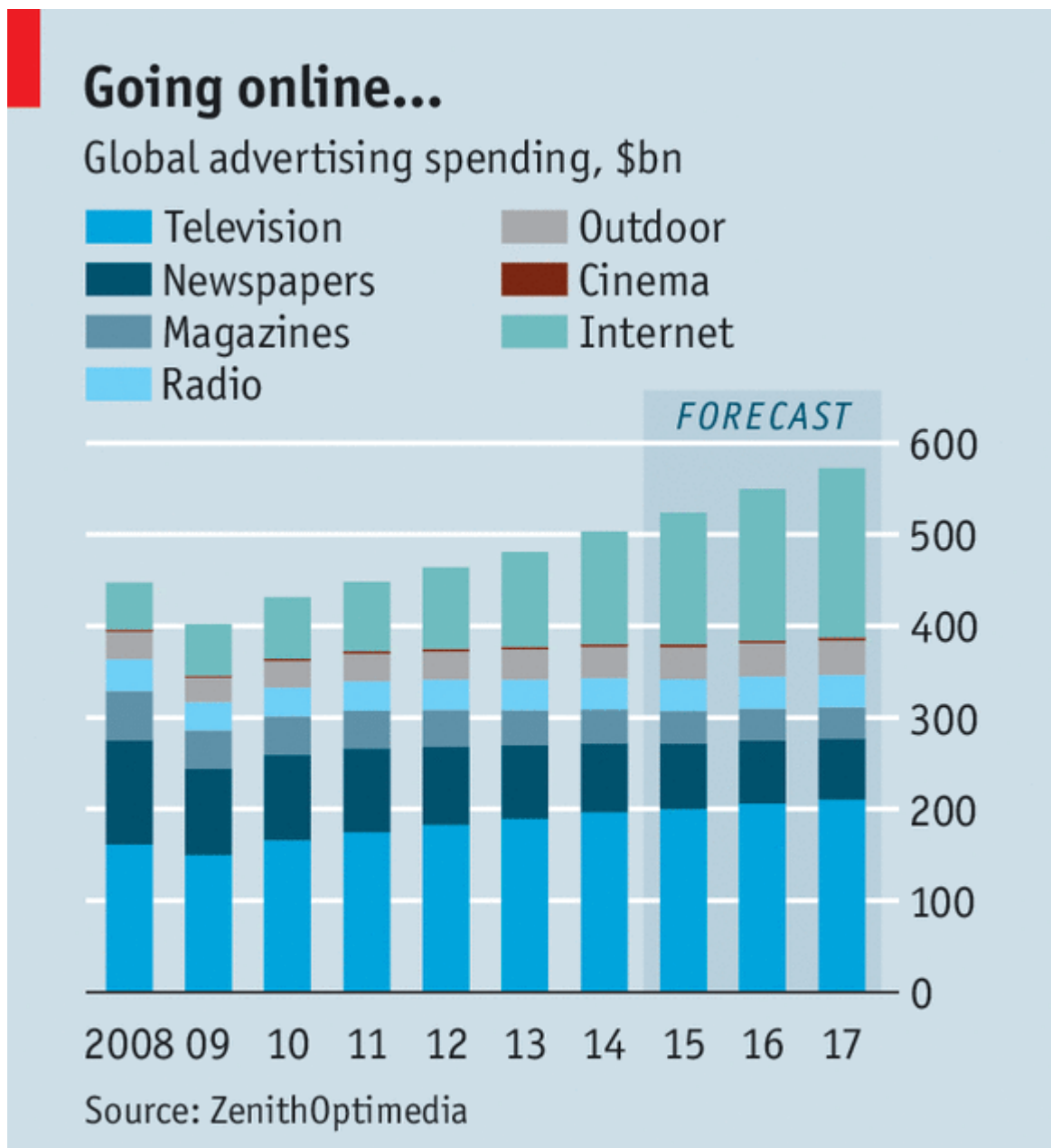


The carmaker's experience shows the complexities of advertising today, when it is so easy for dissatisfied customers to make their voices heard. But it was also an example of how marketing chiefs are struggling to find the right way to reach consumers on new digital platforms, where they are spending ever more of their time.

Not long ago social-media marketing was something that brand managers might ask their summer interns to deal with. Today it has become a pillar of the advertising industry. Social networks like Facebook, Twitter and LinkedIn have cultivated vast audiences: 2 billion people worldwide use them, says eMarketer, a research firm. Online advertising of all sorts continues to grow, and within that category, spending on social-media ads has gone from virtually nothing a few years ago to perhaps \$20 billion this year (see charts).

Advertisers like social-media platforms because they gather all sorts of data on each user's age, consumption patterns, interests and so on. This means ads can be aimed at them with an accuracy that is unthinkable with analogue media. For example, Chevrolet, an American car brand, has sent ads to the Facebook pages and Twitter feeds of people who had expressed an interest in, or signed up to test-drive, a competitor's vehicle.

Such fine-tuned targeting means that the distinction between advertising and



Economist.com

e-commerce is becoming blurred. Facebook, Twitter, Instagram and other platforms are selling ads containing “buy now” buttons, which let users complete a sale on the spot. It is too early to tell how many consumers want such a convenience, but the social platforms foresee a future in which they get paid by advertisers to provide instant-shopping services that make the platforms more useful to their members, and get them to spend more time on them.

To wring the most out of the ability to target consumers precisely on social media, ad agencies are making big changes to their campaigns. Instead of creating a single, broad-brush message that will run across television, radio, print and outdoor, they are producing many variations on a theme, matching each to the subset of consumers they



Economist.com

judge most likely to respond to it. Last month Lowe's, an American home-improvement retailer, ran a campaign on Facebook in which users were sent one of several dozen versions of its ad, depending on which part of their homes they had mentioned on social media.

The iterative nature of digital marketing has meant lots of work for ad agencies and public-relations firms. However, the brands that hire them must weigh the "production-cost trade-offs" that come with personalisation on social media, says Pete Blackshaw of Nestlé, a food manufacturer. "You can target too much."

Marketing chiefs also need to think through efforts to give their brands "online

personalities”. Twitter has been the main place where brands try to sound authentic and clever. When Apple announced its gold iPhone in 2013, Denny’s, a restaurant chain, sent out a gently mocking tweet showing a photo of its pancakes, which are “always available in golden”. It seemed to go down well with consumers.

But in attempting to ride social-media trends, companies can easily fall flat on their faces. DiGiorno, a frozen-pizza maker, noticed that a number of people were using the hashtag “#WhyIStayed” on Twitter and sent out a jocular tweet that they had stayed for the pizza. It turned out that the comment thread was about domestic violence and why women remained in abusive relationships. DiGiorno took to social media again—this time to apologise.

In spite of such pitfalls, social platforms are likely to receive an ever larger part of marketers’ budgets. But the digital-media business is still young and volatile, and it is hard to predict which social networks are destined to become the new-media equivalents of America’s big four broadcast-TV networks. For a time, Twitter seemed to be the place to be for advertisers; more recently it has been dogged by management turnover and slowing user growth. Now Facebook is the favourite among marketing folk: it claims nearly five times as many users and nine times as much revenue as Twitter. Facebook has bought several nascent social-media services that might have grown to become challengers, such as Instagram, a photo-sharing app, and WhatsApp, a messaging app. It has been rolling out ads cautiously on Instagram, to see how users react, but has yet to start doing so on WhatsApp.

Some old media have yet to feel much pain from the loss of ad revenue to digital rivals. TV advertising has until now kept growing. But as time goes on, and as TV audiences both decline and shift to services that do not have ads, such as Netflix, the competition will be more keenly felt. However, social networks, and TV advertisers interested in switching to them, have yet to work out what is the optimal format for video ads. In 2012 Twitter acquired Vine, which lets people post six-second videos; several months ago Periscope, an app for live video also owned by Twitter, was all the rage. Advertisers have experimented with both services, but as yet neither has taken off as a marketing medium.

It still makes sense for marketers to try these new services out, because there is something of a first-mover advantage in digital advertising. Brands that are early to use new platforms benefit disproportionately, explains Linda Boff, a marketing chief at General Electric, because their users have not yet become saturated with marketing messages.

The latest social platforms to get the attention of marketing types are a bunch of messaging apps, such as Snapchat (see [article](#) (Financial%20markets) ), WeChat and Kik,

where young users send messages, photos and videos directly to friends. Brands are also starting to do more with Pinterest, where users can “pin up” images of things that appeal to them. It seems a fair assumption that users may want to buy the things they are pinning up, although the platform, which has 70m users, may never achieve the scale of Twitter (300m), let alone Facebook (1.5 billion).

Even if marketers master social media without coming across as clumsy, grating or intrusive, there will surely be a limit to how much advertising will shift to the platforms. Television ads are still great for reaching big audiences with simple messages. Print ads can lend brands an air of credibility (we would say that, wouldn't we?). Like fund managers, advertisers will always want a balanced portfolio.

From the print edition: Business