$OCIAL CURRENCY
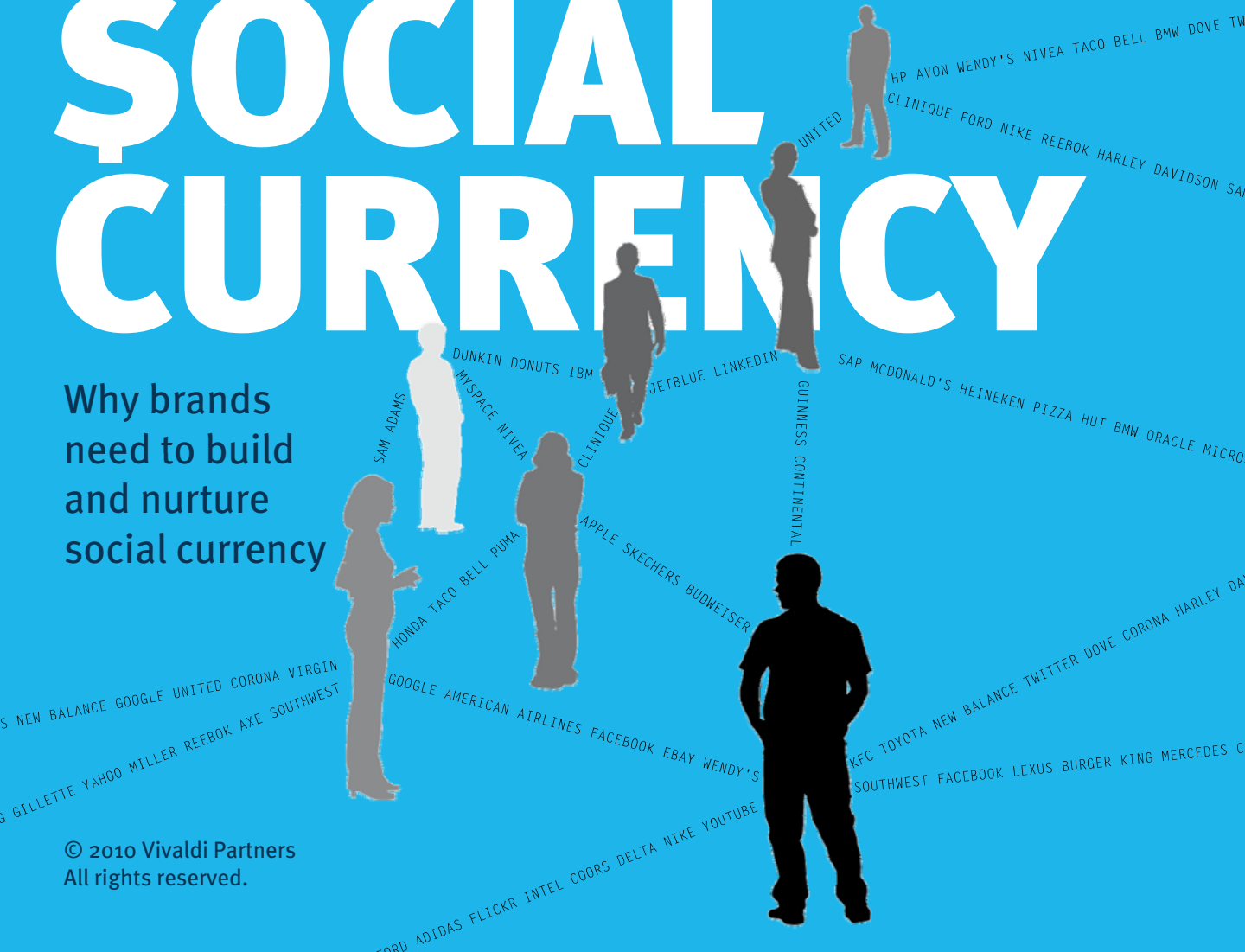
Why brands
need to build
and nurture
social currency

Vivaldi Partners

$ocial Currency Study | US 2010

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Editorial

Brands are socially constructed objective realities. Brands get built through experiences, through people accepting them and making them part of the fabric of their lives.

This process of building strong brands is very personal and also very social.

Today, one of the most important strengths of a brand is its social currency, the extent to which people share the brand or information about the brand with others as part of their everyday social lives.

I have been studying brands for the last twenty years. During this time, there has been significant progress in understanding why brands are important and how brands become important drivers of innovation and growth.

There has been significant progress in the development of financial frameworks to monetize and measure the value of brands, legal frameworks to protect brands, and a host of managerial approaches to build, grow, nurture and manage brands.

However, nothing has prepared us to deal with today's revolution in building strong brands. The rapid evolution of the Internet and, in particular, the rise of the social

of media, technologies and networks not only changes our lives, it irrevocably changes how brands are built.

I am pleased to present, on behalf of Vivaldi Partners and the many talented people who work in our company, this study of the power of social currency in building strong brands.

For the first time, we deconstruct social currency. We find that social currency is not just about conversation, buzz or community. It is all this and much more. We find that it does not impact every brand equally. We find that certain levers of social currency are more important than others in driving value for companies.

I am convinced that this study sheds new light on the complex and difficult undertaking of building strong brands today.

I hope that our work will stimulate thoughts and more research, encourage new and better practices in business, and lead the way into an exciting future of creating value for companies.

Erich Joachimsthaler, PhD
Founder and CEO
Vivaldi Partners

AFFILIATION

CONVERSATION

IDENTITY

SOCIAL
CURRENCY

UTILITY

INFORMATION

ADVOCACY

Executive Summary

- Social currency is the extent to which people share the brand or information about the brand as part of their everyday social lives at work or at home.

- Our study shows that social currency significantly drives brand loyalty. Moreover, brands with a high social currency command a price premium.

- Social currency is a means, <u>not</u> the end; nor is it just about buzz or conversation. Rather it is about creating meaningful experiences around the brand.

- Which of the six levers on the left are key to effectively create social currency varies between categories and their specific customer, consumer, and competitive context.

- The successful brands in our study strive to be an integral part of people's daily lives by enabling them to connect, interact, and benefit from like-minded brand users.

- The good news: the study shows that a set of key principles emerge that help companies to build, nurture and manage social currency and create value.

This craving for commun
of every man individual
from the beginning of t

ity is the chief misery

ly and all humanity

ime.

Fyodor M. Dostoyevsky, 1881

Why brands need social currency

Brands represent significant assets for companies. The strength of brands is closely linked to several well-known asset dimensions that drive the relationships with customers or consumers.

Because of the increasing social nature of Internet and mobile technologies, consumers, and customers adopt these technologies and platforms and integrate them into their daily life routines and contexts. This also changes how they interact in all parts of life with people, products, brands, and businesses.

Hence, all companies need to learn how to make their brands more social, and how to interact in new ways with their customers. In short, they need to develop social currency.

Having social currency increases a brand's engagement with consumers and interaction with customers, it grants access to information and knowledge, it helps companies to create unique brand identities, and it develops permission to interact with consumers or customers. In today's age, building social currency is probably the most important investment companies can make to create value for themselves. Consumers and customers will benefit as well as they increasingly participate in social platforms, and use social technologies.

In order to manage social currency, companies must adopt new approaches and tools. If the traditional model of brand marketing was centered around the key principles of positioning, targeting, and messaging, the model of building social currency is centered on interaction, collaboration, conversation, and co-creation. If brands used to be built through creating mindshare, the new model of building social currency is about creating share of daily life.

Companies who adopt the new processes and tools in building social currency will prosper in today's age of digital and social revolution and have a chance of creating new levels of business performance.
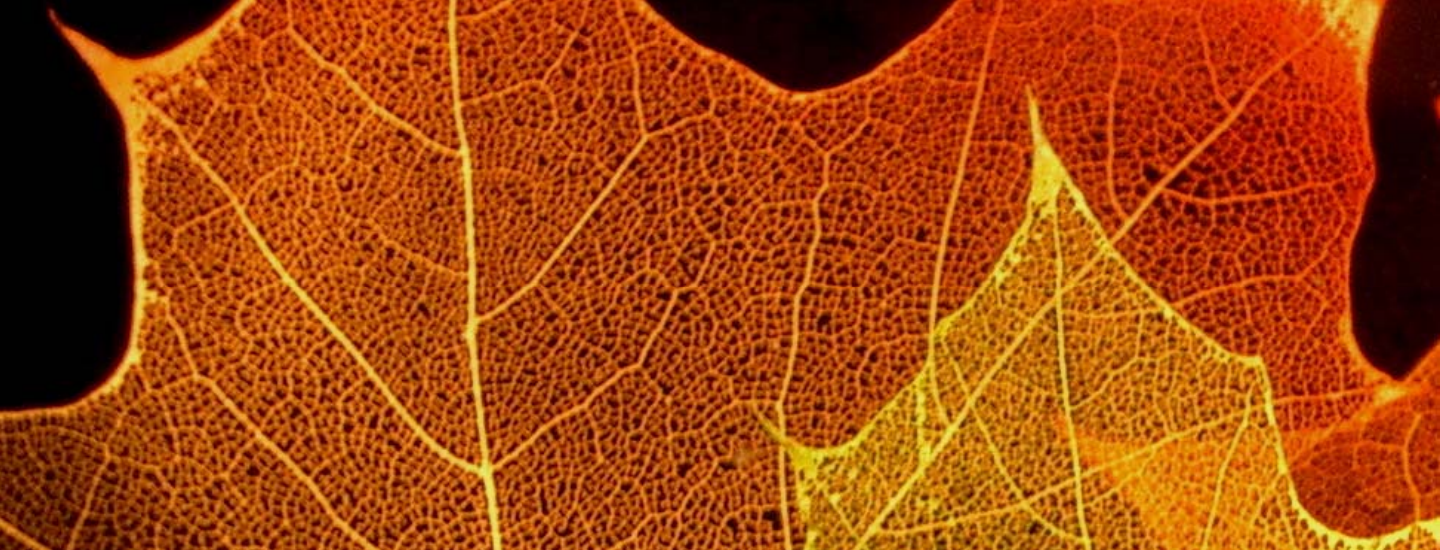
How social currency develops in daily life

Social currency of a brand develops organically in the network of people – consumers, customers, suppliers, partners.

Social currency is not a communications approach, it is an experiential concept. It develops from experiences that consumers have in the context of their daily life.

Hence, context matters. Understanding social currency requires to understand how the context of daily life changes and increasingly covers the range of experiences on how consumers interact with brands, products and companies from traditional to digital experiences.

Social Currency is neither a product feature, nor a communications or PR campaign that is completely managed by any one company.

From this perspective, social currency is a far more delicate asset to build, nurture and maintain than brand equity. Traditional brand management has been a successful driver for many brands. Many of the Top 1000 global brands have grown over the last twenty years. All these brands derive strength from deep relationships and interactions with customers or consumers,

and by that, social currency is not a new phenomenon. Brand building has always been about establishing deep relationships with customers or consumers and share their experiences with friends and peers – their everyday social environment.

However, especially with the development of social platforms on the Internet, which has become a major sharing and connecting point, social currency has become a real source of strength for many brands.

Just as major services like Facebook, Twitter, or MySpace have become means for everyday personal exchange, brands have grown in that space as information and experiences about brands are being shared.

Many of these social media sites are actively used today by major brands to strengthen customer service, introduce or co-create new products and entertain people.

In addition, there are thousands of small networks, forums and blogs that are not steered by the brands themselves, but still are important in creating social currency.

Today, building of social currency takes many forms, some of them being supported by digital applications, others are non-digital experiences in the daily life of consumers. Some experiences are supported by applications and tools of companies and others are self-created by customers and consumers.

Social currency: a shared domain of brands and consumers

Social currency represents a shared asset of consumers and company-owned brands. It originates from interaction between customers and consumers.

However, companies can stimulate the creation of social currency through means that cultivate a sense of community, strengthen consumer interaction and provide value to the community. When done credibly brands earn trust and can grow into an integral, almost symbiotic role in customers' lives.

Social Currency
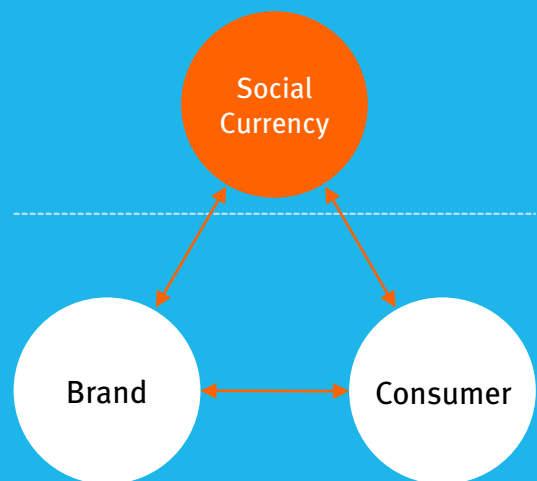
Brand

Consumer

Impact of social currency on brand performance

Our study shows that social currency significantly impacts different aspects of brand performance:

1. Across categories and brands, 53% of consumers' brand loyalty can be explained by social currency.

2. Users of brands with high social currency show a significantly higher willingness to pay a price premium (correlation=0.73).

Brand Loyalty

Price Premium

exp. power
53%

correlation
73%

Social Currency
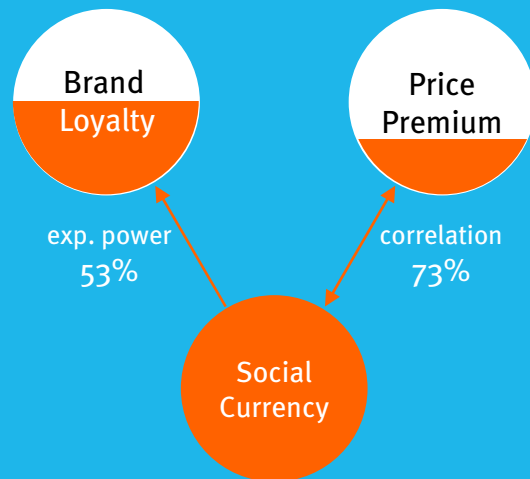
Affiliation

What share of your users has a sense of community?

49 ebaY

27 amazon

Identity

How many of your users can identify with other users?

47 DUNKIN' DONUTS

43 STARBUCKS COFFEE

Information

How many feel they exchange fruitful information with others?

35 CLINIQUE

22 Dove

AFFILIA

IDENTITY

INFORMATION

SOC
CURR

ADVO

Conversation

What share of your brand users recognizes and stirs buzz?

72 jetBlue

49 AA AmericanAirlines

Utility

How many derive value from interacting with other users?

63 ORACLE

50 SAP

Advocacy

How many act as disciples and stand up for your brand?

64 🍎

38 Google

CONVERSATION

UTILITY

CIAL RENCY

How social currency creates value in categories

Although social currency consists of six core levers, a brand does not necessarily need to access each lever in order to drive loyalty and top line growth. Instead, certain

Impact of social currency levers on brand loyalty within selected categories

AUTOMOTIVE (VOLUME)

AIRLINES

BEER

SKIN CARE

FAST FOOD

SPORTSWEAR

ONLINE RETAIL

CONSUMER IT

B2B TECH

categories seem to be less dependent on providing a strong sense of community or relying on the user-base to exchange news, hints or other information.

For example, categories like fast food or beer rely less on strong affiliation amongst their users but can still tap into social currency by helping users to learn from each other (beer) or by strengthening the identification levels with other patrons (fast food). Such activities will then directly drive re-purchase or repeated visits respectively.

In contrast, consumer brands in the IT category, like Apple or Microsoft need to efficiently address most levers as complexity of products implicitly leads to higher exchange levels and especially tangible products are providing today's light houses to convey one's personality traits just like automobiles have for the last century.

Affiliation	Conversation	Utility	Advocacy	Information	Identity
□	■	■	■	■	■
■	■	□	■	■	■
□	□	■	■	■	□
■	■	■	■	■	■
□	□	□	■	□	■
□	■	□	■	□	■
■	■	□	■	□	□
□	■	■	■	■	■
■	■	■	■	□	■

Find out if social currency is important for you

If you agree with some of the following statements, it is very likely that social currency is an important driver for your business and brand.

1. Some of your customers or consumers proactively talk about your products and services with others. By engaging in these conversations, you can stimulate further conversations and discussions by for example providing additional talking points, perspectives and points of view.

2. The social exchange with others involving your brand is an integral part of peoples' lives. This exchange provides an opportunity for you to build invaluable utility for customers or consumers by helping them to increase their own social relevance, for example.

3. Customers or consumers are willing to tell others about your brand or recommend it further. This advocacy for your brand is one of the key value drivers.

4. The more information customers or consumers have about your product or service, the more likely they develop preferences for your brand or business. By helping consumers to become "knowledgeable," you empower them to share their knowledge with others.

>>SOCIAL CURRENCY IS LIKE A GOOD JOKE […] USING CONTENT […] IN ORDER TO LUBRICATE A SOCIAL OCCASION<<

RUSS KLEIN

5. Customers or consumers develop a strong sense of identity and an ability to express themselves to others by using your

brand. You can create value for your brand and business by reinforcing the identity-driving elements of your brand.

6. The value of your brand is closely related to the affiliation and sense of community it creates among other like-minded people. You can create value by promoting the community and building exchange opportunities.

All brands and businesses need a social strategy. If you can affirmatively respond to three or more of the six statements, your opportunities for building value through social currency are enormous.

If you would agree on less statements, you must carefully evaluate the hidden potential of social currency for your brand and business. You might choose to focus on just one or two levers of social currency.

»WHERE IN THE LATE 1700'S IT WAS MIRRORS, NAILS AND BUTTONS – IN THE 21ST CENTURY THE SHINY OBJECTS ARE ACCESS, ENTERTAINMENT AND KUDOS«

MARK SAGE

How jetBlue enables a strong sense of community

At first sight, the airline industry seems to be, by definition, a social category. There are not many brands that could claim bringing together thousands of people in one place every day. Airline brands can.

But does this given trait of mass transportation allow airline brands to get a head start over brands in other categories in terms of social currency?

After all, most of the social encounters around air traveling would seem rather futile and random to many.

On the other hand, airlines have been known as early pioneers in creating and nurturing customer communities via frequent flyer and other loyalty programs.

Hence, studying social currency in the context of airline brands promises to be an interesting and worthwhile trip to take.

AIRLINES

In our study, jetBlue turns out as a role model for the entire airline category. With a social currency score as high as 65% it out-performs legacy carriers such as American Airlines (48%) or Delta (37%). Only Virgin and Southwest Airlines can keep pace with jetBlue's performance in the social arena.

Diving deep into the specific characteristics of the different airlines' customer bases we have found a specific social trait to jetBlue that no other airline can claim to this extent: A close-knit customer community. First, the majority of jetBlue customers can identify well with other jetBlue customers. More-over, 61% of jetBlue customers feel like they are part of a community through the brand. Not surprisingly, trust with the brand is very high (See CHART 1).

The deep integration in the company's strategy may be illustrated by the new jetBlue terminal at New York's JFK airport. Rather than constructing a merely functional terminal for departures and arrivals, focus was laid on human interaction. The waiting area mimics New York City landmarks, such as the steps of the Metropolitan Museum of Art, where travellers can exchange with each other physically or virtually. In addition to capturing the hustle and bustle of NYC, the terminal creates a community feeling.

AIRLINES: SOCIAL POTENTIAL IS TAPPED RARELY

CHART 1

jetBlue AIRWAYS®

Sense of community
61%

Trust in brand
84%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90%
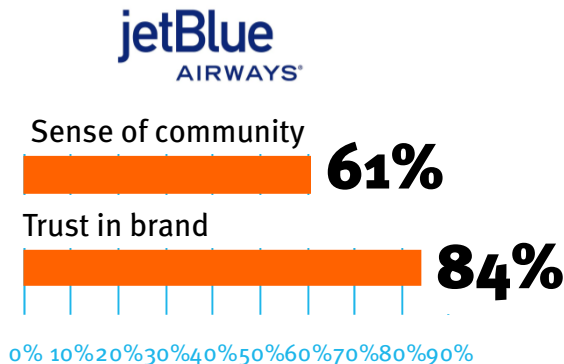
CHART 2

"I could rely on this brand to solve any problems"

jetBlue AIRWAYS®

78%

AIRLINES

CATEGORY RANKING

#	Brand	Social Currency
1	JETBLUE	**65%**
2	VIRGIN	58%
3	SOUTHWEST	54%
4	CONTINENTAL	53%
5	AMERICAN AIRLINES	48%
6	UNITED	42%
7	DELTA	37%

SOCIAL CURRENCY MAP

Affiliation	Conversation	Utility	Advocacy	Information	Identity
67%	**72%**	51%	**75%**	55%	**69%**
57%	62%	**52%**	63%	**57%**	57%
50%	64%	41%	72%	44%	53%
52%	55%	41%	69%	45%	59%
49%	48%	39%	53%	47%	52%
41%	41%	33%	49%	42%	44%
41%	41%	26%	41%	33%	40%

BRAND PERFORMANCE INDICATORS

Quality Perception

Scale: 50 60 70 80 90 100

AMERICAN, DELTA (~70); UNITED (~75); VIRGIN (~80); CONTINENTAL, SOUTHWEST, JETBLUE (~82)

Brand Trust

Scale: 50 60 70 80 90 100

AMERICAN, CONTINENTAL, UNITED (~73); DELTA, SOUTHWEST (~80); JETBLUE (~82); VIRGIN (~88)

Recommendation

Scale: 50 60 70 80 90 100

DELTA (~62); AMERICAN (~66); UNITED (~72); VIRGIN, CONTINENTAL (~74); SOUTHWEST (~78); JETBLUE (~83)
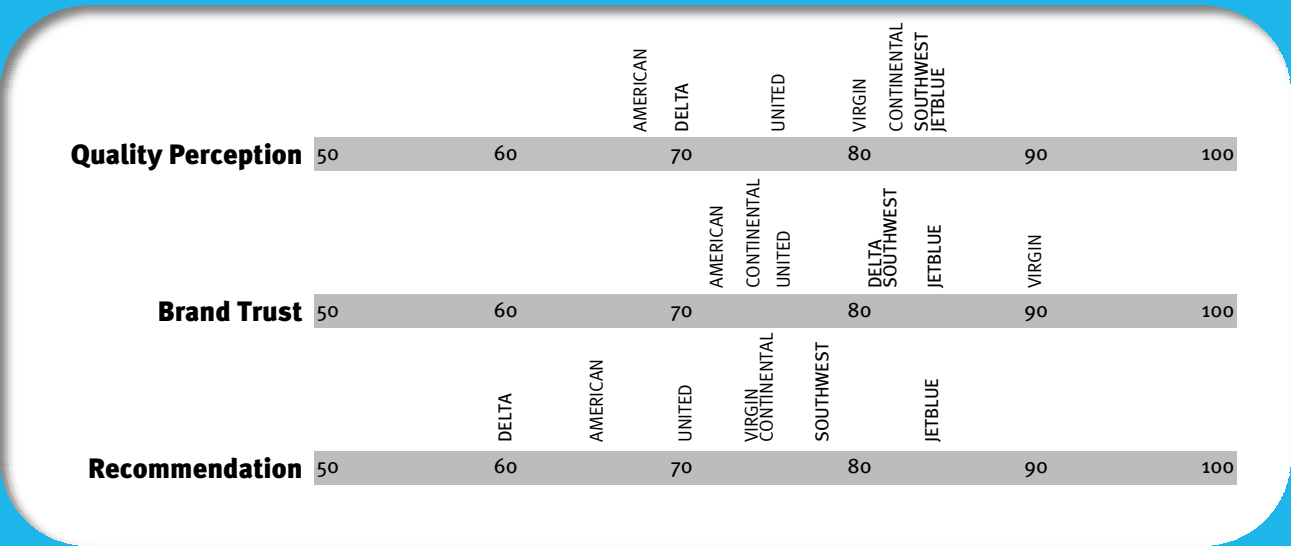
AUTOMOTIVE

How social currency sets premium brands further apart

The automotive industry can be divided into major categories by two dimensions: domestic vs. imported brands and volume vs. luxury brands. Interestingly, especially the latter dimension also shows an effect in terms of their social currency systems.

As high-involvement products, automobiles offer a continuous platform for conversation to both, volume and premium car owners. Further, identification with other owners is quite high independent of the segment.

However, premium brand drivers show a much stronger sense of their brand's community. In that context peer recognition becomes key whilst gaining valuable information around the brand itself through others has less effects on re-purchase decisions. Inversely, volume brand drivers show a lower need to affiliate with others, but appreciate the value they can sift by learning from other drivers.

BMW drivers form an exceptional example for a perceived community experience as two thirds feel a strong affiliation with other BMW owners.

Luxury car brands show significantly higher social currency levels in general, implying that, with buying a car, drivers seek to not only enter a social peer group but also to grow as an individual by becoming an active member.

Investigating individual brands more closely, it becomes obvious that also volume car brands can utilize social currency levers to provide additional selling propositions.

Honda for example, despite performing weak on trust (71%), has highly loyal users who actively act as brand ambassadors and who directly draw value as individuals from the exchange with other Honda owners (35%) – see CHART 1.

Ford, in contrast, seems to merely form identification levels between its drivers through its heritage but cannot extend that social belonging to also generate a strong community feeling (see CHART 2).

For a domestic brand this should be a key objective, as this also affects recommendation levels.

AUTOMOTIVE: VOLUME CAR BRANDS COMPETE ON SOCIAL

CHART 1

"Through other users of this brand I get valuable information"

35%

Honda

CHART 2

Identity **48%**   Affiliation **37%**

40%
20%
0%

Ford
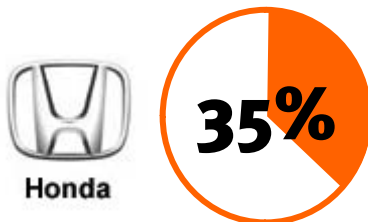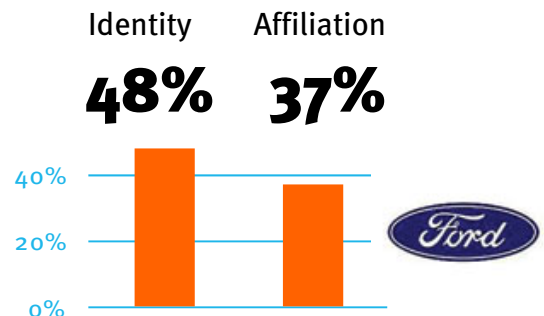
How Toyota suffered from the gas pedal recall

No surprise – Toyota's recently admitted quality problems heavily shifted owners' brand perception.

After all, quality had been the essence of the Toyota brand for the last two decades. Before the news on malfunctioning gas pedals surfaced, nearly every Toyota driver would fully agree on Toyota's exceptional quality levels and reliability of its cars. Just a few weeks later these scores dropped dramatically.

In an instant, long-built brand equity eroded.

Automobiles not only offer functional value but also, by virtue of the fact that they provide an important opportunity for a person to convey his or her identity, have always been very social products.

Toyota faced challenges in accessing these value drivers in an American market; it had to compete against Ford's clear Americana association or the exclusivity offers of luxury brands such as BMW or Ferrari.

Against these challenges, Toyota managed to provide a large share of their owner-base with a brand experience that successfully made them identify with and feel united to other Toyota owners. They earned social currency - an effort which served as a safeguard against competition from other Asian makes.

However, now, after the recall, Toyota faces a relatively worse decline in providing social benefits than the erosion of its quality image.

Fewer Toyota owners draw value from being a member of the Toyota community now. Moreover, less than a third would want to identify themselves with other Toyota owners – a drop of 19%!

This clearly raises another issue on the CEO agenda: For Toyota, renovating its brand's social currency will be just as crucial as returning to six-sigma standards in production.

TOYOTA DRIVERS: PRE-POST-RECALL

⤏ Quality perception wears away

| Very good quality | FROM 96% | DOWN 16⬇ | TO 80% |
| Reliability | FROM 92% | DOWN 19⬇ | TO 73% |

⤏ Social bonding erodes relatively worse:

| Affiliation (with other drivers) | FROM 29% | DOWN 8⬇ | TO 21% |
| Identity (through other drivers) | FROM 46% | DOWN 19⬇ | TO 28% |

Source: Vivaldi Partners social currency survey, US Pre-Recall (December 2009) and Post-Recall (February 2010), Top2-Box-Scores on a 5 point scale

27

AUTOMOTIVE

CATEGORY RANKING

#	Brand	Social Currency
1	BMW	**69%**
2	MERCEDES	68%
3	LEXUS	66%
4	HONDA	54%
5	TOYOTA*	45%
6	FORD	44%

* Data presented in the tables on this page prior to re-call 2009/10

SOCIAL CURRENCY MAP
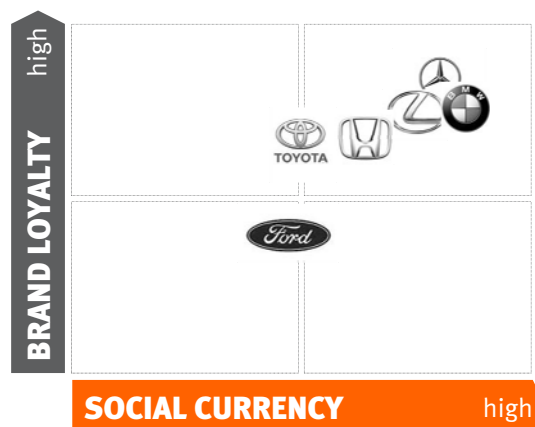
SOCIAL CURRENCY LEVERS

Affiliation	Conversation	Utility	Advocacy	Information	Identity
65%	**81%**	**59%**	77%	65%	70%
60%	76%	57%	**81%**	62%	**72%**
63%	75%	53%	76%	**66%**	65%
42%	67%	41%	75%	48%	52%
29%	66%	29%	69%	29%	46%
37%	49%	33%	46%	48%	48%

BRAND PERFORMANCE INDICATORS

Quality Perception

FORD (at ~80) LEXUS BMW HONDA MERCEDES TOYOTA (at ~92)

50   60   70   80   90   100

Brand Trust

HONDA TOYOTA (at ~70) MERCEDES (at ~75) FORD BMW (at ~80) LEXUS (at ~85)

50   60   70   80   90   100

Recommendation

FORD (at ~80) MERCEDES TOYOTA LEXUS BMW HONDA (at ~90)

50   60   70   80   90   100
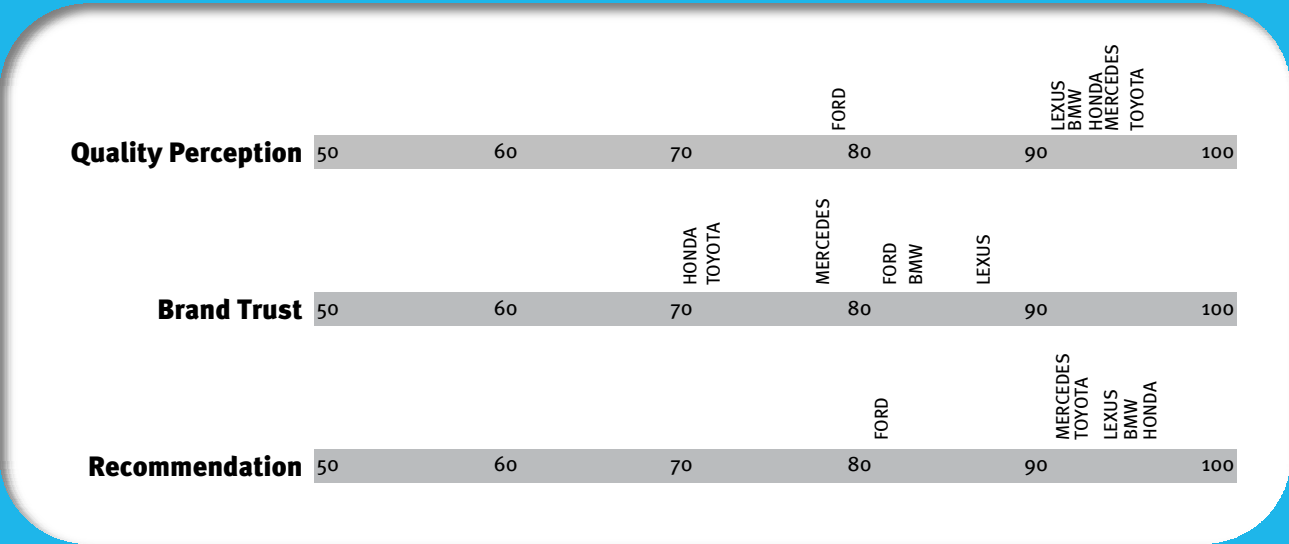
Why big beer brands carry a social handicap

Beer is an unarguably social product, regularly consumed in a social context. Further, beer brands on average enjoy well above average quality and trust levels (see CHART 1).

Given its consumption context and also its strong loyalty scores, one would expect that beer brands should be able to leverage their social nature. However, this only proves to be the case for niche brands.

In a mass-market setting, beer is about commoditized consumption, not about nursing a community feeling of consumers of the same brand.

Where mass brands like Corona, Coors, or Miller are struggling, however, is when it comes to a dialog about the brand. Obviously people are enjoying the taste but do not feel inclined to discuss their beer brands. A different usage pattern can be

BEER

observed with niche brands, like Sam Adams or even Irish Guinness.

They provide their consumers with a product that not only stirs communication but even has the ability to form communities and provide a strong feeling of identification with other drinkers of the same brand (see CHART 2).

Instead of providing a unique story around their brand, mass market brands instead seem to have, at the expense of their social currency values, focused too heavily on developing their product strengths: marginal, but socially irrelevant product and packaging innovations, like vented wide-mouth cans, temperature-linked packaging.

However, market-leading Budweiser proves that there is a way to access social currency beyond the niche. Anheuser Busch's brand managers heavily invested especially in social media to generate more buzz and affiliation around »Bud«.

However, the case also shows, that they did not succeed completely. Such undertakings need to be based on a consistent strategy and clearly be linked to a brand's values. Still, there are ways for volume brands in the beer category to create social currency.

BEER: STRONG POTENTIAL, BUT UNFOCUSED ENERGY

CHART 1

Quality **89%** Trust **86%**

80%
60%
40%
20%
0%
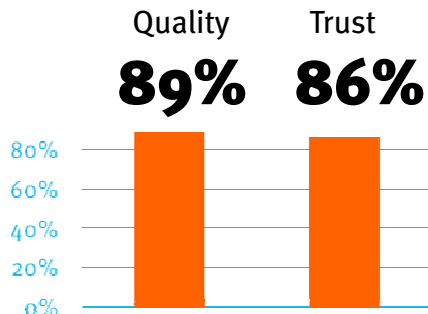
CHART 2

"I feel a connection to other users of this brand"

GUINNESS DRAUGHT — **47**

SAMUEL ADAMS — **57**
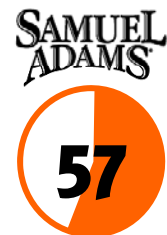
CATEGORY RANKING

#	Brand	Social Currency
1	SAM ADAMS	**53%**
2	GUINNESS	51%
3	HEINEKEN	47%
4	BUDWEISER	43%
5	COORS	36%
6	CORONA	33%
7	MILLER	28%

SOCIAL CURRENCY MAP
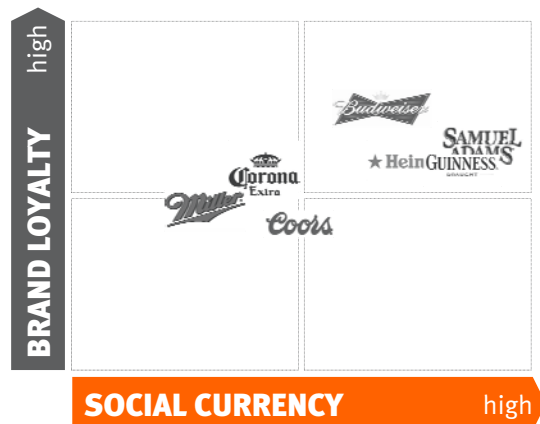
BEER

SOCIAL CURRENCY LEVERS

Affiliation	Conversation	Utility	Advocacy	Information	Identity
47%	**57%**	**45%**	**66%**	45%	**55%**
50%	55%	42%	59%	**48%**	51%
46%	54%	37%	60%	38%	46%
45%	48%	32%	54%	35%	46%
33%	39%	31%	41%	28%	44%
28%	38%	21%	44%	29%	37%
28%	26%	13%	44%	23%	36%

BRAND PERFORMANCE INDICATORS

Quality Perception (scale 50–100)
- COORS: ~80
- CORONA, MILLER: ~88
- SAM ADAMS, HEINEKEN: ~90
- BUDWEISER, GUINNESS: ~92

Brand Trust (scale 50–100)
- MILLER: ~67
- COORS: ~70
- HEINEKEN, GUINNESS: ~73
- CORONA, SAM ADAMS: ~82
- BUDWEISER: ~88

Recommendation (scale 50–100)
- HEINEKEN, COORS, CORONA, SAM ADAMS, GUINNESS: ~72
- MILLER: ~80
- BUDWEISER: ~90
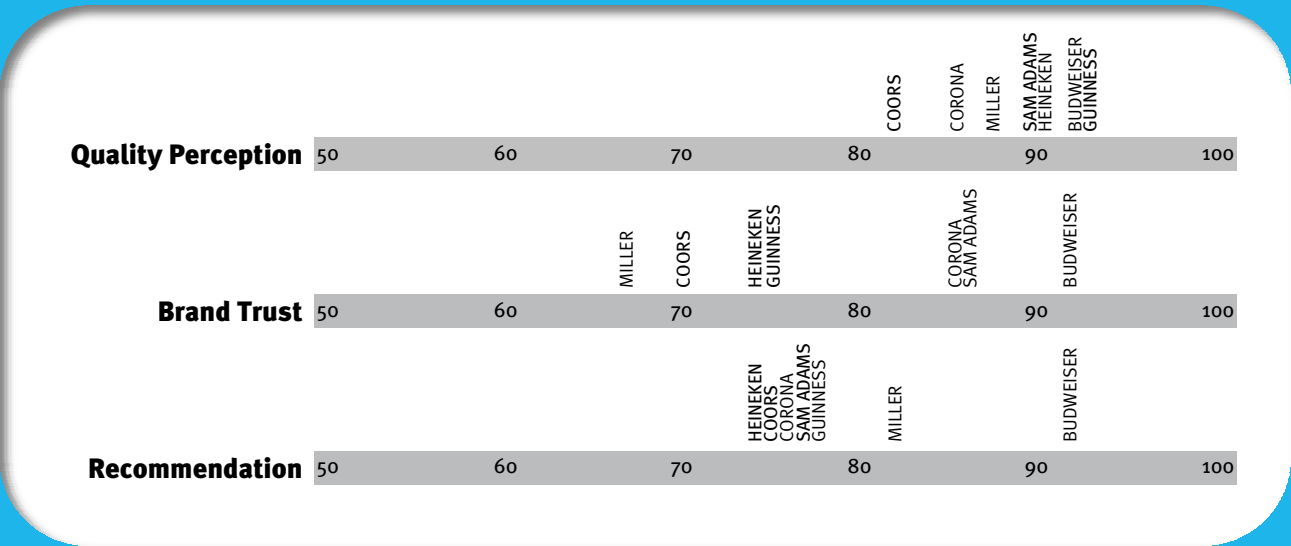
FAST FOOD

Why buzz alone will not build social currency

Fast food represents a category with exceptional consumer polarization. When it comes to choosing their favorite brand, fast food patrons very quickly form distinct camps of clear supporters and critics. Virtually anyone with a minimum of fast food dining experience will know an immediate answer to the question: »Burger King or McDonalds?«.

Hence, every fast food brand has its own community of patrons that regularly consume, talk about or even defend the brand.

Also, similar to the beer category, fast food brands are clearly social-driven, as consumption patterns are often embedded into a broader social setting – meeting up with friends, having a snack with co-workers or similar.

However, in terms of social currency, Burger King scores lowest overall of all fast food

companies in our study (21% - see CHART 1). This is really curious given the buzz the brand has generated through its social media efforts around the scary looking King and the award-winning subservient chicken campaign.

What the results of our study suggest is: online buzz does not equal conversational value to customers. Only if conversations are meaningful to customers, brands will profit from increased social currency among their customer base.

Digging deeper, we have studied the extent to which whatever is said, the buzz, is relevant to customers of a brand.

The result: Burger King turns out last place. Only 20% of Burger King customers think that they get to learn something new through the community (See CHART 2). Similar poor results for the quality of information being shared and the appreciation of others' opinions.

Overall, Burger King's social media efforts seem to have targeted too narrow of a target group neglecting the social needs of its broader customer base.

The brand may have created conversation that stayed "meaningless" both to the majority of customers as well as to the brand itself.

FAST FOOD: BUZZ DOES NOT EQUAL SOCIAL CURRENCY

CHART 1

Social Currency Scores

21   30

CHART 2

"Through other users of this brand I get to learn something new"

Burger King: 20%
Wendy's: 44%

0% 10% 20% 30% 40% 50%
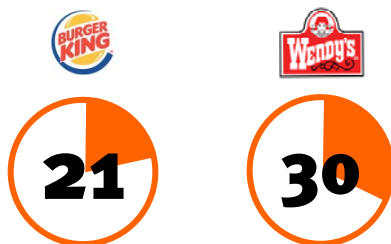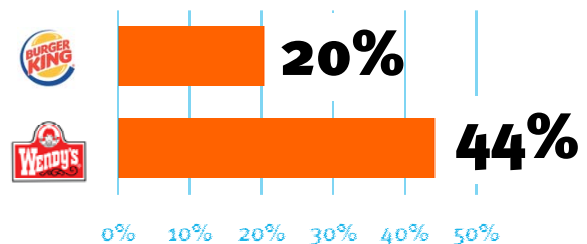
FAST FOOD

CATEGORY RANKING

#	Brand	Social Currency
1	DUNKIN' DONUTS	44%
2	STARBUCKS	42%
3	KFC	30%
4	WENDY'S	30%
5	PIZZA HUT	30%
6	TACO BELL	28%
7	MCDONALD'S	23%
8	BURGER KING	21%

SOCIAL CURRENCY MAP

SOCIAL CURRENCY LEVERS

Affiliation	Conversation	Utility	Advocacy	Information	Identity
40%	**50%**	**33%**	**60%**	33%	**47%**
53%	45%	31%	48%	**35%**	43%
25%	38%	19%	45%	23%	31%
25%	30%	20%	44%	24%	35%
26%	37%	15%	46%	19%	35%
22%	37%	18%	44%	18%	28%
18%	29%	15%	29%	17%	29%
16%	24%	16%	24%	19%	24%

BRAND PERFORMANCE INDICATORS

Quality Perception

TACO BELL — MCDONALD'S, BURGER KING — PIZZA HUT, KFC — WENDY'S, STARBUCKS, DUNKIN`

Scale: 50 60 70 80 90 100

Brand Trust

STARBUCKS — PIZZA HUT — BURGER KING, DUNKIN — TACO BELL, MCDONALD'S, WENDY'S, KFC

Scale: 50 60 70 80 90 100

Recommendation

TACO BELL — MCDONALD'S, BURGER KING — STARBUCKS, PIZZA HUT — KFC — WENDY'S, DUNKIN`

Scale: 50 60 70 80 90 100
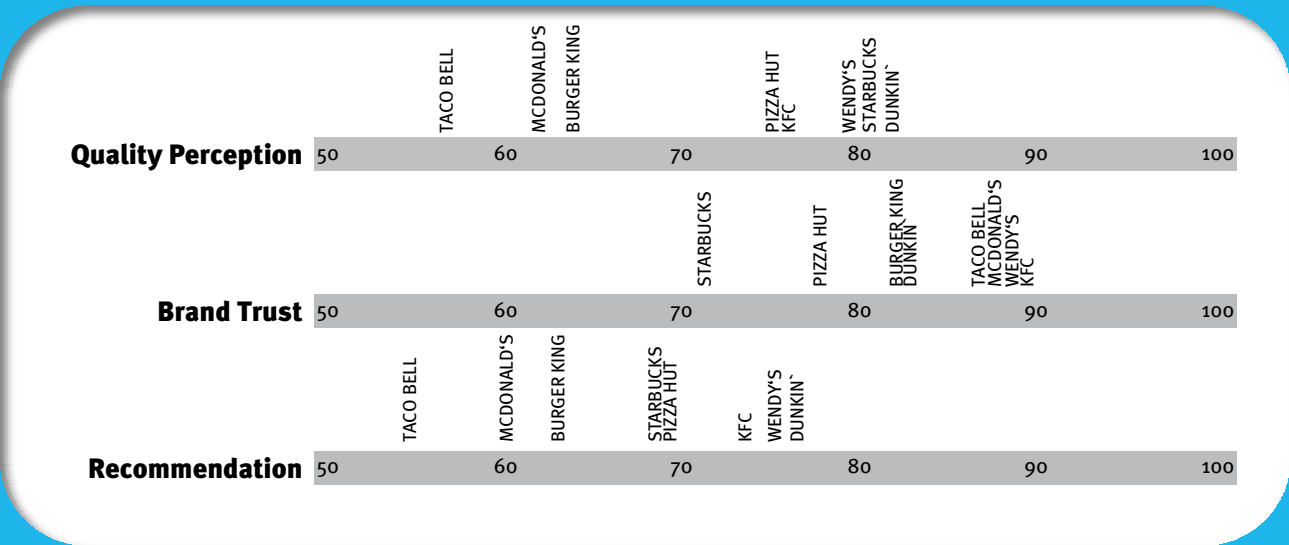
Why women love sharing their thoughts on Clinique

In the skin care domain, male target groups obviously tend to be less talkative about their skin treatment.

Market leaders like Gillette have not built significant levels of social currency at all. Probably due to the functional focus of the brand, even their loyal and satisfied (94%) users do not share experiences or information with each other (only 14% would do so) – see CHART 1. Very popular and »fun-brands« that target a focused segment have fared better, however only managing to create a limited sense of community (e.g. only one out of four Axe users feels affiliated to others).

Women across all ages, as opposed to men, tend to seek social exchange regarding this product category. Skin care remains a much more relevant issue for females and peer-to-peer distribution concepts like Avon's are hard to imagine within a male setting.

Therefore, it makes most sense to investigate and compare two female-centered brands: Clinique and Dove.

Clinique has successfully built a strong community feeling around its classical premium positioning. Every second user claims that she identifies with other Clinique users (48%) and engages in conversations around the brand (51%) – see CHART 2. In contrast to many of today's brands, Clinique would not be a typical Web 2.0 protagonist. Instead it has managed to build social currency by really engaging its consumers around its heritage and, importantly, by acknowledging women's unique, yet

common, challenges. They typecast women – establishing the basis around which women could form micro communities.

Volume brand Dove has been praised for its re-launch around »real beauty«, which has gained them business success and a highly authentic image. That said, Dove remains unable to provide a sense of community, as the brand's buzz is conversation worthy but unsustainable. Additionally, by appealing to every woman, the brand doesn't encourage community bonds (e.g. women who use a specific product for their special skin type). For Dove to gain social currency, it will have to translate real beauty into real community.

SKIN CARE: BRANDS AS PLATFORMS FOR ENGAGEMENT

CHART 1

Gillette®

Satisfied with brand

94%

Do share experience

14%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
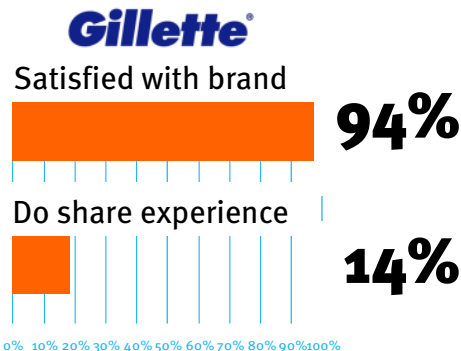
CHART 2

"I can identify myself well with other users of this brand"

CLINIQUE

48%

Source: Vivaldi Partners social currency survey, US Pre-Recall (December 2009) and Post-Recall (February 2010), Top2-Box-Scores on a 5 point scale

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SKIN CARE

CATEGORY RANKING

#	Brand	Social Currency
1	CLINIQUE	**42%**
2	AXE	37%
3	AVON	37%
4	DOVE	29%
5	NIVEA	23%
6	GILLETTE	17%

SOCIAL CURRENCY MAP
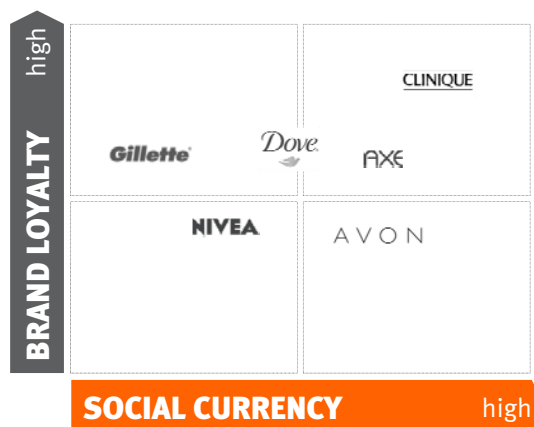
BRAND LOYALTY — high

CLINIQUE

Gillette   Dove   AXE

NIVEA   AVON

SOCIAL CURRENCY — high

SOCIAL CURRENCY LEVERS

Affiliation	Conversation	Utility	Advocacy	Information	Identity
30%	**51%**	**32%**	**57%**	35%	**48%**
25%	39%	30%	49%	33%	46%
30%	41%	28%	44%	**37%**	41%
18%	36%	20%	46%	22%	33%
14%	28%	16%	41%	15%	25%
7%	19%	11%	29%	14%	22%

BRAND PERFORMANCE INDICATORS

Quality Perception

AVON · NIVEA · AXE GILLETTE CLINIQUE DOVE

50 · 60 · 70 · 80 · 90 · 100

Brand Trust

AXE · DOVE · AVON NIVEA CLINIQUE · GILLETTE

50 · 60 · 70 · 80 · 90 · 100

Recommendation

AVON NIVEA · AXE · GILLETTE · DOVE · CLINIQUE

50 · 60 · 70 · 80 · 90 · 100
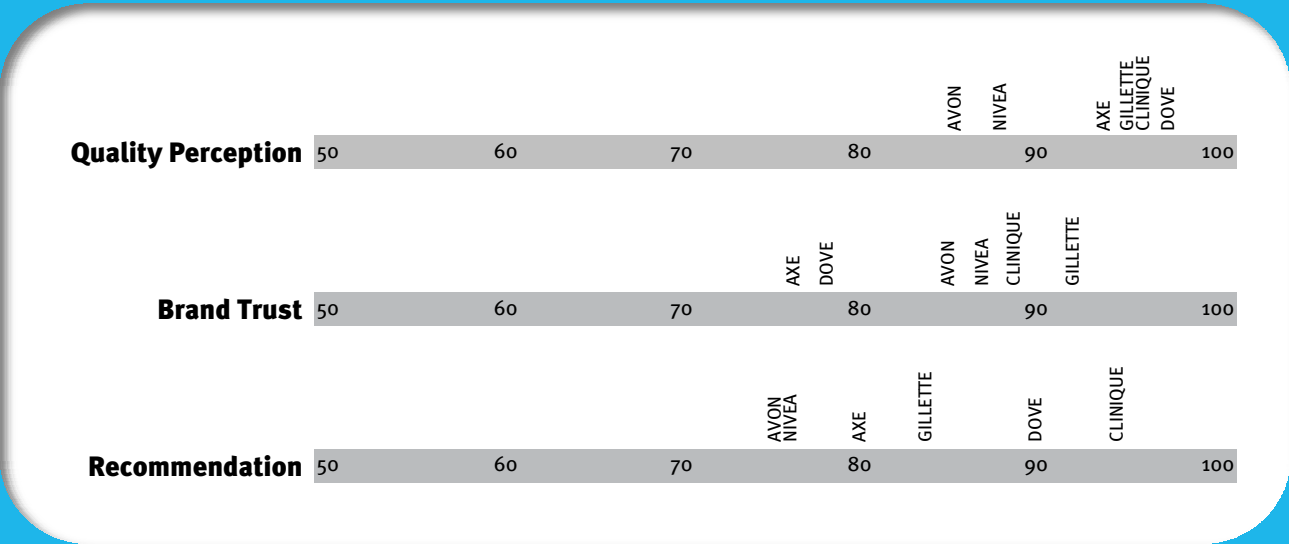
SPORTSWEAR

The sportswear quest for daily life relevance

Community experience lies at the heart of every major sportswear brand. Ever since, iconic brands such as Nike, Adidas, or Reebok have created and promoted community sports experiences to the fullest.

In the early 90s, Adidas launched their hugely successful "Streetball Challenge". Similarly, Nike has engaged its brand in numerous sports sponsorships from regional to global level over the last decades. With the rapid emergence of the Internet and especially the social web in recent years, major sportswear brands have moved into the online domain to re-connect with consumers. Various initiatives such as *Nike+* or *miAdidas* have been rolled out to create new and meaningful experiences for consumers around their brand.

In our study the smaller, fashion-oriented sportswear brands take over the lead in terms of social currency. Puma clearly

comes first with a social currency score of 50% followed by Sketchers (38%) and Adidas (38%), the only global power brand to reach a top-3 position.

This result comes as a big surprise from a traditional brand equity perspective as powerhouses such as Nike and Adidas fall behind. However, social currency does not focus on traditional brand equity measures such as brand awareness. It measures the social value a brand provides within its own customer base.

Compared to larger brands, Puma seems to have created the biggest social value. Especially in the areas affiliation (45%) and identity (60%) – being important levers to build social currency in the sportswear category – the brand outperforms its competitors.

Arguably, Puma's strategic evolution towards a lifestyle focus has helped the brand to gain extra social currency with consumers that would not have been accessible for a smaller player with a rather narrow sportswear focus.

It also apparently enabled the brand to take over a more significant role in consumers' daily lives – resulting in increased conversation, affiliation, and identification between Puma users.

SPORTSWEAR: BRAND FOCUS IMPACTS SOCIAL CURRENCY

CHART 1

Social Currency Scores

Nike: 30

PUMA: 50

CHART 2

PUMA

Identification with other users
60%

Affiliation with other users
45%

0% 10% 20% 30% 40% 50% 60% 70%
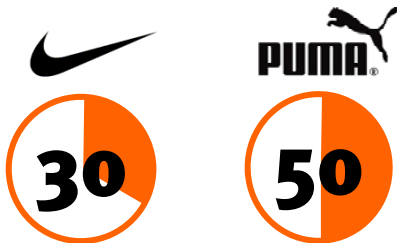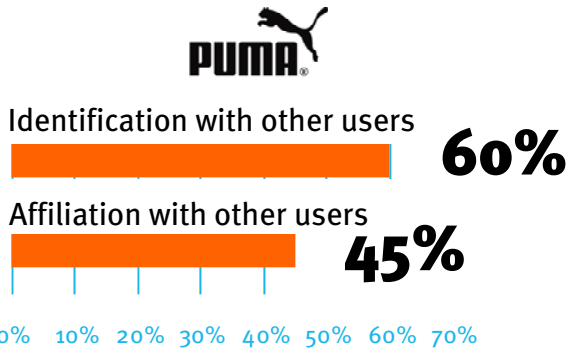
SPORTSWEAR

INDUSTRY RANKING

#	Brand	Social Currency
1	PUMA	**50%**
2	SKETCHERS	38%
3	ADIDAS	38%
4	REEBOK	34%
5	NIKE	30%
6	NEW BALANCE	29%

SOCIAL CURRENCY MAP

SOCIAL CURRENCY LEVERS

Affiliation	Conversation	Utility	Advocacy	Information	Identity
45%	**47%**	**45%**	**57%**	**47%**	**60%**
27%	43%	30%	54%	33%	43%
29%	41%	32%	47%	28%	49%
27%	43%	22%	53%	26%	35%
21%	31%	25%	36%	26%	38%
21%	37%	23%	45%	16%	31%

BRAND PERFORMANCE INDICATORS
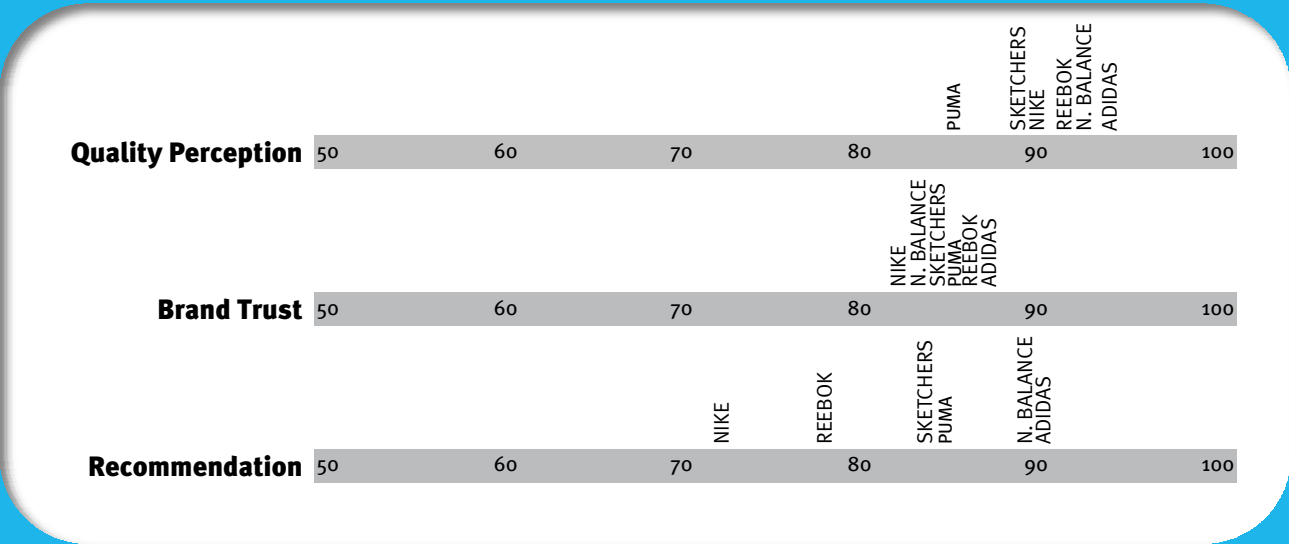
Quality Perception

PUMA (≈82); SKETCHERS, NIKE, REEBOK, N. BALANCE, ADIDAS (≈90)

| 50 | 60 | 70 | 80 | 90 | 100 |

Brand Trust

NIKE, N. BALANCE, SKETCHERS, PUMA, REEBOK, ADIDAS (≈83)

| 50 | 60 | 70 | 80 | 90 | 100 |

Recommendation

NIKE (≈70); REEBOK (≈77); SKETCHERS, PUMA (≈83); N. BALANCE, ADIDAS (≈90)

| 50 | 60 | 70 | 80 | 90 | 100 |

Why Amazon is a retail success but no social star

Perhaps as a consequence of today's information overload, customers especially appreciate relevant information. Understandably, online categories, where information is exchanged frequently, perform well within the information lever.

Merely being information rich is not the only critical success factor for social currency, as the cases of Amazon and eBay show. Amazon's revenues might put it ahead of eBay's game, but concerning overall social currency, it trails (Amazon 42% vs. eBay 50%).

One cannot deny Amazon's strengths, because it does seem to be able to inspire more positive conversation amongst its customers (46% vs. eBay 37%).

However, it is challenged when it comes to elevating these conversations into a more sustainable sense of community.

Amazon's review system does not encourage users to connect with one another. Therefore, it is no surprise that Amazon customers do not have a strong sense of community or affiliation (Amazon 31% vs. eBay 44% – see CHART 1).

Positive conversations are powerful tools, but these can be maximized, as seen with eBay's personal messaging system, to encourage users to view each other as reliable sources of information (Amazon 47% vs. eBay 58%).

eBay has even managed to build a customer base – a community, rather – which believes that they "learn something new or fun" through other eBay users (see CHART 2).

Apple's iTunes in return has woven itself in a different way into its users lives. Beyond the most probable Apple Halo effect, iTunes also managed to change the listening habits and the management of music and thereby the life around it.

Providing such values beyond the Apple-typical lock-in, this led to a high degree of advocacy and conversation not only about music but about the application that enabled this new way of purchasing and constantly accessing the tunes.

ONLINE RETAIL: SOCIAL VALUE STEMS FROM INTERACTION

CHART 1

Brand users that feel like being part of a community
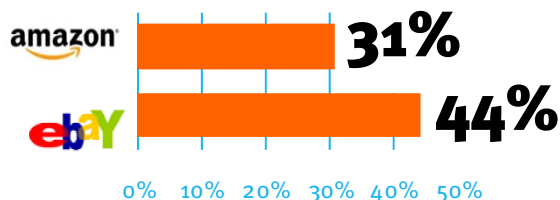
amazon **31%**

ebaY **44%**

0% 10% 20% 30% 40% 50%

CHART 2

"Through other users of this brand I get to learn something new or fun"

ebaY **43%**

Source: Vivaldi Partners social currency survey, US Pre-Recall (December 2009) and Post-Recall (February 2010), Top2-Box-Scores on a 5 point scale

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ONLINE RETAIL

CATEGORY RANKING

#	Brand	Social Currency
1	ITUNES	**53%**
2	EBAY	50%
3	AMAZON	42%

SOCIAL CURRENCY MAP

BRAND LOYALTY — high

SOCIAL CURRENCY — high

SOCIAL CURRENCY LEVERS

Affiliation	Conversation	Utility	Advocacy	Information	Identity
45%	**62%**	**43%**	**61%**	55%	**51%**
49%	51%	35%	60%	**58%**	50%
27%	56%	32%	51%	47%	41%

BRAND PERFORMANCE INDICATORS
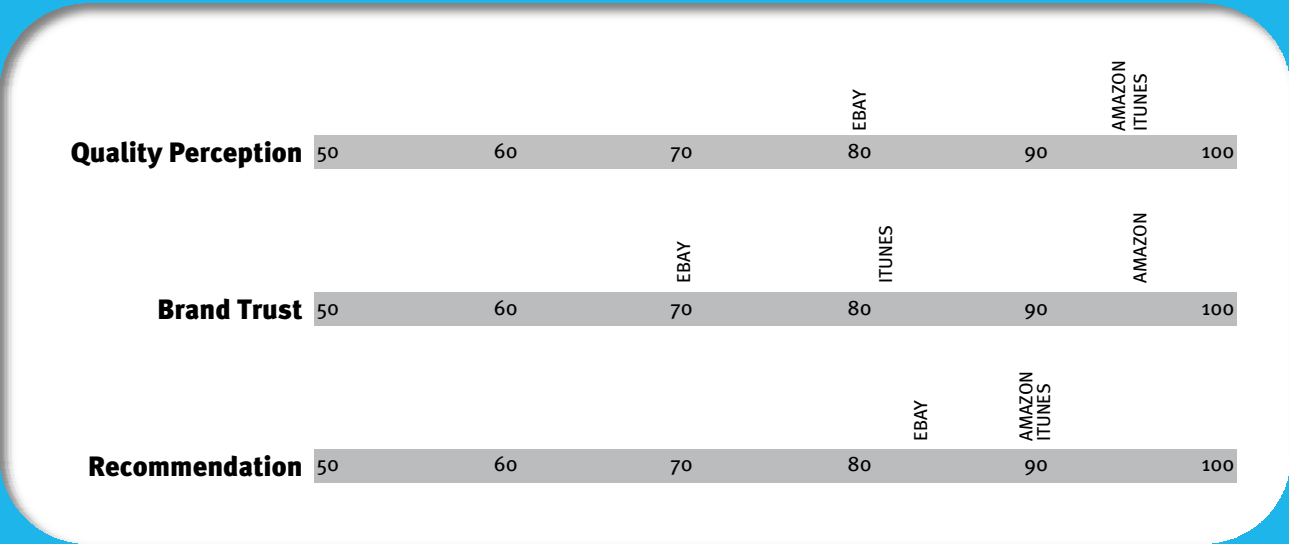
Quality Perception

50	60	70	80	90	100
			EBAY	AMAZON ITUNES	

Brand Trust

50	60	70	80	90	100
		EBAY	ITUNES	AMAZON	

Recommendation

50	60	70	80	90	100
			EBAY	AMAZON ITUNES	

CONSUMER IT

How today's titans fight for social currency

Within the TIME industry, consumers are increasingly overwhelmed by the ongoing convergence of the offerings. The arising opportunities often times are not only exciting but also very complex. An historical and manufacturer-driven uni-directional Q&A logic can hardly cover the endless angles, services or products offer today.

Instead, studies show that consumers seem to increasingly trust even anonymous peers more than the respective brand.

This is the sandbox, where three major brands and corporations are fighting for market share – constantly growing their portfolio into each others' former domains. May it be Microsoft pushing Bing or their smart phone operating system, or Google entering the mobile device domain, or Apple, who have become a major mobile device manufacturer and media distributor. Interestingly, although Google strikes on its

quality and trustworthiness, it has not conquered on social currency yet. With a social currency score of 38% it lags far behind the category leader Apple (63%) and even Microsoft (41%) – see CHART 1.

It remains a digital tool that is being used on a global basis over 200 million times a day. However, it is not viewed as a social product so far. Google has just recently started to enter this field (e.g. Nexus or Google Buzz). Google is beloved, admired - but not a very much social product. It is a reliable helper, but not a partner one would have a dear relationship with or exchange about with others – see CHART 2.

Apple's heritage lies in the product domain, usability, design, and in its uniquely loyal base of users. Its core is about being a desirable part of people's lives, a part people love to talk about or feel connected through little branded experiences (e.g. white headphones).

Apple has never strived to be the best hammer. The iPod for example has never guaranteed a true HiFi-experience, but it guaranteed a social experience more than any higher quality player. This may explain, why Google as future Apple competitor has been launching various activities to build social currency now.

CONSUMER IT: MERE USAGE DOES NOT BREED SOCIAL VALUE

CHART 1

Social Currency Scores

63   38
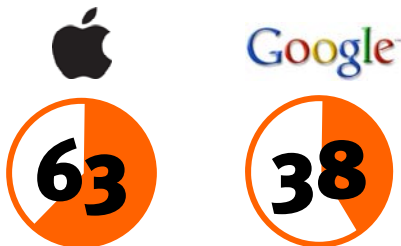
CHART 2

"I often talk about this brand"

Google   29%

CONSUMER IT

INDUSTRY RANKING

#	Brand	Social Currency
1	APPLE	**63%**
2	MICROSOFT	41%
3	GOOGLE	38%

SOCIAL CURRENCY MAP
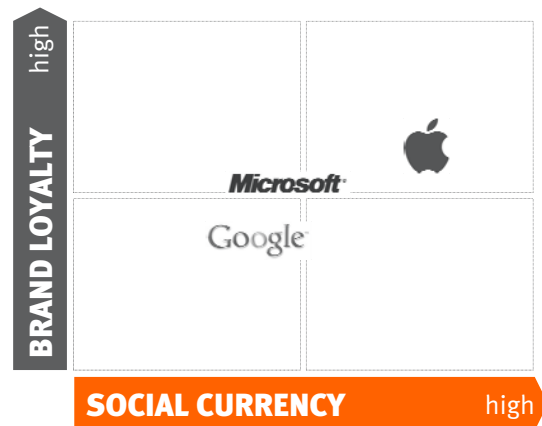
BRAND LOYALTY — high

SOCIAL CURRENCY — high

Microsoft

Google

SOCIAL CURRENCY LEVERS

Affiliation	Conversation	Utility	Advocacy	Information	Identity
56%	**77%**	**52%**	**64%**	**64%**	**65%**
31%	43%	44%	42%	49%	40%
31%	47%	31%	38%	49%	35%

BRAND PERFORMANCE INDICATORS

Quality Perception

MICROSOFT (≈80) · GOOGLE (≈88) · APPLE (≈95)

50   60   70   80   90   100

Brand Trust

MICROSOFT (≈58) · APPLE (≈65) · GOOGLE (≈88)

50   60   70   80   90   100

Recommendation

MICROSOFT (≈80) · GOOGLE (≈80) · APPLE (≈87)

50   60   70   80   90   100
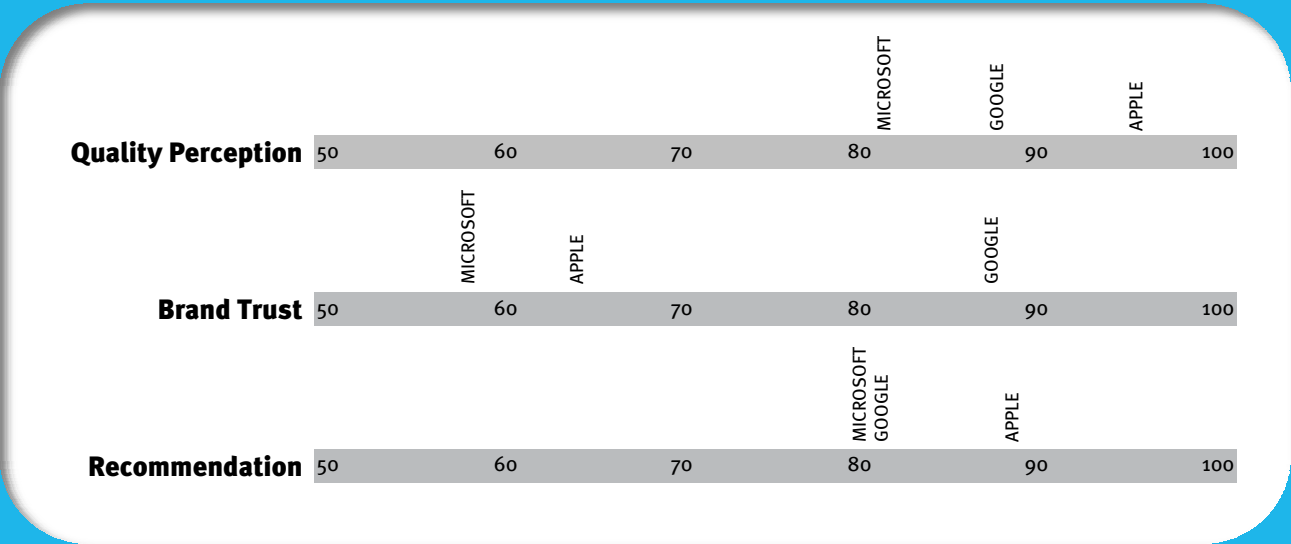
How even B2B brands are competing on social grounds

When building brands in B2B markets, the preconditions vary vastly from the ones B2C brands are facing. Not only are B2B offerings far more complex but generally B2B brands also do have smaller numbers of customers which in turn have a much greater buying power over supplier brands.

This is why B2B brands have always spent significant budgets and time to build up and nurture direct, personal and mutual relationships with their customers.

However, B2B investment decisions are not made by individuals. Purchase decisions in B2B contexts are rather co-created by a multitude of actors (buying centers) based on rationalized, multi-staged evaluation processes on customer side. This may be the reason why many B2B players have considered their brand as door-opener rather than crucial selling point for a long time.

Yet, there is widespread acceptance today that also B2B companies need to build and nurture brand equity in order to stay competitive. Looking at the two tech giants Oracle and SAP our study indicates that social currency can help B2B brands to strengthen their top-line by creating social relevance among their customer base.

Oracle clearly leads in terms of overall social currency (61% - see CHART 1). The brand creates very high levels of identity (62%) and affiliation (65%) among its US customer base. Yet, also the runner-up brand SAP has strong potential to leverage the intense interaction among its user base.

43% of SAP customers hear a lot of positive things about the brand from people they know (56% Oracle). 41% of SAP customers even think that they get valuable information from other users (53% Oracle). Also brand advocacy among SAP customers is high at 47% (see CHART 2) - only a few points behind best-in-class Oracle (55%).

These positive indicators prove that the SAP brand has the potential to leverage its existing social currency among its customer base. Hence, it will be crucial for SAP to identify and implement the right measures to build further social currency and by that strengthen brand success in the US market.

B2B TECH: GIANTS THAT CREATE SOCIAL RELEVANCE

CHART 1

Social Currency Scores

ORACLE® SAP

61   **50**

CHART 2

SAP

Positive conversation

43%

Brand Advocacy

47%

0%   10%   20%   30%   40%   50%

B2B TECH

CATEGORY RANKING

#	Brand	Social Currency
1	ORACLE	**61%**
2	SAP	50%
3	IBM	47%
4	CISCO	43%
5	HEWLETT-PACKARD	40%

SOCIAL CURRENCY MAP
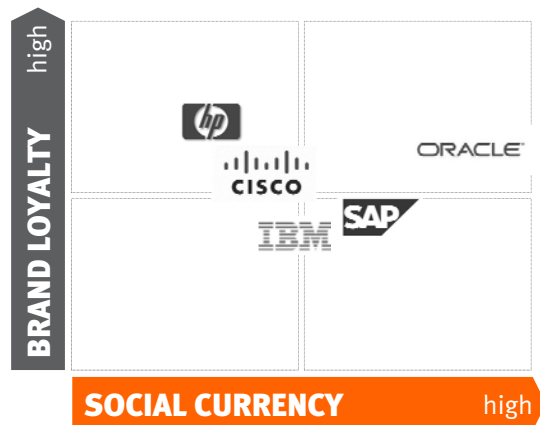
SOCIAL CURRENCY LEVERS

Affiliation	Conversation	Utility	Advocacy	Information	Identity
65%	**57%**	**63%**	**55%**	67%	**62%**
48%	53%	50%	47%	52%	47%
44%	48%	44%	45%	**55%**	46%
29%	39%	49%	43%	51%	45%
29%	47%	37%	51%	42%	33%

BRAND PERFORMANCE INDICATORS

Quality Perception

SAP (≈70), CISCO (≈84), HP / IBM (≈88), ORACLE (≈90)

50   60   70   80   90   100

Brand Trust

SAP (≈63), ORACLE / IBM (≈70), CISCO (≈73), HP (≈80)

50   60   70   80   90   100

Recommendation

SAP / CISCO (≈65), ORACLE / IBM (≈75), HP (≈80)

50   60   70   80   90   100
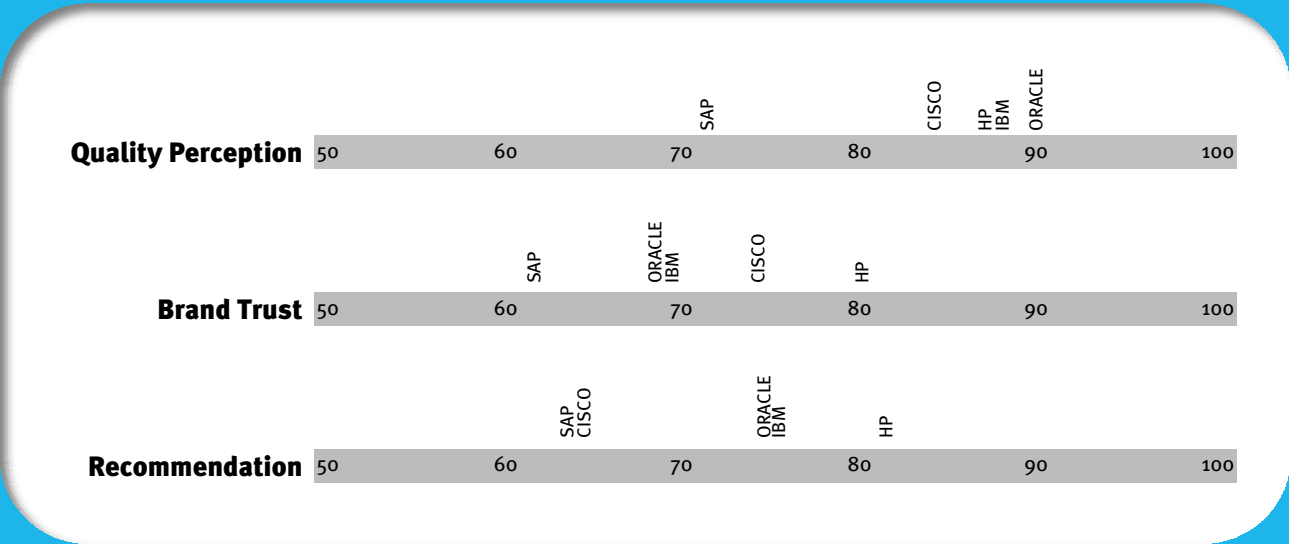
How to manage social currency

Brands need social currency. Social currency is an enormously important issue for any business or strong brand, today.

It creates value through differentiation and increased relevance and it adds value beyond the product, namely the context of the daily life of people.

Our research shows that the use of social media, networks, and technologies in managing private lives, careers, hobbies and personal interests, as well as lives at work is accelerating at a rapid pace.

Marketers must understand how people engage with these new ways of connecting, collaborating, and co-creating. These new ways change the way consumers make choices about brands and businesses. Consumers proactively engage in certain conversations about brands and their lives, they choose to advocate and recommend certain brands over others, and they identify and bond with brands more deliberately.

Our research identifies the relative importance of six levers of social currency that contribute most to building strong brands and connecting them with people. The importance of these levers differs greatly depending on a host of important factors such as the type of industry, the nature of competition and brand strength.

It is imperative to marketers to build a social currency strategy that takes into consideration their specific business and brand situation. Our research shows that a value-creating program involves a carefully de-signed mix of digital (or social media) efforts, online experiences in networks, traditional brand-building, and even product development efforts.

Today's digital technologies open up new and enormously exciting opportunities for building social currency. While there has been a plethora of experimentation over the years, it is clear that we have merely scratched the tip of the iceberg. As tech-nologies evolve, new ways will emerge of how social currency can be built over time.

The big conundrum for marketers is that in an online world, brands are far more broadly

and proactively discussed than ever imagined. As these conversations are often beyond the direct influence or control of a company, marketers must find innovative and creative ways to thoughtfully leverage these independent brand conversation and act credibly in the digital arena.

While the task of building social currency appears daunting, there is good news. Our experience shows that social currency can be managed following a structured approach, that is supported through proven and dedicated tools from gaining insights to providing a unique brand experience.

»Marketing leaders should identify whether their brand has such currency, invest more in building strong connections between customers and the brand«

FORRESTER

There are four crucial steps for building, nurturing and managing social currency:

STEP ONE. Understand the buyers' ecosystem. It is important to comprehensively know how people set daily goals or life goals, the processes they engage in to achieve the goals, the products and services they use, and how they interact with brands. Social technologies and networks play an increasingly important role in this context. People proactively participate, they connect, co-create, share, chat, and collaborate to solve the challenges and issues in the context of their daily life.

STEP TWO. Determine the levers of social currency that drive value in the industry or category. It is important to assess and evaluate the permission and power of social currency within the category or industry. It is necessary to understand in what social episodes and context the brand plays a role and what specific social benefit it generates. Competitive efforts matter as well, as our study shows. The degree to which consumers choose to give a brand permission to be part of their social life is relative to competitors' effort and success.

STEP THREE. Define the social currency strategy. This involves first and foremost deciding what levers of social currency will create value for a company or brand. Strategy is about making trade-offs and hence it is important to choose wisely and define the activities that contribute to value creation through social currency.

STEP FOUR. Develop and execute social currency programs that drive value. This requires establishing a program that mixes digital and social technologies and traditional brand-building activities. In

choosing, it is important to take into consideration that there is no single lever that drives social currency but it is the unique combination of levers activated through brilliant executions that makes for successful social currency building.

Social currency can be managed. We don't agree with the conventional wisdom that customers or consumers are in charge. Our research shows that people embrace companies to help them solve their issues and challenges in daily life.

They like marketers to provide them with meaningful solutions to take care of the problems, challenges and routine tasks of life.

In order to address these challenges, companies need to embrace social technologies, networks and media not merely as a means of marketing or communicating to consumers but as a way of doing business. Companies need to reengineer their processes and systems inside their organization based on a view from the outside-in – how people interact with brands in today's context of social networks, media and technologies.

Building social currency is establishing an operating mindset in an organization that changes how a company formulates a strategy, how it structures its organization, and how it organizes its value-creating processes around a common vision; a vision of how a company or brands interact to solve daily or life challenges and delivers against goals of consumers or customers given their ecosystem.
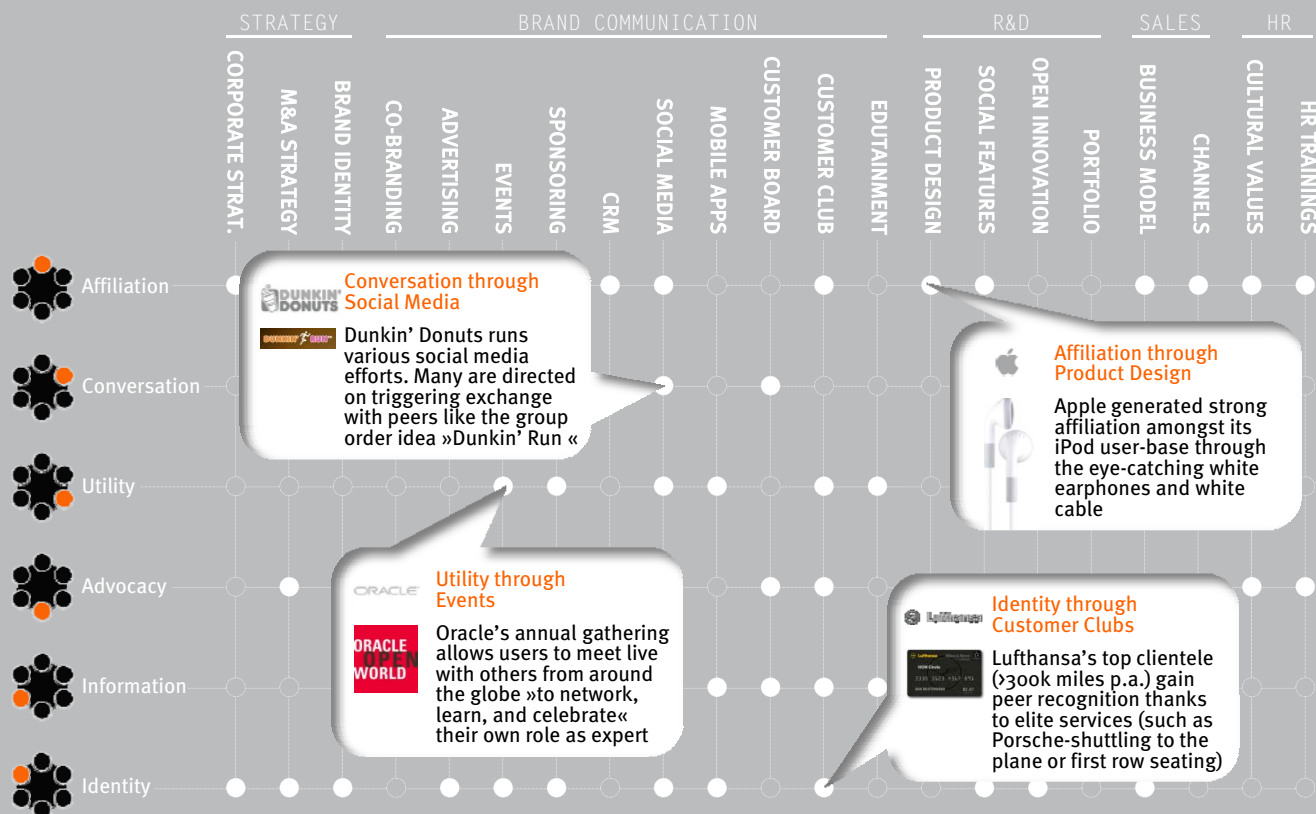
It also will require companies to change how they operate and choose to interact with consumers or customers. It will require establishing a company culture around consumers' ecosystem. It will require defining new behaviors, and developing people to deliver.

By adopting the four-step effort, companies can decide whether they should invest in social currency and how they can most efficiently profit from their efforts in building strong brands and connecting consumers in meaningful and new ways.

As the chart on the opposite page illustrates, there are a host of measures to address specific levers. How social a brand experience gets depends already on basic factors like a business' strategy or corresponding objectives for the product roadmap, but of course it can also be affected by smart communication activities. To really excel, a thoroughly integrated set of tools will be most rewarding – for both the brand and its customers and consumers

STRATEGY BRAND COMMUNICATION R&D SALES HR

CORPORATE STRAT. M&A STRATEGY BRAND IDENTITY CO-BRANDING ADVERTISING EVENTS SPONSORING CRM SOCIAL MEDIA MOBILE APPS CUSTOMER BOARD CUSTOMER CLUB EDUTAINMENT PRODUCT DESIGN SOCIAL FEATURES OPEN INNOVATION PORTFOLIO BUSINESS MODEL CHANNELS CULTURAL VALUES HR TRAININGS

Affiliation

Conversation

Utility

Advocacy

Information

Identity

Conversation through Social Media

Dunkin' Donuts runs various social media efforts. Many are directed on triggering exchange with peers like the group order idea »Dunkin' Run «

Utility through Events

Oracle's annual gathering allows users to meet live with others from around the globe »to network, learn, and celebrate« their own role as expert

Affiliation through Product Design

Apple generated strong affiliation amongst its iPod user-base through the eye-catching white earphones and white cable

Identity through Customer Clubs

Lufthansa's top clientele (>300k miles p.a.) gain peer recognition thanks to elite services (such as Porsche-shuttling to the plane or first row seating)

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Thanks

The study of the power of social currency in building strong brands is based on a joint research initiative of Vivaldi Partners and Prof. Johann Füller who is affiliated with the University of Innsbruck and MIT Sloan. Our study has benefited greatly from a strong academic foundation as well as from the wealth of experiences of client executives.

For the fieldwork we are indebted to our competent survey partner, Lightspeed Research, who carried out the online field work in the U.S.A. investigating over 1,000 respondents in the time frame of Dec 2009 and Jan 2010.

This study is part of a larger initiative between a consortium of companies to understand the power of social media and networks on building strong brands, on how to connect with customers and consumers, how to create breakthrough innovations and new growth, and how to change companies and create innovation cultures.

These companies include Fifth Season, a global innovation boutique that produces breakthrough experience innovation concepts and E-Edge, a company that seeks to create winning innovation cultures in organizations through management development, and HYVE that specializes in innovation management through online communities.

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Vivaldi Partners

The Authors

Dr. Erich Joachimsthaler, CEO & Founder
ej@vivaldipartners.com

Dr. Markus Pfeiffer, Managing Partner
mpfeiffer@vivaldipartners.com

Dr. Markus Zinnbauer, Director
mzinnbauer@vivaldipartners.com

Tobias Honer, Senior Consultant
thoner@vivaldipartners.com

Please direct all inquiries about the
Social Currency US study to:

Vivaldi|Partners

Peri Schaeffer
125 Park Avenue, 15th Floor
New York, NY 10017 USA

info@vivaldipartners.com

VIVALDI PARTNERS

www.vivaldipartners.com

New York · Buenos Aires · Düsseldorf · Hamburg · London · Munich · Singapore · Zurich