How can businesses measure social media influence to create value?

In the incredibly fast-paced digital world it is easy to get distracted by the variety of tools that promise businesses success through novel peer-to-peer advertising strategies. Business executives are constantly approached by self-proclaimed social media experts peddling different forms of influencer marketing. However, it is difficult to test the claims marketers make, leaving executives to wonder: which of the many available strategies have any realistic chance of inspiring word of mouth? And what are the critical factors affecting the dynamics of social influence?

Social influence is indeed one of the most cited and yet least understood concepts in strategic debates today. Research suggests that social influence is a "*key factor in the propagation of ideas, behaviours, and economic outcomes in society*". However, while many executives understand its critical importance in viral marketing campaigns and consumption decisions, there is little agreement on how it can be measured and leveraged to create value for businesses. I have explored these issues in a recent post on the LSE Impact Blog and explained possible strategies to effectively harness peer-to-peer influence for public good.

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Computational social scientists have long studied and mapped the dynamics of social influence and there are many insights that businesses can utilise for effective influencer marketing campaigns. Studies find that marketing-inspired word-of-mouth generates more than twice the sales of paid advertising, while these customers have a 37% higher retention rate. On this account, marketing pundits typically tout the importance of social media followers, retweets and 'likes' that supposedly represent reputational value. However, this strategy is questionable at best, for it conflates social media noise with real social influence. There are at least three interesting dimensions of this problem.

First, social influence is inherently contextual. Somebody like Kanye West may have more than 13 million Twitter followers, but how many times have you ever done what Kanye told you to do? As MIT researcher Sinan Aral explains, having a big microphone is not the same as having real influence. Kanye may be regarded as a leading voice in certain domains, but not universally. For everyday consumption decisions, we oftentimes turn to a variety of people we trust and whose opinions we value for certain contexts. So even though it may be possible to accomplish some generic social media noise by investing in social media vanity metrics, marketers should not underestimate the direct contextual influences of peers and local authorities on consumers' lifestyles and product choices.

Second, social influence is rooted in the underlying network structures in which individuals are embedded. Depending on the goals of the overarching marketing strategy, marketers need to identify people in particular kinds of network positions that wield particular forms of influence. For example, maximising the number of local influencers can help the strategic spread of messages, of the sort that might be used for product marketing or promoting healthier lifestyles. However, if a proposed behaviour change is risky or costly (due to high switching costs and lock-in effects, for instance) it makes sense to approach individuals on the periphery first, because they are more susceptible to influence. Highly connected individuals tend to be subject to groupthink and thus resistant to change, whereas loosely connected individuals on the margins are more likely to adopt new ideas and change their consumption behaviours.

> *Businesses must understand the social dynamics of influence.*

Third, social influence is about the ability to drive causal behavioural change. This is important, because even with a large number of carefully selected local influencers, many campaigns still fail to generate demand. Our natural tendency as humans is to associate with likeminded others. Researchers call this behavioural pattern homophily, as in the old saying “birds of a feather flock together”. On the one hand, homophily increases the likelihood of reaching individuals with similar interests and beliefs. Yet, on the other hand, this also increases the likelihood of wasting marketing resources on existing users and adopters. For instance, if a friend of mine recommends the new album of a particular music band, in what way could this influence my own purchase decision? If I decide to buy a copy of that album, was it because my friend influenced me or because we both liked this music anyway and have actually met at the concert of said band? For influence to be genuinely effective it would have to reach and cause behavioural changes among people who hold different beliefs, or provide a stronger motivation for existing consumption routines over and beyond their current likelihood of occurrence.

When we take action, we are susceptible to all manner of influences coming from our social environment, but only a carefully seeded stimulus can generate new demand for a product or service. There is good reason, then, to believe that the voice of the customer is one of the strongest forces in marketing, but only if businesses understand the social dynamics of influence can they unlock the full potential of word-of-mouth and increase the returns on their marketing investments.

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