

Lecture 53

Social Media Advertising – Part I

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Social Media Advertising

OR

Digitally Enabled Advertising....?

- Social media advertising is related to advertisements served to users on social media platforms.
- It has each and Response rate.
- Interconnected users' networks space.

“You Tell Me I Tell You and then You Tell Others and I Will Also Do That”

Why to Advertise on Social Media?

- Why is social media advertising your best advertising bet for quick ROI or Return on Advertising Expenditure? Because -
 - Most channels require significant lead time to yield an ROI. For e.g., *content marketing* works best over time after it has been able to yield backlinks and *SEO* traction.
 - Some channels yield quick results but not day in and day out. For e.g., *influencer marketing* can earn a quick results in terms of sales. But those results may not continue over time.
 - Some channels are consistent but time consuming to dial in. For e.g., *AdWords* can produce consistent results for a brand, but it takes a while to master and earn specific placement.

Psychology of Social Media

- **Why do you post?**
 - People love to talk about themselves, and the number increases when we post or talk on social media.
 - Why? There are things to be taken care of while talking face-to-face while in online we have time to construct and refine.
 - A study stated Facebook can increase your self-esteem because unlike a mirror, which reminds us of who we really are and may have a negative effect on self-esteem if that image does not match with our ideal, Facebook can show a positive version of ourselves (Jeffery Hancock, Cornell University)
 - The most prominent way we tend to work on self- presentation is through things—buying things and acquiring things that signify who we are.

Source: Amy L. Gonzales and Jeffrey T. Hancock. Cyberpsychology, Behavior, and Social Networking. Jan 2011.79-83.



- **Reciprocity effect (Why do we like posts on social media?)**
 - Instagram or any other mode you may like are examples of reciprocity where receiving a tag or direct message makes you feel compelled to send one back and anytime you receive a like on your profile, you would wish to reciprocate in some way, whether it's by sharing something in return, signing up for an email list, etc.
 - **Why?**
 - Because we want to maintain relationships. When we like each other's posts, we add value to the relationship, and reinforce that closeness.
 - We create reciprocity by feeling obliged to give back to people who have given to us, even in a small way. We want to even up the scales.

- **Follow the herd**

- You assume that the people surrounding you possess more knowledge about a situation and you follow their lead.
- It could be in the form of celebrity endorsements, expert's approval, users testimonials or wisdom of crowd and friends.
- This is the reason before purchasing products online people prefer to read online reviews. E.g., IMDb, Amazon, etc.
- Mc Donald's used social proof by adding in their communication "Billions and Billions served."

- **Baader Meinhof phenomenon (Frequency illusion)**

- Tendency to notice instances of a particular phenomenon once one starts to look for it, and to therefore believe erroneously that the phenomenon occurs frequently.
- Marketers communicates on social media by showing their message repeatedly. Once the frequency illusion kicks in, every message will raise positive brand awareness and breed trust from the viewer.

- **Loss aversion**

- Prospect theory is a behavioral model that introduced the concept of loss aversion. With loss aversion, people tend to place a greater emphasis on a loss compared to a gain of equal value (Tversky and Kahneman, 1979).
- Customers seeking frictionless experiences are more reluctant to give up what they have (or what they need) than to exert effort to acquire something new that is why a lot of tech solutions and entertainment platforms extends free and temporary offerings.
- They're not temporarily offering free services or products solely out of altruism. It's a tradeoff to provide consumers value by negating loss aversion and increasing future customer retention and CLV metrics.

- **The goal gradient**

- Goal gradient hypothesis- a conjecture which implies that animals run faster as they approach a food source (Clark Hull, 1932).
- How do marketers shorten buying cycle? How do they increase conversion rates on their websites? By showing the end goal.
- Consumers are neurologically wired to meet desirable objectives through gamified tasks, especially when the “end is in sight.”
- Earlier newspapers to increase their sales used to offer coupons in their pages and this collection led to a small prize in the end.
- Starbucks and other customer service leaders offer points intermittently in their marketing campaigns through digitalized means.

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