

Q&A: MARCY SHINDER AND HENRY BLODGET

OPEN'S MARCY SHINDER AND THE BUSINESS INSIDER'S HENRY BLODGET DISCUSS THE LASTING IMPACT OF SOCIAL MEDIA AND ITS TRUE ROLE IN BUSINESS

MS: Everywhere we turn, we're hearing something about the "social media revolution." What do you think are the key reasons for businesses to engage?

HB: There are three key reasons. First, social media is where your customers are. Secondly, social media is where your customers are talking about you (and your competitors). And finally, social media is a simple way to communicate with customers and potentials who want to hear from you. Fundamentally, the relationship between brands and customers is changing. The era of one-way communication — of brands pushing their messages to consumers through media outlets — is waning. Brands that embrace the new conversational opportunities with their customers will win. Those that do not will suffer.

MS: Experience suggests that we tend to overestimate the impact of technological innovation in the short term, and underestimate it in the long term. Is this true of the "social media revolution"?

HB: Yes, that has always been true in my experience: If you go back to the mid-1990s, Internet hype got way ahead of the reality. But 15 years later the Internet has already had a far more profound impact on the world than even the pie-eyed dreamers ever thought it would. With social media, we've already seen how enormously popular it is, and how quickly it's changing the world. Teenagers don't like to talk on the phone anymore; they don't like to watch TV or read newspapers or magazines anymore; they don't even like to communicate via email. Instead, they like instant messaging, texting, and Facebook®. The short-term pursuit of the commercial opportunity this represents is giving rise to unrealistic expectations in terms of immediate returns.

MS: So in your opinion, does this hold greater implications for how we communicate overall as marketers, and as a society?

HB: In the short term, changes like these happen slowly enough that they may



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Marcy Shinder oversees OPEN's focus on social media marketing, brand strategy, product marketing, events and advocacy designed to ensure that American Express OPEN delivers on its promise to be the best in business. Shinder was among *BtoB Magazine's* Top Marketers for 2007 and 2008, has been featured in *Pink Magazine*, *The New York Times*, *Direct Marketers News* and has appeared as a guest on Fox Business Network's *Money for Breakfast*.

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A former top-ranked Wall Street analyst, Henry Blodget is the host of Yahoo TechTicker, a Yahoo Finance® video show viewed by several million people a month. He is a frequent guest on Bloomberg, CNN, MSNBC, and NPR and has recently contributed to *The Atlantic*, *Slate*, *Newsweek International*, *The New York Times*, *Fortune*, *New York*, the *Financial Times*, and other publications. Blodget is the author of *The Wall Street Self-Defense Manual: A Consumer's Guide to Investing*.

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not seem earth-shattering. But you can imagine what the world will look like when all today's teenagers hit middle age: They aren't going to start watching TV or reading newspapers just to look at the ads and figure out what to buy. They'll just ask their "friends" – their virtual network or what Facebook calls their "Social Graph" – what to buy. And thanks to social media, that has gotten a heck of a lot easier.

Anytime you have tectonic shifts like this, you're going to have a lot of new winners... and a lot of shakeout. In the mid-1990s, it would have seemed inconceivable that companies like Viacom and Time Warner would be shrinking while staring up at a giant company called Google™ that is worth more than most of the rest of the media industry put together. But that's creative destruction at work. And as social media really gets cranking, this evolution is likely to continue.

MS: Similarly, enthusiasm in the tech stock markets may tell a certain story about social media, but how can a small business owner distinguish hype from reality in terms of the bottom line benefits that social media might bring to them?

HB: As an on-the-ground small business owner, the best thing is to ignore the stock market, and just stay very aware of what your customers are doing.

MS: In her article for this OPEN Book, Anita Campbell considers the "time vs. money" aspects of social media, and notes that business owners think of social marketing as effectively free. This has been useful to many small businesses that have been cash-constrained in the past 18 months. Do you think we will see its continued growth as a marketing medium?

HB: Anita's right: social media is definitely not free. While the volume of commercial use may have increased as a result of perceived cost efficiencies in tough times, that's got nothing to do with quality or effectiveness. If you use social media badly, it can make you look like an idiot. But, used intelligently, it's a cheap way to communicate with customers and

potential customers – and that can be worth a fortune. Whether social media continues to grow depends on whether we find ways to measure it intelligently. It can be a lot like PR: dependent on human efforts, not technology; difficult to track an ROI. But a smart social media effort absolutely needs to be tracked; how did it grow audience? How many tweets and links did it generate? And, ideally, did it lead directly to sales that can be measured? Measuring social media "buzz" is as challenging as measuring PR "media impressions." We have to get smart about quantifying results for social media to grow.

MS: Economic downturns often appear to encourage innovation – as people try to do more with less, or perhaps become "accidental entrepreneurs" as a result of changing employment circumstances. Do you think we can expect a new wave of entrepreneurs to emerge out of the present downturn, much as Apple and Microsoft® appeared in the mid 1970s?

HB: You'll certainly see a new wave of companies and entrepreneurs, but not necessarily because of the "accidental entrepreneur" factor. Recessions have the same impact on the economy as winter does on the animal world: they cull the herd. Startups that can make it through a recession, or have good enough business plans to gain traction during a recession, will boom in good times. The rest wouldn't have made it anyway.

MS: All the contributors in this OPEN Book are unanimous in their view that social media marketing is here to stay. As someone who interprets data for a living, do the statistics suggest to you that social media represents a viable, long-term marketing or business building opportunity?

HB: Three hundred million Facebook users after five years, 50 million Twitter™ users after two years...where to begin? Companies haven't really figured out how to use these platforms effectively yet, but they will. Attention can be

monetized – and these platforms are getting a huge amount of attention. The "Social Graph" has the potential to be an extremely powerful marketing tool. Since the dawn of time, the most persuasive marketing message has been a friend's recommendation. If companies figure out a way to harness that without freaking people out, the results will be awe-inspiring.

MS: Many of our Cardmembers tell us they would love to tap into social media for their businesses, but don't know how to begin or think it's too risky. How would you advise them in terms of balancing their concerns with managing the commercial potential this new medium affords?

HB: For most entrepreneurs, the single biggest business challenge is not finding a promising opportunity to go after.

It is eliminating the dozens of promising opportunities you could go after and keeping your attention on just one or two. In this respect a certain discipline and focus is essential in your commercial dealings with social media.

MS: So your best chance to compete effectively is to be sure you do one thing extremely well?

HB: Exactly. No company can do everything well. Few companies can do many things well. Small companies really can do only one thing well – or maybe two, if they are extraordinary. So having the self-discipline to stay focused is critical. The good news is, if you're the kind of entrepreneur who just can't do that, it doesn't mean your company is doomed. It just means it's time to hire someone else to run it...while you pursue the next big thing.

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