

Matthew: Hello and welcome to Marketing Smarts, a podcast brought to you by MarketingProfs. I'm your host Matthew Grant, Managing Editor here at MarketingProfs, and I thank you for listening.

With the amount of press devoted to Twitter and Facebook and the countless ways that these and other types of social media have already become part of the daily lives of hundreds of millions of people it's easy to forget that social media are still emerging technologies.

As big of an impact as they already had, we are only now catching a glimpse of what they will become and all the ways that they will ultimately transform everything from marketing and branding to how we conceive of community and even how society itself is structured.

Some of the people who best understand the emergent nature of this space and the as-yet untapped potential of social are the tech entrepreneurs who are busily building and releasing products that allow companies and individuals to incorporate social media and social tools into the way they do business.

To get the perspective of one such entrepreneur we've invited Nichole Goodyear to speak with us today on Marketing Smarts. Named as one of *Fast Company's* most influential women in technology in 2011, Nichole has already been involved in an impressive number of tech startups including Brickfish, which was sold earlier this year, and Extol where she currently serves as a strategic advisor.

Nichole has a deep understanding of the ways that social has and continues to evolve and has been especially active in developing new models for advertising and marketing campaigns in this social age.

Nichole, welcome to Marketing Smarts.

Nichole: Excellent. Thank you. I'm really excited to be here.

Matthew: I wanted to talk a bit about your personal career journey. You spent a lot of time in a leadership role in startups. I'm wondering if you could sketch out the different steps along the path that brought you to this world of startup leadership.

Nichole: Graduating from college, my degree was in business with an emphasis in computers and economics. I come from a long line of entrepreneurs in my family. I would say that it's part DNA, part luck and part desire to create something new, to look at a business opportunity.

You are a lot like a storm chaser as an entrepreneur. You look for disruption in a market. You're looking to make sense of that by creating some sort of technology to solve a problem. I've been

doing this for over 20 years now. I'm dating myself. I've been working at seven or eight different startups either as a founder or going in as a consultant or advisor depending on where I am at that point in my career.

Matthew: You didn't just step into founder roles out of college. Did you start out working in startups? Did you stumble into them? How did that unfold?

Nichole: Ironically, my first job offer was at Microsoft when there were 250 employees. I thought, "How do you ever learn something new or get to influence or create something?" In retrospect, I laugh at that now. Having 250 people at Microsoft, they were a startup at that time.

I moved down to Southern California. I began working for a technology startup straight out of school. I was working as a product manager helping to define what the product should be. I gravitated towards being part of a small company. At that time there were 10 to 12 people.

We grew it to over 50 and sold that company. I was bit by the bug. I've been working with startups and bigger companies. Look at Apple. Innovation inside of a big company requires an entrepreneurial spirit. Some of the companies that I advise and consult for are also larger tech companies that need to work on product innovation or emerging tech inside.

Matthew: It's funny that you mentioned Microsoft. I was talking with someone last week. His career started out at Microsoft. He was there as it made the transition from a smaller company. I guess 250 employees isn't that big strictly speaking. It evolved into something bigger and wildier. He was disappointed to see that change.

I'm curious about what you just said with regards to the entrepreneurial spirit within companies that value innovation. Because you're part of a big company does that mean that the entrepreneurial spirit is being crushed and dead? Are there ways to keep it alive in larger organizations?

Nichole: I think it depends upon the organization. Innovation is what drives change and helps companies. Companies that become larger in terms of size get to hundreds of employees or tens of thousands of employees. The machine moves at a different pace.

Many of those companies, especially if they're driven from the top down, have innovation sectors within the company or emerging tech or media groups that work inside. They work on the next generation of technology or product that the market needs.

It depends on the company's culture on how much they embrace that innovation and how much they foster that internally within their culture. I referenced Apple. Apple had that because Steve Jobs was entrepreneurial at heart. They had a company that fundamentally

functioned around the entrepreneurial spirit and innovation. We see many companies, small, medium and large, getting back to that. The ones that are doing well are those that foster innovation regardless of the size of the company.

Matthew: They have to build it into the organizational structure either through setting aside time for employees to work on innovative projects or giving entire divisions leeway to produce things that are going to be innovative or will create new space or opportunity for the organization.

You said you started off in project management. It's always been my assumption that people in leadership roles of startups, or when you're CEO at a small company, that there is a large amount of a traditional marketing function that you're responsible for. Is that a correct assumption?

Nichole: That's correct. I would say that within a startup especially as a leader or founder role you are playing multiple hats. You might come from the sales side. You might come from the product and technology of the house which is where I originated.

You need to have a 360 degree view of all the other aspects of the business. Marketing is an important component of that. It's about understanding the customer's needs. How do I attract new ones? How do I keep the ones I have happy? How do I repeat that cycle? Where is the competition in relationship to where my business is and where my business needs to be?

It's an integral part of all CEOs or anyone in the leadership position inside of a startup company. It is understanding the needs of marketing and integrating that into all the different aspects of the business as well.

Matthew: I'm wondering if you had any significant stories of learning along the way from things that have worked out surprisingly well and you weren't sure if they were going to work out well or things that you were sure would be a homerun that didn't quite pan out. In terms of your path, what are the significant things you learned from your experience in terms of running startups?

Nichole: That's a loaded question. One of the biggest things is that there is constant change. You can't get comfortable when you're in a startup. There is constantly competition coming around. At my last company that I started, Brickfish, we were the first movers in the market.

We were building social media technology in 2005 and 2006 which is very early for the space. It's about being agile and being able to not just be the first mover in the market. How do you become market maker? You have other people who will come along after you've performed a

proof of concept and you have customers. You're on your path along with your venture capitalists from that perspective. You have to keep up with what's happening in the market and understand where the competition is in relationship to that.

From a key learning perspective there are so many. It is always aligning yourself with a great team. At the end of the day what builds great startups is team. It's also what builds the experience. There are people I've worked with in multiple startups.

We still stay in contact today. You talk about the experiences that you learned in working with a team, setting a goal, going after that hill and conquering it. It's also aligning yourself with the right customers from a marketing perspective and learning from your customers.

You have to constantly learn from them. What do they see in the marketplace? What do they need from your product? You also have to align yourself with the right business partners to make sure that you can pivot and make necessary changes along the way.

Matthew: On the customer front, how critical is it from a startup perspective to actually land that initial customer who you can partner with as you're developing and evolving your product?

Nichole: It's definitely key especially when you're in an emerging space like we were in social media. Social media is an emerging space right now. You will learn a lot of things from your customer that you can take back into your product roadmap.

You can also take that back out to the product. Some of the things that you think might be a great idea or a homerun, the customer says, "There is already that solution in the market. That's not a value to me. If your product could do..."

They will give you 90% of the features once your product is past the first beta state. They will say, "If your product could do this it would be amazing." Most of the product feature set and enhancements are driven by customers and listening to them.

The customers are critical for multiple things. First, they validate the product. They validate the market in the space. If you're a venture-funded startup they also help the validation from big, huge customers and brands. It helps validate that they're willing to put money in and they're getting value.

Are they repeating with you as a customer and buying your product and services? Those are all key things that effect your evaluation. It is how much of the company you have to give up in exchange for how much money.

Matthew: Now you have me curious. Many times when you get venture money someone who represents the money ends up playing a role on the board. That is a common thing.

What do the venture folks bring to the table? Is it relationships and introductions to larger companies because it's part of the exit path? Do they take a direct role in trying to guide where the product is going? How does that play out?

Nichole: Typically the venture funds for companies along the way are usually multiple funds that come in at a time. They have someone who sits on your board of directors. You meet with them every four to six weeks depending on the stage of the startup.

The value they provide is experience. Some of them have worked in an operational role before. They've built other successful companies. They can help you provide leads in terms of leadership.

Perhaps you're expanding your leadership team from a smaller team and you need a CMO or someone who is a CTO and head of product. Maybe you're good at building something from a technology perspective but you need a subject matter expert in the space. They can help locate those people.

They are also very helpful in helping to validate. As part of the leadership team and CEO at the board meeting you have to present the financials, the product roadmap, information on how you're marketing the product, what the feedback is and what your plans are.

You have to present where you are according to plan and the deviations. They can help give you valuable feedback on things that they've seen at other companies and have experienced themselves to help you avoid stepping into a trap without having to learn that on your own. That is critical in the stage of a company.

Make sure that you're aligned with people with the same interests and someone who brings strengths to the table that you might not have from a leadership perspective. The last thing you mentioned was connections and relationships to other companies where you might have a business development relationship and an M&A or exit opportunity down the road.

They can make money on the money that they invested. It's key to make sure that you align with a group that has experience in taking companies and successfully exiting them.

Matthew: That makes sense. I'd like to get into more detail about some of the companies you've worked with, specifically Brickfish, from the standpoint of the evolution of technology that allows companies to plug in to social media.

In case people aren't familiar with Brickfish can you talk about what Brickfish does, the clients you've worked for and how they've helped companies tap into social media marketing programs?

Nichole: I'll answer that in relationship to the space of social media. I've spent a lot of time with the IEB, the social media ad consortium, both on the board and in active roles helping to define the space of social media.

Phase one of the evolution of social media was listening or monitoring. There are these social media channels out there like Twitter. Facebook was just coming up. Brands need to get a presence. All marketers need to get a presence.

Where is your Facebook brand profile as well as a Twitter profile? Let's listen to what consumers are saying. The question I would ask CMOs and marketers is, "It's important to understand what your customers are saying. It's more important from a marketer's perspective to know what you want them to say."

If you sit there and wait for people to say something about your product or service that is a defensive posture. How can you go on the offense and mobilize your existing consumers, or consumers in general, to have conversations about your brand between their peers? Phase one is listening.

Phase two is about building out that presence. It is brands massively putting resources of time and money into building their profile on Facebook and Twitter. How many likes do I have? How many followers? That is phase two of social media. We saw many marketers put a lot of money into Facebook engagement ads or social display. That is really a banner ad in a different size inside of Facebook with some targeting capabilities.

Matthew: Does that stuff really work, the social display ads? People are trying to move a traditional advertising paradigm into that social space.

Nichole: It works about as effectively as a standard display at someplace else in my experience. As consumers, we know you're trying to market to us.

What's relevant to us as consumers and what's shifted the entire digital marketing paradigm is not, "How can I market to the customers?" but "How can I have a conversation with my customers? How can I get customers to market into their social graph on behalf of the brand?"

That is the problem we set out to solve at Brickfish. It was, "We're not watching commercials at the rate that we used to. We're not listening to the radio uninterrupted like we used. We're not viewing print and TV in the ways that we used to. We're not consuming those in the ways that we used to."

You have these reach infrequency marketing mechanisms that have billions of dollars poured into them every year. Companies depend upon them in order to drive new traffic into the purchasing funnel. They are no longer functioning like they used to because of the technology.

It is our ability to quickly get to information on the web. It is our ability to ignore a banner ad if we want. We're looking for content in a page. We may or may not click on a banner ad. We've seen the effectiveness and click-through rate go down over time.

At the same time we had the rise of user-generated content. Consumers are posting videos on YouTube. Consumers are creating content in blogs. What we sought out to solve was, can we get consumers to create content around a brand?

Will they share that with their social graph or friends in multiple channels? Will those friends come into the brand's purchasing funnel as a result of that creation and sharing? We proved that in spades and built a platform that was able to track all of that. It was very effective. We've since sold that company. It's operating as a separate entity.

I think that takes us to phase three of social. It's something that I'm passionate and excited about. At the end of the day what matters to a marketer is, "Can I get consumers to buy and use my products and services? How can I use the social web, or social media, in general to be able to do that?"

There is one component of that which is getting the brands active, having conversations, responding to tweets, responding to posts and posting new content into the social graph. The most effective component of that is, how do we mobilize an existing brand's customers to refer their friends to a product or service that they like?

From a marketer's perspective we know that word-of-mouth marketing has been around for a really long time. It's just been offline. It's been in our physical social circles that we have in an offline world.

The creation of social networks gave us the ability to instantly be connected to all walks of life and not just on average 13 people that we can influence on a product. Now it is hundreds of people. It's become a huge opportunity for marketers to be able to leverage.

It is to be able to get those consumers sending social signals such as posts, tweets and shares about a brand. It is having that effect of the purchasing decision intent and ultimate buying from consumers because we trust our friends and even strangers.

We go to Amazon and see reviews. We make purchases based on what people we don't know and will never know are saying about a brand's product or service. The next evolution in social

is not, “Are people going to post and create content? Are we going to respond as consumers and have an influence on purchasing?”

What is becoming more relevant is, “How do the people in my immediate circle feel about a product or service?” They can influence at a rate that’s far greater than a stranger. It is certainly far greater than traditional advertising mechanisms are able to do today.

Matthew: I have a number of questions. I would like to circle back to some of the things you were talking about with user-generated content and Brickfish. I want to talk on this specific topic of word-of-mouth, friend referrals and using the influence that people have within their network to benefit brands.

How do you do that without people feeling like you’re hijacking their sentiment? For example, I was on Facebook the other day. A friend said, “If you see a sponsored ad or comment associated with this bank, let me know. I will unlike them.”

People are finding comments that you’ve made mentioning a brand and using that to promote the brand. I may be misreading it. The more critical question is, how do you try to tap into this influence without people feeling manipulated or that their sentiments are being co-opted by a brand?

Nichole: I think the important thing is for it to be authentic and permission-based. It’s not something where someone makes a comment on the web. Then you extract that and shove that into an ad.

One of the companies I’m advising for right now is Extol. They are a San Francisco-based venture-backed company. Their platform, as well as other platforms in the space, is asking consumers to refer their friends. “If you like our brand’s product or services, refer your friends.”

That’s not something that I have to do as a consumer. That’s something that I choose to opt in to do. Let’s say I’m passionate about a movie service, a book, my insurance provider or a place I stay on vacation. It could be a B2B.

I might be willing to tell my friends about it and I purposely say, “I’d like to tell you about this brand’s products or services. I use it and it’s amazing.” Then when I post that on Facebook, tweet about that or send an e-mail to people that I may or may not be connected to in my social graph on social networks, that becomes very authentic.

I’m choosing to do that. I value my friends enough to use my time and put my endorsement on a product or service. That’s very different than it being extracted and shoved into an ad.

Matthew: That makes sense. There is a tiny fraction of the people who are on the web who will take the time to leave a comment on a blog. In terms of tapping into the power of friend-to-friend referral, what percentage of users of a product or service is willing to do that? I'm assuming it is small.

Nichole: It is actually much higher than the number of people who are opting in and creating content. It might be posting. Sometimes that is as high as 20% of a customer base. It depends on how passionate a person is.

Brands are offering the consumer something that's in it for them. They will say, "If you love our service, refer your friends. You get a free movie. Your friend will get a free movie for trying it out." As a consumer am I willing to put my endorsement around the brand? Yes or no?

If I am then I opt in to become an influencer. If I refer my friends and they take an action the brand will give me something back in return for doing that. I'm not going to spam my social graph or my friends. I will quickly be de-friended for doing that. I won't do that for every single brand. It's the brands, products and services that I'm passionate about.

You will have people in that group who will do it just because they really love that brand. You will have people do it because, "I love the brand. I wouldn't otherwise have taken this step but they will give me an incentive to do that. It might be a discount on products or services, money or a gift card. It's worth it to me to do that. There's something in it for me."

The currency is changing. As opposed to those ad dollars going to the advertiser into a display ad or television ad, some of that money is coming back into the hands of the consumers.

It is giving the consumers currency in the form of products, services or merchandise for becoming a new marketing channel on behalf of the brand as opposed to tapping the percentage of people who will do it because they will and they don't care if they get anything for it.

Matthew: Is there a way to keep that relationship human? In our last podcast we had Aaron Weber who works for a company called Spiral16 that does social media and web monitoring. He was talking about the challenge of combing through the data and looking at interactions online from a data or marketing channel standpoint.

Sometimes you can lose the humanness of the relationship that you're trying to build with the consumer. Yes, you are using people in a sense as a marketing channel. How do you do it in a way where they don't feel that way? Is it the incentive? There is an exchange there. What are your thoughts there?

Nichole: I think there is an incentive of the exchange. It also allows the consumer to put their own DNA into the referral. The alternative would be, "Go and post this ad to your friends." People aren't going to do that. Instead you can give them a default tweet.

There is some branding that goes with it. You allow them to express what they like about the brand in their own words from a human perspective. We saw this in the thousands of campaigns in my previous life for top brands in agencies all around the country.

The consumers need to have some of their DNA into it. You can't say, "I will pay you if you become a marketing channel. Here's the print or display ad that I want you to take into your social graph."

You have to allow the consumers to share their experience and opinion. It becomes more, "We're inviting you to do this. We're allowing you to express your own experience." This is opposed to something that's very scripted.

Matthew: Can you give an example? This was some of the stuff that Brickfish was involved with. It was motivating and creating incentive for people to create unique user-generated content. Can you give an example of a campaign where people were encouraged to put their own DNA into what they were creating?

Nichole: Sure. We ran programs for many kinds of brands. Some of them would ask consumers to create a product idea for the brand. For example, we did one for Smashbox cosmetics. It is a makeup line now owned by Estee Lauder.

They could create their own idea for the next product. That allowed consumers to familiarize themselves with the existing product line of the brand and come up with a prototype. They were not actually building the makeup.

The consumer who was selected was able to go to headquarters. They could see what it was like to build a product, pick the palettes and the colors. They became part of the marketing campaign when it was launched and sold in stores across the country. The DNA was their idea.

There is one class of user-generated content programs and campaigns that were run around American Idol. You're not a singer but you wanted to be a product designer. We won several awards for Coach which was designing the next bag that Coach would sell in stores.

That was one flavor of programs that marketers would run to get more in touch with and build a relationship with their consumers. More importantly they would get feedback from other consumers on whether they liked that product, if they'd buy that product and then see that come into fruition in stores.

There is another category that was run by brands. We ran some programs for Microsoft, Adobe, BlackBerry, Dell and Cisco. They were in the tech space. They were around experiences. It could be, “Share your experience with a particular feature of a technology product. How do you use Dell in your everyday life?”

We ran a Dell QVC campaign that was tied around back to school topics. “How would you use your Dell going back to school?” Consumers were able to express their opinion on how they used a feature, product or service. They could then share that in their social graph.

Then there were some campaign components that were more generic. We ran a campaign for the North Face brand. It was around showing us how you never stop exploring. It is a big brand that sells everything from coats in Nordstrom’s, Macy’s and Bloomingdale’s to hardcore rock climbing equipment.

It was showing the face of the brand where consumers could submit a photo of themselves. They didn’t have to wear North Face gear. It was everyone from a soccer mom to this hardcore hiker and climber. They all used North Face. It was to humanize the brand and get consumers to show the different faces of the brand.

Those are some examples of where the consumers were adding different levels of DNA that associates with the brand’s attributes and affinities and helps shape the course of where that brand is going from a product roadmap perspective.

Matthew: I like that. I like the wide variety of examples of how brands were inviting people to put their own unique personal individualized touch or fingerprint on the content that they were creating on the brand’s behalf.

We are talking about a referral economy and the currency that people have in terms of the influence they might have within their social graph and the people they’re connected to. As a last point of conversation today I was wondering if you could talk about how you see that impacting search.

So much of our time on the web or out in the world we rely on Google to find out where we should be going. I know that Google results are already influenced by your own past searching behavior. It is supposedly bringing in more social cues to influence the results that they get.

I’m wondering if you could talk more broadly about how you see this integration of devices and search function whether it’s more of a mobile search when this is becoming more integrated with people’s social graph and the people they influence and who influence them. How will that change search and how companies need to think about search behavior going forward?

Nichole: It's one of the things that I'm really passionate about. I would say that it is phase three in the social evolution. Search is about how we discover and find information. At the end of the day, social networks are also about how we discover and find information.

What's becoming more relevant is how we discover and find information from and to our friends and the people we're connected to online. If you close your eyes it's happening right now. When I look into the latter part of 2011 and the beginning of 2012, from a marketer's perspective I think it's the number one thing they should be paying attention to.

Let's take Google. We've spent over a decade as marketers and brands optimizing our website, its architecture, the names and the links that come into it all for how our brand appears in organic search and how people discover information about our brand.

For most companies the top referral sources into their website will be organic and paid search. It is how people find out about our products and services. If we look back to Google ranking in 2009, 65% of the components that went into ranking were all link-based keywords that went into the page and domain level.

They've started to integrate other things. It is now the terms we've been searching on and our location. I think there are 500 points allegedly in the algorithm. In 2011 only 45% of the search ranking happens due to those factors.

The things that are included into search ranking and will continue to take a higher volume and impact on search results include social signals, tweets and shares about our products and services. These are both at a domain level and a page level.

It is the analysis of perceived value to users. We know as users the ratings, reviews and referrals. Other people talking about and sending information about a brand have more value to users than traditional means of advertising even in the digital world.

These shares, tweets and social referrals, ratings and reviews will impact how brands appear in their search ranking. It is how many people thought it was helpful or gave a thumbs up or down and on how many people came in through a certain social channel.

All of that is starting to bubble up and take effect. From a marketer's perspective, what worked yesterday from an SEO perspective is not what will take you into the future. In the past you could say, "Here are the things I need to do from a keyword perspective. Here are the terms people searching on to find my site."

Now to hone it in the brands have to figure out, "How do I get more consumers? How do I get more social signals about my brand like tweets, shares and posts?" They have to get to the core

of how to get peer-to-peer conversation going about the brand. That's not something that you can buy.

I think it is fascinating that this landscape is changing. Marketers will have to pay attention. This means that Google Plus will take more importance over time. They will not lie down and say, "Yes. Go ahead and take the way that people search and discover information or Facebook."

They are not going to lie down and allow themselves to lose market share from a search perspective. They're going to continue to put more relevant and social-based content into the search engine rankings. That drastically changes the dynamic and landscape of everything that's going on.

Matthew: It sounds like you're saying that the call to action for marketing campaigns can't just be, "Come and buy my product." It needs to be a call to action that somehow enlists potential consumers in the marketing of the brand as part of a search strategy, not just a marketing strategy.

Nichole: That's correct. How can they enlist consumers? There is something that I've found fascinating for the last couple of years. We continue to see it as true. When marketers think of social they think of Facebook and Twitter.

Those are the only places they think of as social. Google Plus is just barely out the gate. They are pushing up towards 50 million users. That is growing at a faster rate than either Facebook or Twitter grew. You can't count them out of the race. I think we will see a lot of things happen there.

The number one thing that's surprising from a marketer's perspective is that the number one channel in driving social conversations, social shares and social signals around a brand is a brand's own website. Think about that. They think, "That's my website. That's not my social channel."

There are consumers from your website and e-mail list. You can ask them, "Would you like to refer your friend? Would you like to submit your experience about the brand?" That is the largest portion of your traffic, those larger more mature channels.

Those consumers will not only create that content or referral, they will originate from your website or e-mail list. They will take your brand into their social graph on Facebook and Twitter. That is separate than your own brand's presence on those networks.

It's the biggest hidden secret to me. It's one that marketers need to pay more attention to. How can I drive social advocacy and influencers out of my website and e-mail? Consumers will take it everywhere for you.

Don't just say, "Let me go to my Facebook brand page and hammer away. How can I get more people to like my brand? How can I get more conversation happening on Facebook?" That's an important piece of your social strategy.

You are ignoring a very effective channel that will produce dividends for you if you don't figure out how to socialize your website, e-mail and CRM channels. You need to invite those consumers and advocates to become marketers on behalf of the brand. They will do it.

Matthew: I think that's an important point. People think about the rise of social media as, "There is the old-fashioned media of my website and e-mail. Then there are the social places."

The real impact that social media has had is that it's either drawn out what was nascent social characteristics of things like the e-mail or website. They forced you to think that your website and e-mail programs are social networks, too.

Not enough marketers think this way yet. They're social channels as well. As you said, the rise of social media has had the effect of either drawing out what was already social about other media or has had the effect of socializing them.

I think that's really valuable. I think it an insight that not enough people have taken to heart in how they approach these assets that they own. Somehow because they own them they automatically take them out of the social sphere when they're not.

Nichole: Exactly. Any speech or keynote I've ever given or any panel I've sat on in the last couple of years I say, "Don't ignore your website and e-mail as effective channels in driving social signals such as shares, posts and tweets about your brand."

They are the most effective channel. They're the ones that we don't tend to look at first in terms of social media. They're the ones we should look at first.

Matthew: I think landing on an important truth that people ignore their peril is a good place for us to end our conversation today. Thank you, Nichole Goodyear.

Nichole: Thank you, Matt.

Matthew: Thank you, listener, for listening to this podcast to the very end. This has been Marketing Smarts brought to you by MarketingProfs. I am your host, Matthew Grant. I'll talk to you next week.