



Spiegel Research 1.0

The effects of
**SOCIAL
MEDIA
ENGAGEMENT**
on purchase behaviors

Three light purple speech bubble icons are arranged vertically to the right of the main title. The top bubble contains a question mark, the middle one contains three dots, and the bottom one contains a dollar sign.

Co-creating benefits in social media contests
and its effects on purchase behaviors

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THE PROJECT

The challenge of understanding an individual's social media engagement with a brand/enterprise, and their subsequent purchase behavior has been elusive to prove due to a limitation in data sets. This study, uniquely, enabled us to link these two sets of behaviors.

The data came from Canadian Air Miles Reward Program (Air Miles) a large coalition loyalty program which is owned and run by Loyalty One, a division of Alliance Data. The program was launched in Canada in 1992 and 67 percent of Canadian households participate. When consumers make purchases at participating partner companies – which includes more than 100 companies in practically every consumer goods category – they earn points called “Air Miles.” Air Miles can then be redeemed for merchandise, gift cards, travel or other items from participating partners, and even beyond.

Air Miles hosted a members-only community site enabling Air Miles card holders to login to post or view others posts regarding the program. In this way, social media posts were able to be associated with a member's point accumulation and point redemption behaviors. The social media forum was created in 2009.

This study analyzes the effect of user-generated content (UGC) that overwhelmingly reflect responses to prompts from Air Miles, such as contests hosted by Air Miles, and communicated to all Air Miles members, and posted on the Air Miles social media site. For the purposes of this analysis, point accumulation is a proxy for purchase behaviors.



Air Miles members swipe their card or enter their Air Miles reward number at the point of purchase to earn rewards. It is not a credit card, but a loyalty program.

Contests which reward consumers for developing original content are becoming more popular, but little evidence has existed which measure the effect of an individual's engagement and participation on subsequent purchase behaviors.

Our research sought to answer these questions:

1. What is the effect of posting on subsequent purchase behaviors?
2. What is the effect of viewing, but not posting on purchase behaviors?
3. Do all contests and prompts result in similar customer/member posts, viewing and subsequent purchase behaviors?
4. How do differences in posting behavior impact purchase behaviors?
5. How long is behavior affected after participating in such a contest?

Promotions and contests have been used by practitioners for decades as a way to attract and engage customers. Empirical evidence by both brands and research have validated contests' efficacy in driving sales. Past work by other researchers informs our hypothesis that contests can be an effective way of engaging consumers.

The rise of social media and the proliferation of mobile devices are enabling new forms of advertising that are more participatory and interactive for consumers. In a new generation of contests, advertisers are asking for greater participation with the brand.

Rather than being (possibly) exposed to an advertiser-created message, contests ask consumers to think about the brand and create their own message based on their experience with the brand. This additional mental processing of the brand should be a potent form of advertising if it is executed properly. Brand associations should be more salient and personal when consumers think through their relationship brand, as opposed to being told what a brand

should mean to them by an ad. Properly executed contests should focus on the core attributes of the brand to make them more salient in the consumer's mind.

DATA

The dataset for analysis spans roughly 26 months beginning March 11, 2009 and ending May 31, 2011. We reviewed posting and point accumulation behaviors over the course of four contests in which members could either earn small rewards (such as 10 miles) for posting or be entered for the chance to win large prizes such as a cruise. The data were reviewed for a period of time before and after each contest was announced and a control group which was a random sample of 2000 people who had logged in to the social media forum and posted at some time and a group who never posted was also analyzed. The data allowed us to estimate the ROI of such a contest.

Study periods were selected to include most of the posting activity around a contest. Study periods for the Mile-lionaire and Party contests were both two weeks long. The Winter contest was much shorter, with most posts occurring within a one-week interval. The Cruise contest was longer, and its study period is about six weeks. The pre-periods (0) were all four weeks long. The post periods (2, 3, and 4) were two weeks long for all but the Winter contest, where the post periods were one week long. We have assigned period lengths of round weeks because we suspect that accumulation behavior is at least somewhat periodic, with, for example, some households doing their grocery shopping every Saturday, etc.



Air Miles ran these six contests on the member site. The four most successful contests were:

1. “Mile-lionaire Giveaway” contest, in which the winner would win a million reward miles. To enter the contest, members had to create a profile on the community forum, login to community, and write a post on their dreams about what they would do with 1 million miles. Then Air Miles chose the best 10 stories and asked its members to vote for the winner. **EFFECT:** *Customers attach personal meaning to the value that AMRP offers.*
2. “Community Block Party” in which members were offered a small number of air miles for becoming a member, posting a comment or tip, uploading a picture, or making an “I like this” thumbs up to the community site. **EFFECT:** *Transformed customers from “passive audiences” to “active players.”*
3. “Cruise,” culminated in a drawing to win a Caribbean cruise package for two people. During the span of six weeks, entrants had to answer one question each week, e.g., why they want to spend their week aboard or whom they want to take with them. **EFFECT:** *Forced continued interaction with the brand and forces consumers to think about the brand’s benefits.*
4. “Winter,” offered members a small number of miles (10) for discussing what they planned to redeem their miles for in winter. **EFFECT:** *Forced members to think about the core benefit of Air Miles, and what rewards they want.*

The two least successful contests were:

1. “Mommy Moments” asked members to share a Mommy moment for the chance to win 25,000 miles.
2. “Living Greener” contest which asked community members to “Share your stories, tips and advice on how you help the planet and receive 5 BONUS AIR MILES reward miles.”

THE RESULTS

1. Is it really a relationship?

Posting from consumers was seen as sporadic in a social environment without the prompts from Air Miles. The “relationship” was somewhat one-sided with consumers responding to prompts, but not posting when there are no prompts.

2. Relevance proven.

Relevant brand prompts link to (far) greater engagement. But less relevant brand prompts such as “Mommy Moments” and “Living Greener” produced little engagement. Further research is needed in this area to better understand the reasons why “Mommy Moments” and “Living Greener” were less successful.

3. Consumer actions matter.

Posters spend more immediately and over time. Three of the four successful contests showed that those who participate have significantly higher accumulation of miles (the proxy for increased purchase behaviors) during and after the contest. The longevity of the effect impressed us and we believe that

it is due to the participant co-creating the benefit—earning a reward—of Air Miles. By having participants write about the reward they want or why they want it, the benefit becomes more salient in their minds.

4. Deep engagement matters most.

Posters who elaborate more spend more. In the “Winter” contest, increases in purchase behavior ran from a low of 49% among those who posted using an average of 8 words, to an 80% increase in purchase behavior among those who averaged 73 words.

5. Share the experience.

Elaboration on experiences implies higher future accumulation. We also saw that the more a poster wrote, and if they wrote about an experience that they wanted to have versus saving their Air Miles for “stuff” (e.g. they wanted to use their miles for a trip to Disneyland v. they wanted to use their miles for a vacuum cleaner), the greater the increase in purchase behavior. (See Figures 1, 2 and 3.)

HOW **LOW SPENDERS'** ELABORATION CORRELATES WITH PURCHASE BEHAVIOR IN WINTER CONTEST.

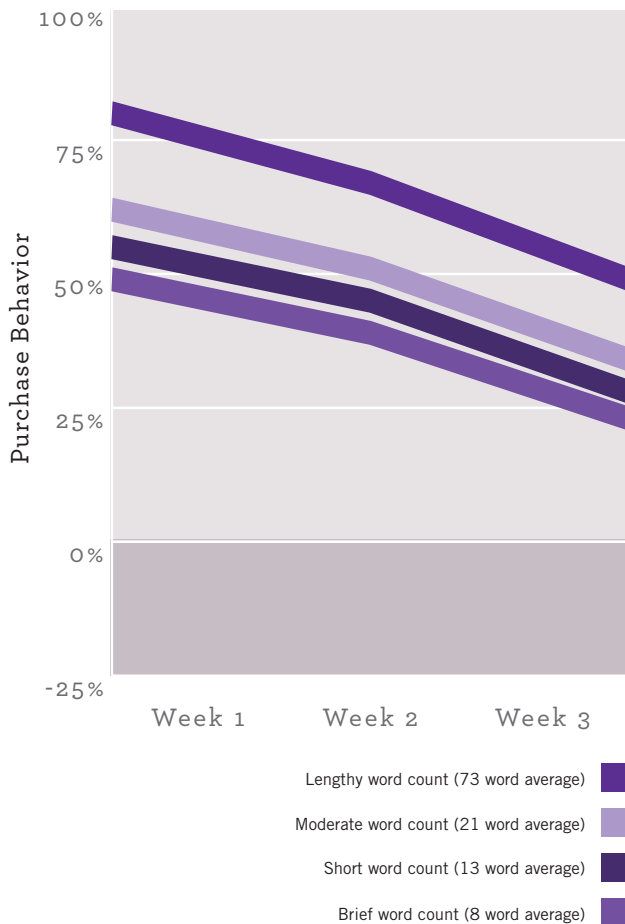


Figure 1.

HOW **MEDIUM SPENDERS'** ELABORATION CORRELATES WITH PURCHASE BEHAVIOR IN WINTER CONTEST.

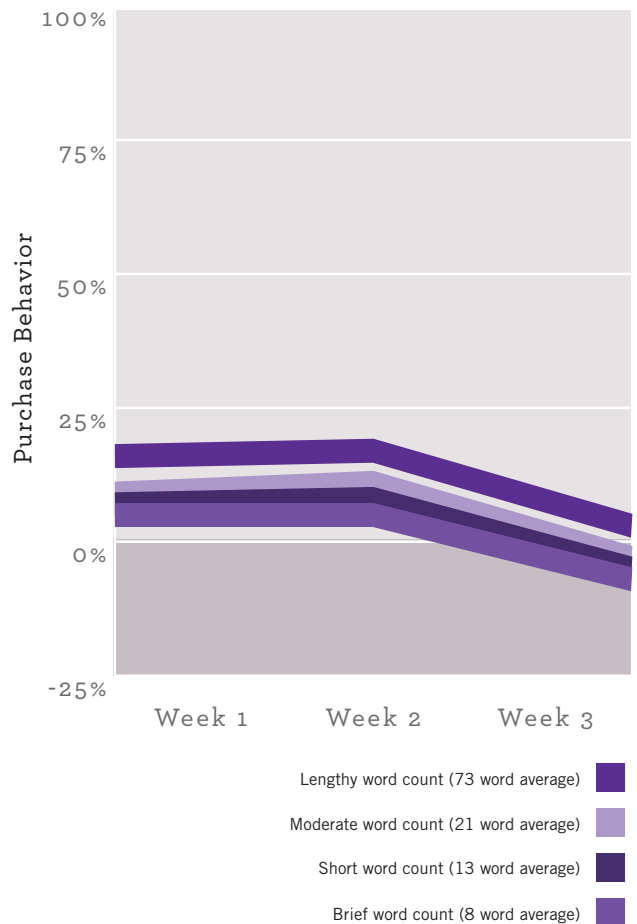


Figure 2.

HOW **HIGH SPENDERS'** ELABORATION CORRELATES WITH PURCHASE BEHAVIOR IN WINTER CONTEST.

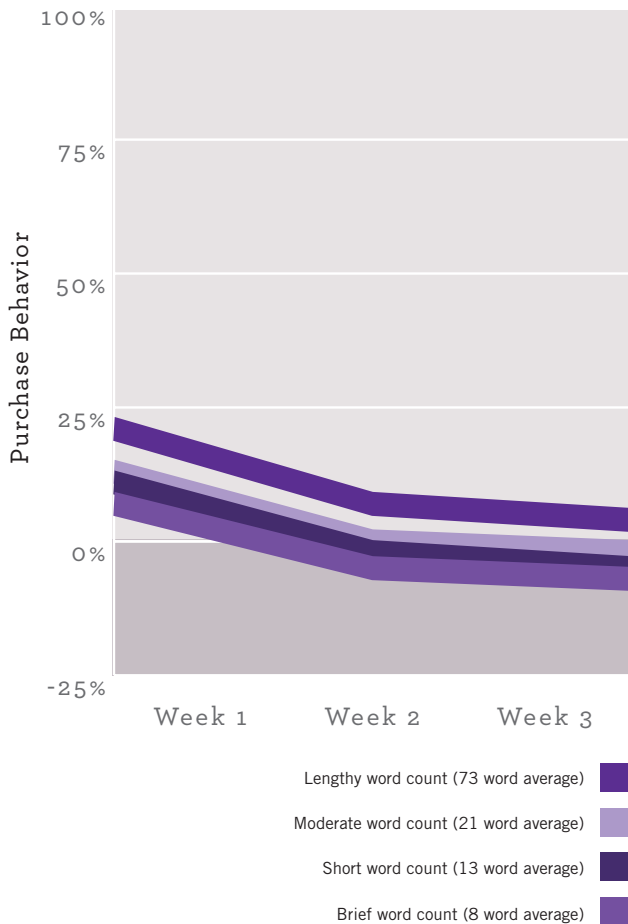


Figure 3.

6. Relevance matters to viewers too.

Viewers spend (far) more when viewing relevant posts. Those who viewed the posts but did not actively engage with posts themselves lifted their own spending at rates beyond 40 percent. Even three weeks after viewing posts, low spenders lifted their purchase behavior by 46 percent.

7. Sleeping dogs can be awakened.

Low spenders who engaged through co-creation had the greatest percentage increase in point accumulation. (See Figure 1.) Though the raw increase in point

accumulation was still smaller than the high spenders, these co-creation contest activated low-spending Air Miles members, which is a great idea for how brands can engage or re-engage with consumers who are fairly disengaged.

8. Price incentives can be trumped.

The right message causing co-creation can be more valuable than greater price-oriented incentives. The “Winter” contest only awarded 10 miles per post but significantly lifted purchase behavior for all spending levels and activated low-spenders who were disengaged from the Air Miles Reward Program.

AREAS FOR FUTURE RESEARCH

We believe that the experimental design we used is reliable, but in the future, running a true experiment where participation is manipulated to isolate the co-creation cause so that these questions can be answered:

- Is the cause of the increased accumulation behavior the fact that the member was entered into a contest or given some miles, or is the lift due to a member having to write something about what Air Miles does for them?
- Are contests where the task required for entry is aligned with the brand more effective than those that are unrelated?
- Does the “social” component of contests matter? Does the “co-creation” benefit

exist in contests where the method of entry is private?

- How important is the amount of elaboration in posts?

Allowing consumers to co-create brand meaning and benefits seems to be an effective way to increase purchase behavior rather than simply exposing consumers to ad messages, but it also creates new challenges and risks, such as:

- The consumer creates messages that are not on strategy – this may or may not be a bad thing.
- These messages may confuse other consumers.

Finally, the most important opportunity for future research is in devising communication strategies for responding to such UCG.