



*Business Transformation
Through Greater
Customer-Centricity*

The Power of Social Currency

AUGUST 2016

VIVALDI_



Dear Reader:

*Why **should you care** what's inside this report? Because whether you lead business transformation, brand repositioning, or new brand development projects, whether you are in charge of creating new products, services and seek to help your company to innovate, or whether you want to improve your marketing or advertising, **understanding consumers and customers** matters more than ever. Achieving new levels of customer-centricity should be a relentless pursuit.*

This report provides a window into understanding customers today given the social, mobile and digital context in which we live.

We appreciate any feedback about our research, thoughts, and insights, and are happy to answer any questions.

Please visit our [Interactive Dashboard](#) for a sneak peek of results by industry.

Thank you.

Vivaldi introduced the term *Social Currency* in 2010 and expanded on the research in 2012. These studies established the role of Social Currency in driving preference, and choice and in *building strong brands*.

This year, Vivaldi partnered with Chadwick Martin Bailey (CMB), a world-class research consulting firm, in a comprehensive effort to more profoundly and more deeply understand the social lives of customers and what does and does not create Social Currency.



2010



2012



2016

05

THE CONTEXT

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BUSINESS TRANSFORMATION THROUGH
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RESEARCH METHODOLOGY

What accounts for this high degree of failure? We think it has to do with the fact that consumers and customers change more rapidly than organizations do and companies do not take into account a full understanding of consumers and customers when launching a transformation.

97%

of companies have launched digital transformation efforts

and yet...

70+%

of these transformation efforts are expected to fail

*Business transformation
through technology*

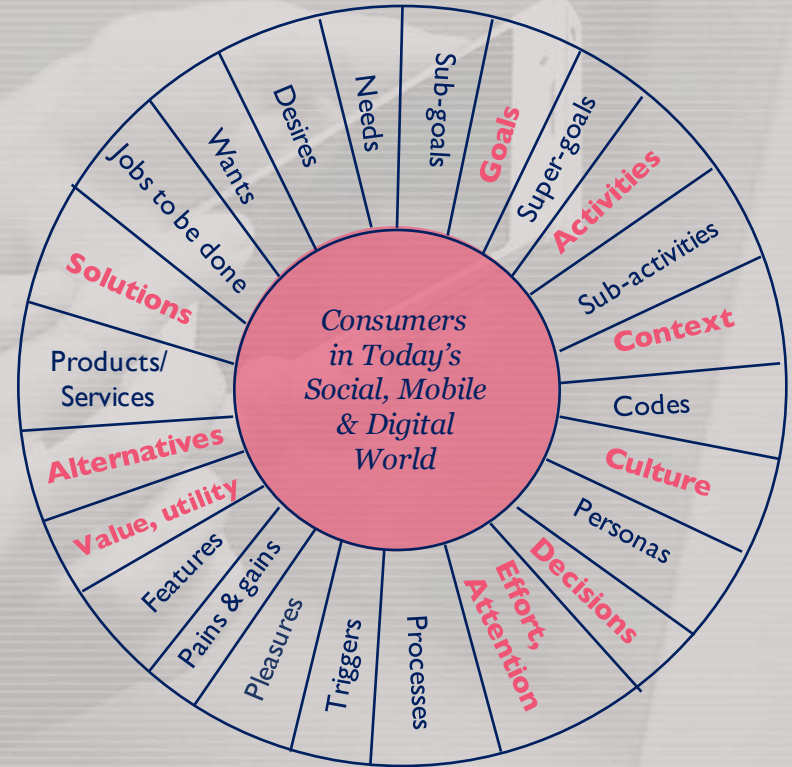
Business transformation
can only be successful if
it takes into account the
changes taking place in
peoples' lives...



*Social, digital & mobile
lives today*

Companies need
to comprehensively
understand and
truly embrace the
complexity
of the consumer
or customer

- Manage their lives and achieve their **goals** using technology across **context** and **culture**
- Make **decisions** given the limited **attention, time and effort** available
- Use social media, content, and other sources to inform themselves or entertain themselves along daily life **activities**
- Extract **value** and **utility** from **solutions**
- Become efficient and effective to complete processes such as shopping for **alternatives**



2016 = People acting in service of *themselves*

Today consumers don't serve brands; they serve themselves. They use their social connections to create their reality, to manage their lives, to get the job done whether it is searching, evaluating, or buying or using a product or service or brand, and proactively talk about brands only in so far as it helps them establish themselves.

2010 = People acting in service of *brands*

That was the year when brands and marketers believed that social media, technologies, and currency would be used by consumers to amplify messages, to serve as influencers to other consumers, to become brand ambassadors and to create "earned" media.

Social Currency

measures the ability of brands to fit into how consumers manage their social lives in today's digital and mobile age.



7 Social Currency Dimensions



How much my relationship to the brand plays into my *self-image* and *self-esteem*.



How much I feel a sense of *belonging* or *kinship* with others who use the brand.



How much the brand facilitates *communicating who I am*.



How much the content shared by/about the brand engages me.



How much the brand helps me forge *new social connections* or *relationships*.



How much other people help me *discover*, *evaluate*, and *make decisions* about the brand.

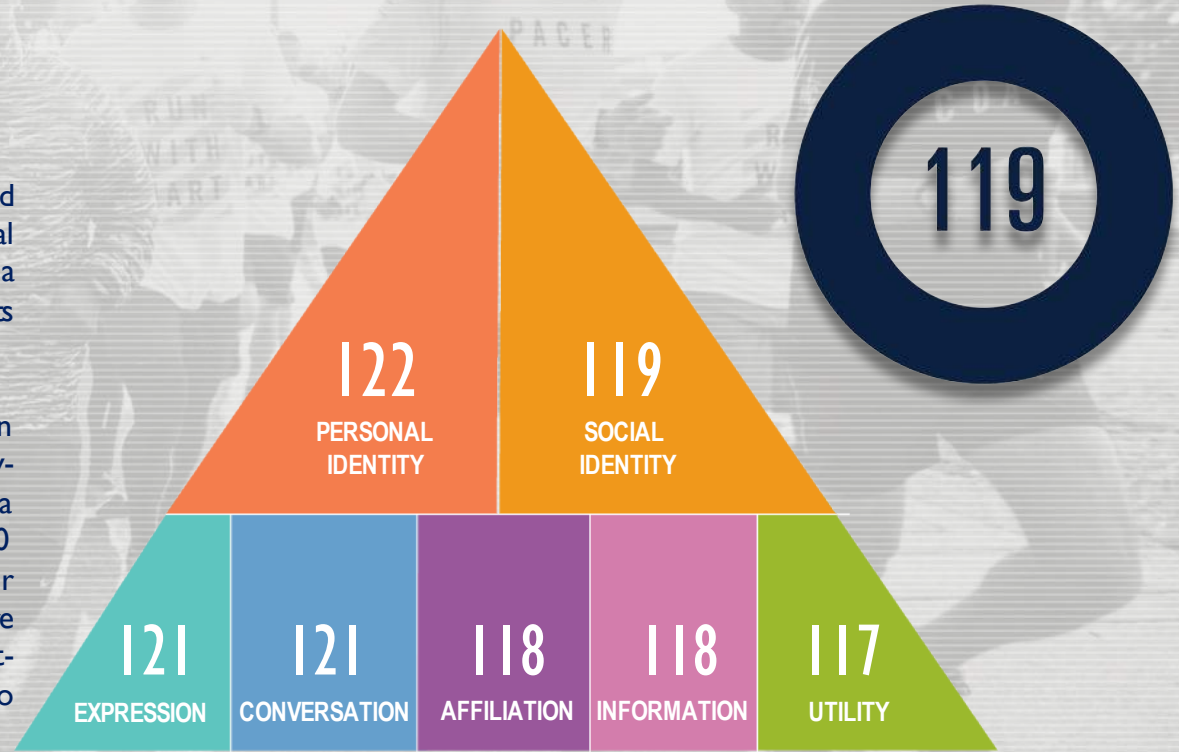


How much my engagement with the brand or its customers *enhances the value* I get from the brand.



As an example, the best performing brand in our study, Nike, has an indexed Social Currency composite score of 119 - a weighted composite of the brand's results on the 7 dimensions.

This Social Currency score means that in the US, Nike facilitates the identity-building behaviors we've described at a 20% higher rate than the average of the 90 industry-leading brands covered in our study. All numbers on this slide are similarly indexed and represent a market-level snapshot of all US consumers who are aware of Nike.



13 | SOCIAL CURRENCY = SOLVING THE RIGHT PROBLEM

Social Currency is a powerful way to achieve the level of understanding of customers required *allowing business transformation efforts to lead to a competitive advantage.*

Social Currency describes how consumers manage their social lives in today's digital and mobile age and how brands or businesses can help consumers make decisions and live their lives more efficiently and effectively.

Adopting a Social Currency strategy ensures all initiatives focus on the right problem – **helping customers make decisions** and helping customers manage their lives more effectively and efficiently.



*“Motivation, passion, and focus
have to come from the top.”*

Kevin Plank / Founder of Under Armour, Inc./



Under Armour is a rapidly growing sports apparel firm, which has adopted the dynamics of the fashion industry, with constant changing styles and trends. Broader product offerings, new consumer segments, new categories, new markets and additional distribution create a virtuous cycle of growth and momentum.

Under Armour's strong Social Currency helps the brand disrupt the sports apparel sector, build a successful business, and compete against Nike and Adidas, some of the best marketers in the world. With \$4 billion in revenue, Under Armour is smaller than Nike (\$31 billion) and Adidas (over \$16 billion), but has achieved unrivaled growth in terms of its \$16 billion market cap.

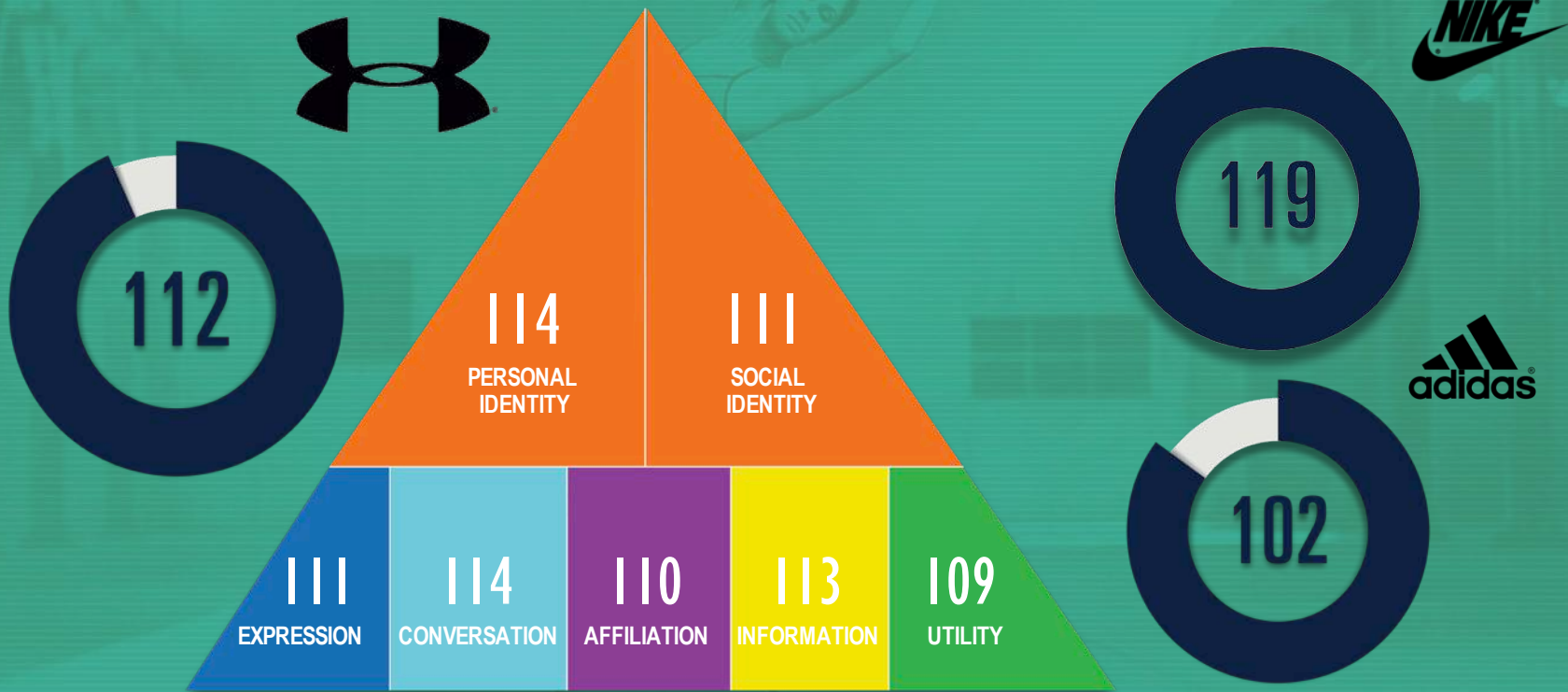
Under Armour's success can be traced to how the company runs its business and operations, how it competes on a few fundamentals that keep it close to a rapidly changing customer, and how it leverages its Social Currency (see page 18 for its astonishing results in our study).

*Brand positioning that supports consumers' **Personal** and **Social Identity***

Like Nike's "Just Do It" tagline, Under Armour's "I Will" messaging, is empowering, inspiring and inclusive. Under Armour's messaging also celebrates the underdog with the competitive spirit embodied in its "I will what I want" campaign, featuring Misty Copeland, the first black woman to be promoted to principal dancer in the American Ballet Theatre's 75-year history. The campaign produced \$35 million in earned media and was particularly effective with women with a reported 28% increase in women's sales. This success is supported by our research, while overall men's Social and Personal Identity scores are higher across all sports apparel brands, Under Armour's Social Identity scores among women (44.5) coming closer to those of men (48.1) than any of the others we tested in the category (Reebok, Adidas, Nike).

*A fitness focused social platform that checks the boxes on **Utility**, **Expression**, **Affiliation**, and **Information***

The true star of Under Armour's digital success is UA Record—"the world's first social network for athletes and fitness enthusiasts." UA Record is a customer-centric platform with tools that support its users' fitness goals, while providing a platform that connects users and facilitates the sharing of information. UA Record embodies the customer-centric brand promise that drives engagement, loyalty, and purpose



Under Armour punches above its weight when Social Currency scores are compared to company revenues, which is remarkable considering that Under Armour has one fourth the revenue of Adidas and one seventh the revenue of Nike.

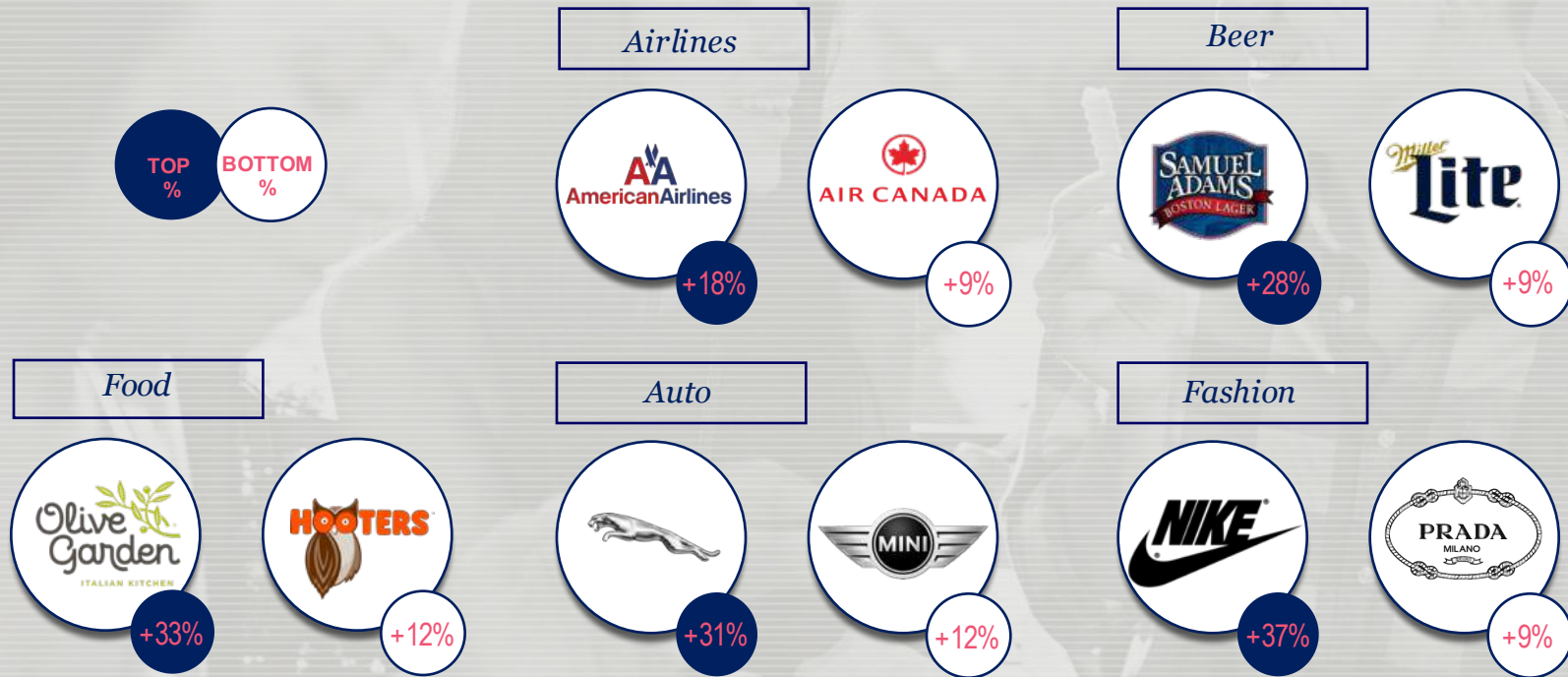
Top 10 Brands



The brands that emerged as having the highest Social Currency scores in our study represent a diverse set that cuts across categories.

Likelihood to Choose

Our study shows that a higher Social Currency increases consumers' likelihood to choose a brand by +27% on average. Southwest topped the charts at +52%. The higher a brand's Social Currency score, the more likely it will be chosen at the time of purchase.



Our study shows that a high Social Currency score corresponds on average to a +19% greater willingness to pay a price premium. It is interesting to note the variation in price realization, category by category.

Airlines



Vs



Automobiles



Vs



Beer



Vs



When we looked at brands' Social Currency among its current/lapsed customers, niche or more targeted brands' scores rose to the top.



In the categories we studied, men contributed more to brands' Social Currency than women did with the exception of airlines and fashion. One hypothesis is that the brands included in this report were mass brands that men may identify more with than women, especially in categories such as fashion. The biggest gender gap in Personal Identity and Social Identity lies in the beer industry.

Top 5 Automotive: Millennials

114



112



109



107



106

Top 5 Automotive: Boomers

112



112



108



108



107

Brands' Social Currency varies across generations. For example, the set of top automotive brands that engage **Millennials** come from more foreign brands whereas **Boomers** connect more with American brands.

*“The only source of knowledge
is experience.”*

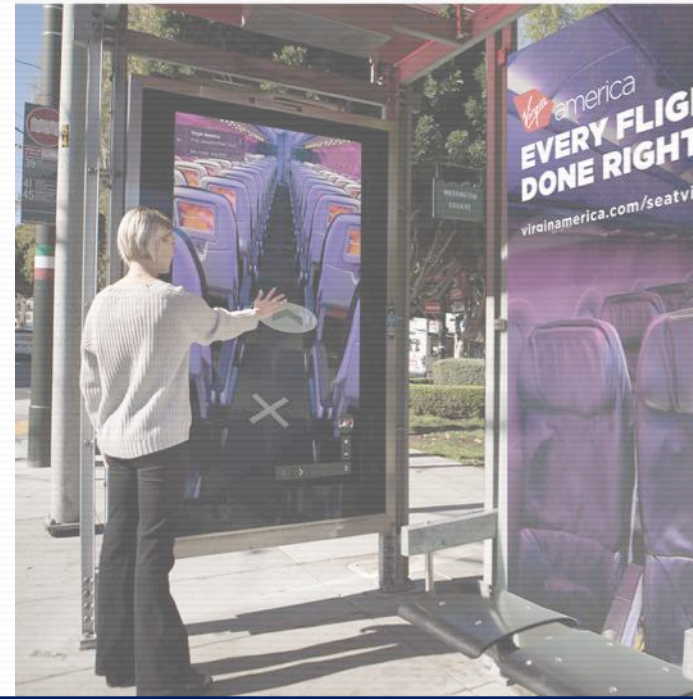
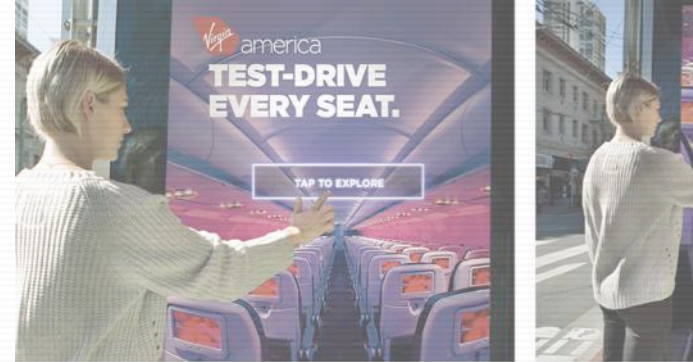
Albert Einstein /Theoretical Physicist/



- In November of 2015, Virgin America launched the “Seat View” campaign where travelers could take a tour of their Airbus A320 before entering the aircraft in person
- In an industry where there is a low willingness to pay a price premium for a product (only 14%), this offered a moving pre-flight experience
- We believe that the engagement around the campaign allowed for an increase in the Social Currency dimension of *Utility*

RESULTS:

- **15%** lift in unique visitors to the Virgin website y.o.y
- **10 million** in earned impressions
- **600,000** interactions with Google Street View
- By April 2016 the airline’s traffic increased **11.7%** (13.5% higher than April 2015)





- Wendy's reintroduced their pretzel bacon cheeseburger in 2013 and turned to Twitter for inspiration
- Their customers were tweeting how much they loved the pretzel bacon cheeseburger so Wendy's created a campaign where performers took actual customers tweets and sang them in the form of a love ballad
- The comedic value of the content made it extremely shareable while also shining the spotlight on some of their customers, thereby increasing Social Currency on the *Social Identity, Conversation* and *Affiliation* dimensions

RESULTS:

- The most engaging and talked about campaign in Wendy's 44-year history
- **1.7** billion earned media impressions
- **7.5** million Facebook views
- **31%** increase in Wendy's stock price during the tenure of the campaign



il

 #PretzelLoveSongs

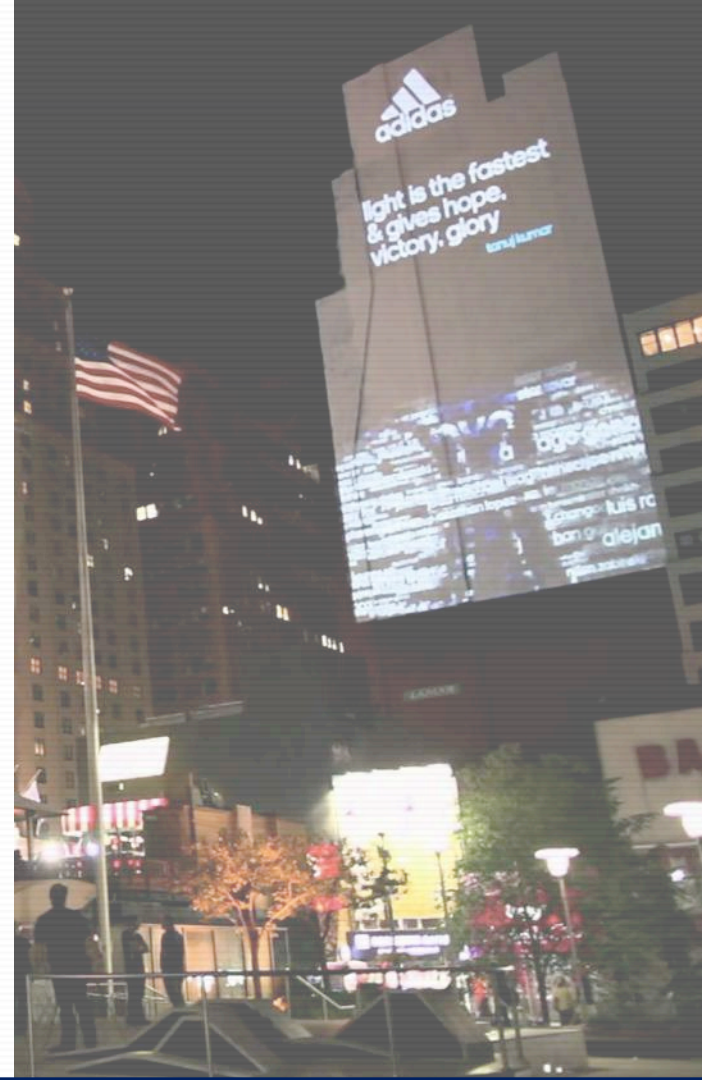
ard all day, needed something in my



- To launch their new Adizero F50 soccer cleat, Adidas wanted to light up Boston and New York City with an event that would bring fans together
- A digital campaign alerted fans to the place and time at which a promotional light show took place, and once they were on location, integrated fan content such as their names and comments from Facebook in the light show
- In fashion, the *Affiliation* dimension scores the lowest, so this was a great way to help people form new social connections via Adidas

RESULTS:

- Reached **7.3** million users
- Drove **45,856** clicks
- **15,000** shares
- Adidas shares rose **2.2%** the day after the release of the Adizero

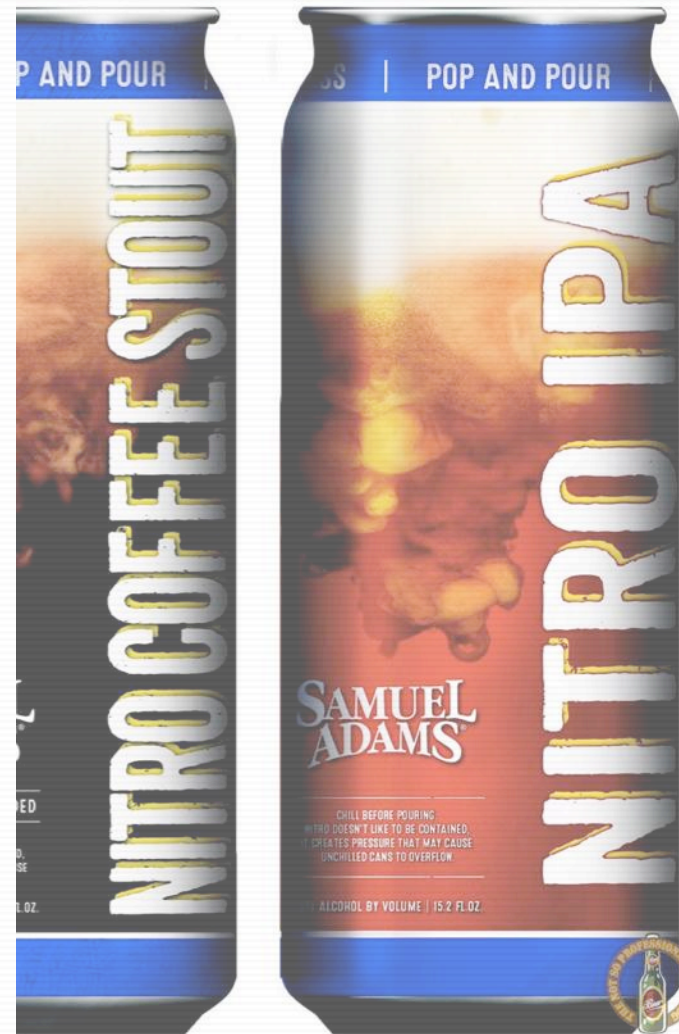




- In January of 2016, Sam Adams launched its Nitro Beer which changed the course of beer consumption
- This new line of beers was developed to encourage exploration of the brewer's art, in line with Sam Adam's mission of innovation and education
- Nitro Beer increased the brand's Social Currency by boosting its *Personal Identity* dimension. Drinking this beer says that you are innovative and thoughtful about the intricacies of your beer

RESULTS:

- One of only two nitro beer cans on the market. The other is Guinness.
- Fills the 'white space' of innovation in craft brewing, allowing Sam Adams to stand out among the 4,200 craft brewers in the U.S. today



“Social Currency is about the new behaviors of customers in today’s social, digital and mobile world.

Understanding these behaviors will help increase the success of any business transformation effort.”

Erich Joachimsthaler, Ph.D /CEO and Founder, Vivaldi/

Digital transformation & customer-centricity
are about consumers, not about the brand.



ASSESS



EVALUATE



DEVELOP



EXECUTE



ASSESS CURRENT SOCIAL CURRENCY:

1. Audit performance on all dimensions
2. Understand linkage to current marketing activities
3. Define how customers use your brand to achieve their goals



EVALUATE AGAINST COMPETITION:

1. Map the landscape of behaviors that consumers engage in
2. Research performance vs. industry
3. Identify best in class players and derive learnings

Winning in today's demand landscape requires understanding consumers' activities and behaviors in order to anticipate their journey. By anticipating their journey brands can influence consumers' purchase criteria, innovate to solve their problems and build an advantage by accumulating customer data and harnessing network effect.



DEVELOP YOUR AGENDA FOR CHANGE:

1. Map the consumer journey
2. Define the business in terms of consumer outcomes or goals
3. Define the brand strategy objectives
4. Identify the dimensions of social currency that drive these objectives



EXECUTE CUSTOMER-CENTRICITY:

1. Work across functions in the organization to enable the customer's social and digital life and extend value creation beyond the usual marketing playbook
2. Adopt a customer-first lens to manage the organization and create a culture that is focused on building value for customers
3. Develop branding and marketing programs that help consumers in their journey

Marketers and business leaders must shift their focus from making bold branding promises to build value into every experience that customers have with the brand.

April 2016

Self-funded, joint effort between CMB and Vivaldi, with a huge assist from Lucid Research.

18,000

Consumers 18 years and up*, with sample weighted to reflect US Census age and gender distributions.

20 min

Online questionnaire, with consumers evaluating brands they were familiar with from the Airlines, Automotive, Beer, Fashion, or Restaurant Industries.

* 21 years and up in the beer industry.

Airlines



Automotive



Beer



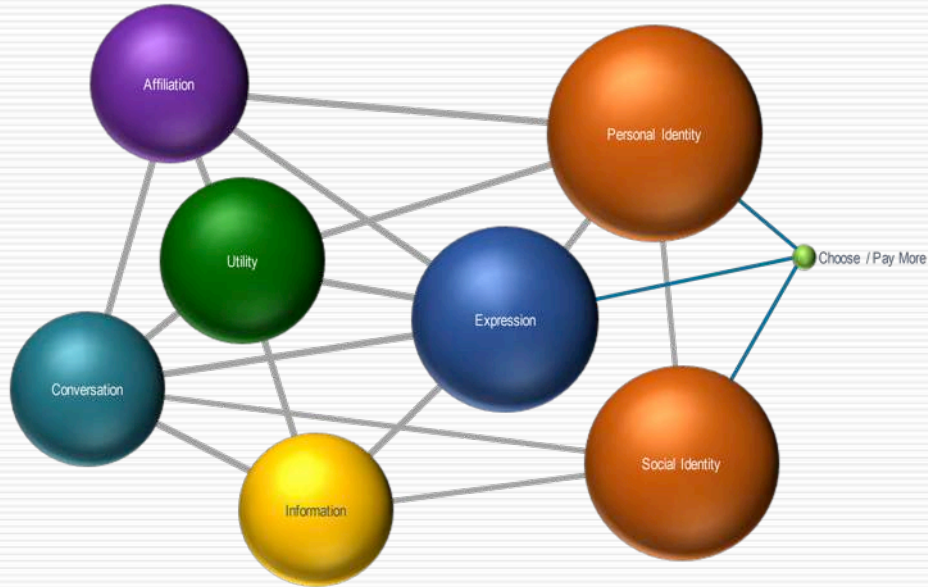
Fashion



Food



Visit our [Interactive Dashboard](#) for a sneak peek of results by industry.



We used Bayesian Networks to help understand the often-complex relationships between the Social Currency dimensions and key brand perception outcomes. Bayesian Networks utilize mutual information across all variables in a network and are the best tool we have to help understand causality.

Generally, we saw that:

- The Personal Identity and Social Identity dimensions always had a direct relationship to all of the various outcomes we modeled.
- Other dimensions usually had an indirect relationship to the outcomes, mediated through Personal and/or Social Identity.

The final Social Currency factor compositions and the scores themselves are the product of 6 weeks of rigorous analysis and multiple iterations of modeling.

For example, the regression model results below show Social Currency's strong ability to predict higher level consumer perceptions which are known to correlate with business financial success. The R² statistics quantifies the total amount of variance in the dependent variable that is explained by the independent variables in the model.

SHAPLEY IMPORTANCE FOR MEAN OF CHOOSE OVER OTHERS/PAY MORE COMBINED DV

Shapley Importance (%)	Airlines	Automotive	Beer	Fashion	Food	Total
SC Personal Identity Factor	17.4%	20.3%	21.0%	21.2%	24.6%	21.1%
SC Social Identity Factor	18.9%	17.9%	18.6%	18.5%	18.4%	18.8%
SC Utility Factor	12.6%	11.8%	12.2%	12.4%	10.9%	11.9%
SC Affiliation Factor	11.1%	10.6%	11.7%	10.2%	9.6%	10.6%
SC Expression Factor	13.2%	14.1%	13.8%	12.9%	15.4%	13.9%
SC Conversation Factor	13.9%	12.7%	11.3%	12.6%	10.8%	12.1%
SC Information Factor	12.8%	12.6%	11.4%	12.2%	10.2%	11.6%
r-Square	0.576	0.608	0.653	0.613	0.585	0.607

AUTOMOTIVE	STANDARDIZED COEFFICIENTS
SC PERSONAL IDENTITY FACTOR	0.336
<i>Brand is worth paying more for</i>	0.238
SC SOCIAL IDENTITY FACTOR	0.152
SC EXPRESSION FACTOR	0.145
<i>Brand is a good deal in terms of cost/price</i>	0.115
SC UTILITY FACTOR	-0.102
<i>Brand is socially responsible</i>	-0.074
<i>Brand is exciting</i>	0.070
<i>Brand rewards its customers for their loyalty</i>	-0.058
<i>Brand is useful</i>	0.052
<i>Brand is easy, convenient (e.g., easy to use)</i>	0.041
<i>Brand offers a wide selection :</i>	0.037
<i>Brand is arrogant</i>	-0.037
MODEL R ²	0.680

Many models also included traditional/functional brand drivers like perceptions of price, selection, and convenience.

Generally, we saw that including these measures improve the model, but only incrementally; e.g., in the Automotive category shown, model R² improves from .61 to .68.

Our conclusion: while traditional brand drivers are important and do improve help our models, the Social Currency dimensions are excellent predictors on their own, and a new lens through which brands can find high-impact improvement opportunities.

This report benefited from the experiences and insights of all the partners and staff at Vivaldi and CMB. We are lucky to be a part of a community of over 200 extremely talented and smart consultants, strategists, designers, digital and social media experts, and data scientists. So many have helped along the way, from conceptualizing our company's thinking about brands, business, and social media and digital strategy, to executing the research and surveys, to designing and producing the final report.

In particular we'd like to thank Markus Zinnbauer, Inga Folta, Stefan Schneider, Jessi Mardakhaev, Jenifer Ekstein, Sara Bhouri, Lucas Austin, Jay Weiner, James Kelley, Ed Loessi, and Megan McManaman. They helped uncover the insights that shape social currency, and contributed countless hours to research, analysis, and content creation.



Erich Joachimsthaler, Ph.D.
/Founder & CEO, Vivaldi/



Agathe Blanchon-Ehrsam
/CMO, Vivaldi/



Erica Carranza, Ph.D.
/VP, Consumer Psychology, CMB/



Brant Cruz
/VP, Digital Media & Entertainment
Practice Leader, CMB/

ej@vivaldigroup.com
[@vivaldipartners](https://twitter.com/vivaldipartners) 

agathe@vivaldigroup.com
[@vivaldipartners](https://twitter.com/vivaldipartners) 

ecarranza@cmbinfo.com
[@cmbinfo](https://twitter.com/cmbinfo) 

bcruz@cmbinfo.com
[@cmbinfo](https://twitter.com/cmbinfo) 

Vivaldi unlocks innovation and growth opportunities for brands and businesses in the context of today's digitally connected world.

We are known for:

- Identifying growth opportunities
- Building strong brands
- Creating bold innovation
- Leading internal transformation
- Designing powerful brand experiences

Vivaldi's strategic guidance helps brand and business leaders create breakthrough yet actionable strategies.

*New York | Chicago | Toronto | Buenos Aires | London | Zurich | Munich | Hamburg |
Dusseldorf | Singapore | Cape Town*

The image features a large, light-colored triangle on the right side, containing the word "VIVALDI_" in a bold, sans-serif font. The background of the entire page is a blue-tinted photograph of a city skyline, with the Freedom Tower being the most prominent building. The triangle is positioned such that it overlaps the top and right portions of the skyline image.

VIVALDI_

CMB partners with a select group of world leading brands to deliver critical insights for confident, strategic decision-making.

We are known for our:

- Business decision focus
- Advanced analytical techniques & methods
- Collaborative, expert & tenured staff
- Rock-solid execution
- Storytelling

CMB's custom primary research ensures executives get the answers they need to grow, innovate, and stay ahead of the competition.



2016
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VIVALDI

13 Crosby Street | New York, NY 10013
t +1 212 965 0900 | f +1 212 965 0992
ej@vivaldigroup.com
vivaldigroup.com

@vivaldipartners 



179 South Street | Boston, MA 02111
t 617-350-8922 | f 617-451-5272
bcruz@cmbinfo.com
chadwickmartinbailey.com

@cmbinfo 

Thank You!