

From social gaming to social everything

By **Matthew Le Merle**

By now every CEO has read about the 850m (and rising) active monthly users of Facebook and the attractiveness of other social networks including Google+, Twitter and LinkedIn.

As much as 50 percent of Facebook's revenue is driven by social games such as Cityville, Draw Something and Happy Aquarium (Facebook discloses that 12 per cent of its 2011 revenue came from Zynga alone).

These incredible revenue numbers are making social games companies extremely valuable. Last year's IPO of five-year-old San Francisco-based Zynga left it with a market capitalisation of more than \$7.5bn, and this year's IPO of London-based competitor Zattikka demonstrates continued investor interest in this phenomenon.

Every chief executive watching this meteoric rise wants to know how these social gaming leaders have created so much shareholder value so quickly and whether they can do the same by digitizing and socializing their own offerings.

The formula these social games companies are following is not complex - though building the capability to execute successfully is another matter entirely. In fact, it is the same formula that was prototyped by physical catalog companies, applied with technology by credit card companies, and then scaled up by Internet commerce leaders as "always on" became a reality.

The difference now is that it is driven by real-time analytics engines with incredible computing power across massive end-user populations, which drive millions or billions of

unique offerings to customers in a constant game of "we'll iterate until we discover what you want to buy."

All of these social gaming companies follow the same gospel:

1. Put in place digital and social infrastructure and analytic platforms that collect, store and analyse data and then present insights on how users visit, explore, enjoy and monetise your products and offerings. Then give the end-users tools to spread the word to their friends to create self-perpetuating, organic growth.

2. Establish an approach to modify in realtime the attributes of the product and/or the broader offering that the end-user experiences. Use the real-time analytics engine to do this on the fly, allowing millions or billions of alternative offers to be presented to the customer.

3. Build a capable team that constantly asks the right questions of the platform and tweaks the data that is collected and the analysis that is conducted. Empower that team to also make real-time adjustments to offers so they will help drive conversion, basket size and customer stickiness (lifetime value).

4. Make community management a religion. It is not about selling in a transactional fashion - it is about capturing the greatest possible customer lifetime value from each user. And that means the user's every move needs to be captured and assessed, especially as other companies bring new social games to market. Imitation is still the highest form of flattery,

but now it needs to be executed in real time.

This all makes perfect sense in social gaming, but what if you make widgets? What can CEOs of established, physical product companies learn from the social gaming sector? Most of them don't make virtual products, don't run purely Internet businesses and don't have the luxury of operating without any face-to-face customer interactions. Add the fact that most are encumbered by large and complex legacy business systems - and legacy teams - and it can be quite difficult to know where to start learning from this sector.

Here are the first three things the CEO of a traditional company must understand about the digital/social revolution:

First; realise that having a social network presence does not make you a social leader in your industry. At the beginning of the internet revolution, some CEOs were convinced that having a website made them an online leader.

The same thing is happening today, when CEOs think having a Facebook page and a Google+ page checks the social box. Nothing is further from the truth. Set the bar high. Design a strategy based on real-time analytics, personalising your offers to as many customers as possible and building a community of brand champions. That is the start of a truly social strategy - not a Facebook page.

Second; do not accept the argument that a physical product does not allow for a real-time iterative social dynamic. Instead, unbundle that argument. Ask yourself what pieces of today's business can be migrated now to

the social gaming model. Marketing is already going social. How about service too? Can we turn end-users into designers, or problem solvers, or expert customer service reps? And so on.

Third; what of the product itself? Yes, it takes longer to digitally enable a physical product and make it speak to a connected analytical engine so that it is possible to see how the end-user is actually using the product. But even that step is now upon us.

Software that feeds information back to your company, sensors that sit alongside even the most physical of products and that communicate in batch mode or in real time, are now appearing in trains, planes and automobiles - and in crates of cabbages too.

How to get started? First, don't accept no for an answer and don't let the discussion begin with naysaying. Start with the premise that a real-time conversation with your customers is possible, as is real-time analytics - no matter what you are selling. And don't benchmark against your own industry - benchmark how you are doing versus the best in the world, like the social gaming companies.

Yes, it is much harder to digitise and socialise when you have a legacy physical product business - but there is no question, those who quickly build their capabilities will capture the most shareholder value from the social revolution.

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