

URL: <http://www.ihk-startup.de/>
Pfad: IHK-Startup - Gründerportal der IHK Hannover > WSJ
Druckdatum: 08.09.2010

Services Combine Social Media, Marketing By Sarah E. Needleman



Some small businesses are experimenting with new Web-marketing services that integrate social media. While entrepreneurs say they've seen some positive results, some of the services carry hefty fees and their long-term value remains unclear.

Start-ups like Groupon Inc., LivingSocial, BuyWithMe Inc. and IMshopping Inc.'s NimbleBuy let merchants offer one-day promotions, sometimes requiring a minimum number of customers to participate in order for the promotion to be valid.

Balani Custom Clothiers Inc., a Chicago men's suit and shirt tailor, offered a promotion through Groupon where, for one day in October, consumers could spend \$95 on a gift certificate from the tailor shop valued at \$225 that's redeemable for up to one year. But at least 50 cards needed to be purchased for any to become valid.

"Since a certain number of consumers must buy in to activate the deal, consumers are motivated to spread the word about it," says Andrew Mason, founder and chief executive of Groupon, which features mainly small businesses in about 40 U.S. cities.

Balani Custom says it met its quota—a number the company decided on with help from Groupon—in less than an hour of the deal going live. It sold 850 gift certificates that day—the maximum the four-employee shop determined it could handle.

"We were all over Twitter and Facebook that day," says owner Sonny Balani, adding that normally the tailor shop, which posted \$1 million in revenue in 2009, sells just 100 gift certificates a year.

Still, Balani paid a hefty price for the exposure—50% of the earnings generated from the promotion went to Groupon—which means the tailor received just \$47.50 per gift certificate sold.

Mr. Balani says 88% of the cards were purchased by first-time customers, but since some bought more than one, the promotion actually netted just over 460 newcomers. He's hoping the investment will pay off with repeat business. "It's going to depend on how many of these customers return," he says.

Since launching in November 2008, Groupon has featured more than 3,000 mostly small establishments, says Mr. Mason, adding that there's a waiting list of companies to participate in the service. He says he looks to showcase a variety of business types and may give preferential treatment to ones in categories that have yet to be highlighted in a

particular location. He declined to say how many companies are on the waiting list.

Another start-up that integrates social media with marketing is FourSquare Labs Inc., which lets participating merchants reward consumers who use the service to promote their establishment.

Users visit the FourSquare Web site to download a free mobile-phone application for a participating merchant. When customers visit the participating establishment, such as a restaurant, they can "check-in" via the mobile application, letting their friends know where they are and racking up possible points with the merchant. The application uses global-positioning technology so that consumers need to be at a business to get credit for checking in?though technically they could just be close by. It also offers consumers the option to notify members of their Twitter and Facebook networks whenever they check in to an establishment.

"It's a mini sales pitch from the users to their friends," says co-founder Dennis Crowley.

FourSquare is free for both businesses and consumers. To generate revenue, FourSquare is working to develop partnerships with various consumer brands and media outlets for a fee.

AJ Bombers, a burger joint in Milwaukee, joined up with FourSquare last summer by promising a free burger and fries to anyone who dethroned its "mayor"?a title FourSquare bestows upon the person who "checks in" to an establishment the most via the free mobile application.

The restaurant also ran a promotion where customers could get a free cookie by posting a recommendation to their FourSquare profiles of a menu item or something to do while they're at the eatery, such as play a board game.

AJ co-owner Joe Sorge says sales of menu items promoted on FourSquare have risen roughly 30% since the restaurant began using the service.

Mr. Sorge and his wife, Angie, also co-own three other businesses that make up Strategic Venues & Concepts Ltd., which posted combined revenues of around \$5 million last year, he says.

FourSquare can be used by businesses of all sizes in any location, though Mr. Crowley says it's so far attracted mostly small U.S. establishments where consumers hang out, such as coffee shops and clubs. Since launching in March, about 750 merchants have offered deals through the service, he adds.

Business owners interested in using services that integrate marketing and social media should keep in mind they'll need to design attractive deals and prepare for a potential surge in business. Some of the services don't make sense for all business types and are only available to merchants in select cities.

Since December, venture capitalists have invested more than \$90 million in start-ups that mix marketing and social media, estimates Paul Marsden, a consumer psychologist in Miami

Entrepreneurs who tap into the trend may boost their exposure and be perceived as cutting edge, says Andrew T. Stephen, assistant professor of marketing at INSEAD, a business school in Singapore and Fontainebleau, France. "It's sort of a signal that you're up with things," he says.

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