2 Stunning Finds From a Recent Social Networking Study on Brand Loyalty

Everyone knows Facebook is the king of all social networks, but it's what's going on behind Facebook that's really surprising!

Sean Williams (TMFUltraLong)
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SOURCE: PIXABAY.

Whether you realize it or not, social media use is completely transforming our personal and business interactions on a daily basis.

In 2014 an Edison Research study showed that the number of Americans who have a social media profile on a social networking site (such as **Facebook** (NASDAQ:FB) or **Twitter** (NYSE:TWTR)) had jumped from 24% in 2008 to 67% as of 2014.

But these social media networks aren't just set-it-and-forget-it tools. In 2008 just 5% of Americans checked their social network "several times per day" by their own admission. By 2014 this had risen to 28%, or 75 million people checking their social networking accounts multiple times per day. For the businesses behind these social networks, this represents a golden opportunity to strengthen customer loyalty and utilize those impressions to make potentially enormous profits.

Of course, with the Internet being a wide-open playing field, there are an almost overwhelming number of social media platforms to choose from. There is no simple formula to decipher which social networks are the best at generating brand loyalty and which aren't. So for that we'll turn to research firm Brand Keys and its recently released 2015 Customer Loyalty Engagement Index.

SOURCE: FLICKR USER JASON HOWIE.

Why brand loyalty matters

Brand Keys interviewed more than 36,000 people across the U.S. and Canada to determine how they viewed specific brands, how those brands engaged them, and ultimately how those respondents compared brands within an industry to one another. What's left is Brand Keys' CLEI rankings. For the social networking category, Brand Keys ranked 13 social networking sites.

"Why's brand loyalty even important for social networking sites?" you wonder? It mostly comes down to the idea that the more loyal a consumer is to a social media site, the more liable that consumer is to interact with apps offered and to tell their friends and family about the site. These social networks rely on as much interaction as possible so they can use your preferences to help target advertisements that you might act on. The more targeted the ads (i.e., the more interactive you are and the more info the social site can collect) the higher the premium that can be charged by the network to businesses looking to advertise.

Let's briefly have a look at the one non-surprise of Brand Keys' rankings, and then examine what I believe to be two stunning finds from Brand Keys' social network rankings.

Facebook is king -- not a surprise

SOURCE: FLICKR USER MARIA ELENA.

What shouldn't come as a huge surprise to anyone is that the brand loyalty leader and the runner-up were Facebook and Twitter, respectively. These are the behemoths of the social networking space, and anything less than a first- or second-place ranking would have been truly shocking.

For instance, a Pew Research study conducted in 2013 noted that 64% of U.S. adults surveyed used Facebook, and 30% of all people surveyed used Facebook as a source of news. For Twitter these figures were a bit smaller, with 16% of respondents using the site and 8% claiming to get news from Twitter, but Pew's study was conducted in 2013, and both networks have grown substantially since then.

As of the end of 2014, Facebook had 1.19 billion mobile monthly active users, a 26% year-over-year increase, 1.39 billion monthly active users overall, and 890 million daily active users, an 18% year-over-year increase. Not surprisingly, if you exclude for negative currency translation, Facebook's revenue grew 58% from the prior year. Long story short, it's still the same unstoppable social media force it's been for years.

SOURCE: FLICKR USER KEIYAC.

Despite still losing money on a GAAP basis, Twitter, too, is piling on the users. In the fourth quarter, Twitter's monthly active user base was 288 million, a 20% increase from the prior year period. Advertising revenue per thousand timeline views also rose 60%, proving the value of its growing platform.

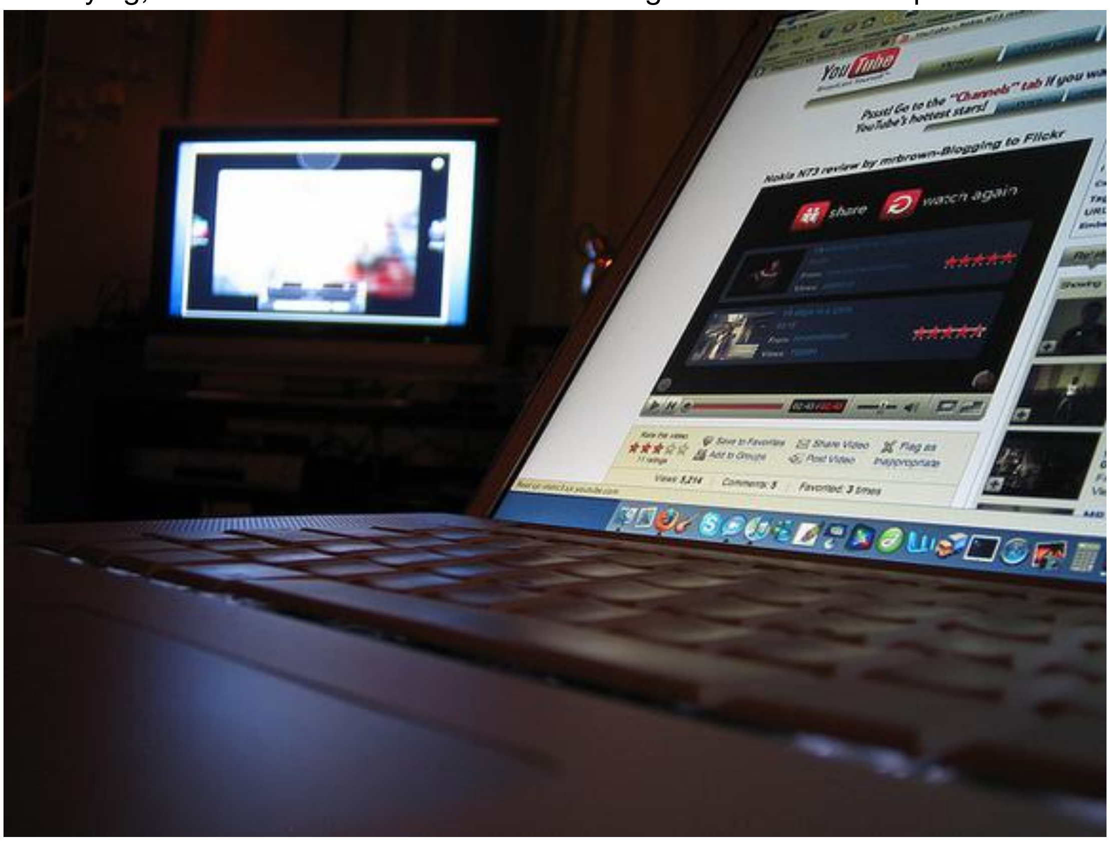
In addition, Twitter has removed the need to follow people before you can begin to see tweets, a move that should keep Twitter novices from jumping ship. Other strategies in the works include a better private messaging function and more targeted notifications.

Two big shocks

But hidden within Brand Keys' rankings were what I believed to be two major surprises.

First, **Google** (NASDAQ:GOOG)(NASDAQ:GOOGL)-owned YouTube came in third despite a proliferation of advertisements during its videos that haven't exactly been well-received by consumers.

In Oct. 2012 **Adobe** put out a survey that showed that out of 17 attention-grabbing categories -- such as your dentist, your parents, or TV commercials -- online ads ranked second-to-last, gaining the attention of just 7% of consumers. Only ads in apps or games finished with a lower score. A majority (68%) of consumers described online advertising as "annoying," while about half called it "distracting" and "all over the place."



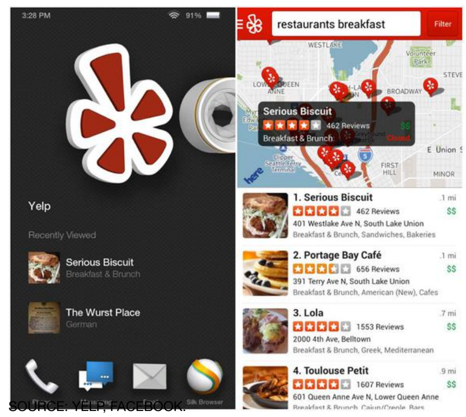
SOURCE: FLICKR USER THOMAS VAN DE WEERD.

So how in the world is YouTube still drawing in consumers if its ads are so irritating? Put plainly, there isn't a social networking site with as many user video choices as YouTube. In that aforementioned Pew Research study from 2013, YouTube was the second-most-visited site by Americans, and 10% stated they get their daily news from YouTube.

One possible solution to mend the angst toward ads and hopefully move YouTube toward profitability is the debut of an ad-free, subscription-based model. Unveiled earlier this month and expected to debut by June, this new model would allow consumers, for a fee, to avoid all advertisements on YouTube. This could be one step to moving YouTube toward profitability; I just worry about the ramifications of drawing an advertising "line in the sand" and what that might do to the site's consumer base. This is certainly something for investors and Google shareholders to monitor.

Secondly, social review site **Yelp** (NYSE:YELP) came in dead last among the 13 social networking sites ranked by Brand Keys.

There's certainly still growth in Yelp, as evidenced by its 2014 year-end report, where monthly active users grew 14% year-over-year to 72 million. However, this was down from the monthly active user growth of 39% reported in full-year 2013, demonstrating that Yelp's growth is slowing.



SOURCE: YELP, FACEBOOK.

During its conference call, Yelp CEO Jeremy Stoppelman described what he believes to be the source of Yelp's declining growth: "peak desktop users." In other words, Yelp needs to focus on building out its mobile app and improving engagement. To me, it almost implies that Yelp may have been behind the curve on mobile from the get-go. If you recall, at this time last year Yelp was dealing with a decline in consumer follow-through when it came to clicks to call businesses from the Yelp app.

The big concern, as I see it, is the barrier to entry for social review sites is incredibly low, even if Yelp is the most respected name in the business. When consumers are looking for a restaurant, they may be just as likely to use the most prominent search engine, Google. The concern here is that Google's search engine can integrate seamlessly with Google Maps and Google Plus, leaving little need for an app like Yelp.

Yelp's management seems to think beefing up its mobile interface will do the trick, but call this investor not so convinced. Based on Brand Keys' rankings, passing on Yelp's stock may prove to be a five-star idea.

Sean Williams has no material interest in any companies mentioned in this article. You can follow him on CAPS under the screen name TMFUltraLong, track every pick he makes under the screen name TrackUltraLong, and check him out on Twitter, where he goes by the handle @TMFUltraLong.

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Technology and Telecom

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Yelp
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