User-Generated Content's Impact On Brand Building

FORRESTER®

Table Of Contents

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

FORRESTER®

Executive Summary

Today's perpetually connected consumers have taken control of the marketers' message. They decide where, when, and how they want to engage with brands. They widely share their experiences — good, bad, and in-between — on the products they use and the brands they love. These communications are highly influential because they are more trusted than typical brand messaging. But many marketers have yet to realize the brand building power of this immature but influential marketing discipline. To fulfill user-generated content's brand building potential, marketing leaders must solicit authentic, value-added content from their customers and measure results to build maturity.

In May 2014, Bazaarvoice commissioned Forrester Consulting to understand how marketing decision-makers are leveraging user-generated content (UGC) like Q&A, rich media, photos and videos, and ratings and reviews to increase brand resonance. Forrester conducted in-depth interviews with 14 marketing leadership professionals in the US and Europe. These interviewees shared their strategies, successes, and hurdles for generating, capturing, and measuring user-generated content as part of their brand building efforts.

KEY FINDINGS

Forrester's study yielded three key findings:

› **User-generated content is primarily used as a new product launch tool.** Most consumer marketers who use UGC are focused on securing ratings and reviews to influence the discovery, explore, and buy phases of the customer life cycle. For these marketers, UGC has become a critical tool in the new product launch toolbox.

› **User-generated content offers brand building potential.** User-generated content offers a rich new storytelling opportunity for marketers to tell their brand story and build a trusted relationship with customers. Consumers trust content from their peers more than they do any other form of marketing communication. Harnessing UGC's storytelling power can help build brand trust and ultimately brand resonance.

› **User-generated content requires a disciplined approach to deliver brand building benefits**. To realize UGC's brand building potential, marketers must solicit authentic content that is generated from consumers' genuine love of the brand. And to secure management attention and investment, marketers must institute in every UGC program a measurement discipline that goes beyond counting "likes."

FORRESTER®

User-Generated Content Is A Rising But Immature Marketing Discipline

Consumers' path to purchase has become increasingly complex with the explosion of touchpoints and the increasing ubiquity of connected devices like smartphones and tablets. Consumers now connect with brands across a multitude of touchpoints throughout the customer life cycle (CLC) from discovery through purchase and engagement.[1] In this new era we see that:

› **Consumers research more and more products online and on the go.** Consumers don't just research big-ticket items like cars or computers, they research everyday purchases like toothpaste and cereal. Sixty-four percent of US online consumers conducted online research before making a purchase in the past three months, and 54% have done so on a mobile phone.[2]

› **Marketers view user-generated content as a critical tool during the early stages of the customer life cycle.** Marketers we spoke to overwhelmingly believe that user-generated content is a key influencer during the discovery or explore phase of the customer life cycle. For example, automakers we spoke to use UGC to break through and attract new customers to the brand.

> "It probably impacts discovery/awareness and purchase/trial. We can use UGC to get the message in front of people who didn't pay attention to us before. They can look at UGC and it will elicit trial."
> – *Marketing communications manager, automotive company*

› **Marketers employ UGC as a key component of new product launches.** For leading consumer packaged goods (CPG) marketers, user-generated content has become a key tactic for new product launches — the lifeblood of CPG brands.

> "UGC is very important when you launch a new product. . . . That's why we give consumers the product before the launch and get ratings and reviews from them."
> – *Brand manager, CPG company*

> "I think it's [most important] before trying out a new product — the discovery phase . . . this is one of the key moments because we usually sell products that are more expensive than the rest of the market, so if you search for something new, you look for [reviews] from other peers who liked it."
> – *Brand manager, CPG company*

> "When we launch a new product, it's important to solicit user feedback on the vehicle. It's more important to have the customer feedback instead of us pushing it."
> – *Brand manager, automotive company*

RATINGS AND REVIEWS ARE A HIGHLY INFLUENTIAL FORM OF USER-GENERATED CONTENT

User-generated content ranges from videos to photos to product commentary. But it is ratings and reviews — now a mainstay of e-retailers — that are seen as the most influential representation of the customers' voice. Forrester's data research shows that:

› **Consumers rely on ratings and reviews when making purchase decisions.** Consumers have embraced ratings and reviews as a key factor in their decision-making process. In fact, 71% of US consumers say that customer ratings and reviews are important (see Figure 1), and 76% are more likely to purchase a product if they see a lot of positive reviews (see Figure 2). In personal care, 41% of US shoppers who used an online source for information in their research process relied on an online product review for a recent purchase.[3]

FIGURE 1

Consumer Ratings And Reviews Influence Purchase As Much As Professional Reviews

"Please rate the following statements on a scale of 1 (least influential) to 10 (most influential)."
(Only top three boxes shown)
Influential (8, 9, 10)

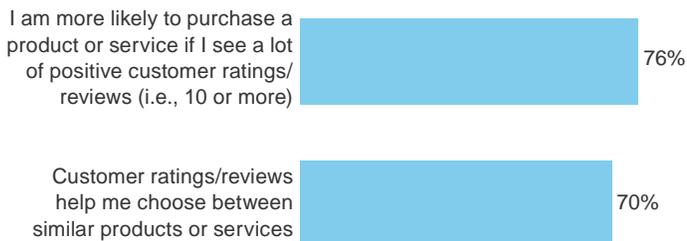|	
In general, how influential are customer reviews/ratings in your decision to purchase a product or service?	71%
In general, how influential are expert/professional reviews/ratings in your decision to purchase a product or service?	68%
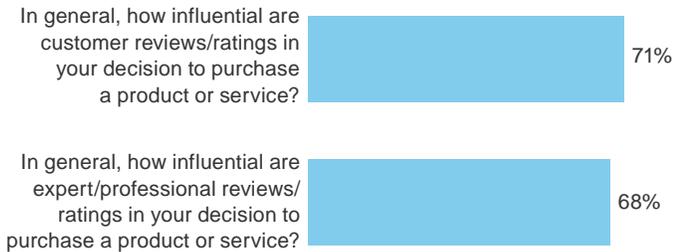
Base: 4,532 US online adults 18+

Source: North American Technographics Customer Life Cycle Survey, Q4 2013, Forrester Research, Inc.

FIGURE 2

Consumers Base Purchase Decisions On Ratings And Reviews

"How much do you agree or disagree with the following statements regarding reviews and ratings for products and services that you are considering purchasing?"
(Only top three boxes shown)
Agree (8, 9, 10)

I am more likely to purchase a product or service if I see a lot of positive customer ratings/reviews (i.e., 10 or more)	76%
Customer ratings/reviews help me choose between similar products or services	70%

Base: 4,542 US online adults 18+

Source: North American Technographics Customer Life Cycle Survey, Q1 2013, Forrester Research, Inc.

› **Marketers view ratings and reviews as the most important form of UGC.** Ratings and reviews are the most widely adopted form of UGC by consumer marketers. They are recognized as a critical influence on consumers' purchase decisions, to the point where if you do not have them, your product will seem suspicious. Savvy marketers also recognize ratings and reviews' broader impact on helping boost search results.

"Ratings and reviews [are most important]. Consumers are used to the fact that popular products have a lot of ratings and reviews online. It looks fishy if you don't have them."
 – *Brand manager, CPG company*

"Reviews are No. 1 if you're driving purchase intent"
 – *Marketing manager, CPG company*

"Ratings and reviews are of ongoing importance — whether based on photo or text — because people are looking. But the more ratings you have, the higher the rank and the SEO works better."
 – *Sr. director of online marketing, consumer electronics company*

"Nobody goes to a store and buys something simply because it's new. People read reviews online and then go to the store. They are looking at the most useful ratings out there."
 – *Brand manager, CPG company*

› **But they miss an opportunity to highlight these endorsements on their own websites.** Consumers trust brand websites and use them for depth of information when researching a product purchase. Thirty-two percent of US online consumers and 23% of European online consumers trust information on a brand's website.[4] But another study of consumer appliance websites found that many manufacturers miss an opportunity to highlight product reviews, noting that manufacturers' websites "don't always emphasize the importance of product reviews" and that brands are missing the boat by focusing solely on product features.[5]

LACK OF MEASUREMENT LIMITS USER-GENERATED CONTENT POTENTIAL

Marketers are increasingly focused on disciplines that they can measure. Digital channels such as search, email, and display continue to dominate marketers' digital budgets because they can be linked to business results and often provide an efficient return on investment (ROI).[6] But in these early stages of maturity, UGC measurement is found to be lacking. These marketers:

FORRESTER®

› **Count UGC likes instead of measuring business or brand impact.** Most marketers track UGC the same way they track social media — that is, by counting UGC likes or shares rather than linking to brand or business results. And too few are setting goals, instead treating UGC as an opportunistic add-on to other programs.

"We typically use metrics like engagement, impressions, and metrics provided by social platforms: shares, likes, retweets, etc."
– *Associate brand manager, CPG company*

"We don't have specific goals right now. It's a bit more opportunistic than a measured KPI."
– *Senior marketing planning manager, consumer electronics company*

› **Find UGC difficult to measure.** Marketers struggle to isolate the impact of UGC because it is a small part of a larger marketing mix, typically mixed in with other marketing communications. And it lacks the standard measurement tools and benchmark data of more established marketing channels such as TV or email.

"We aren't tracking because we don't have the right skills; we don't know how to do it. Other tools like TV have been done for years, are more standardized, and have proved themselves over years."
– *Marketing director, CPG company*

› **Lack proof of performance needed to propel investment.** UGC is in a catch-22 of measurement and investment. It is not considered important enough to dedicate resources to measure. But without the ability to prove UGC's impact, senior-level management is reluctant to invest. Marketers tell us that many of their senior-level executives do not yet grasp UGC's potential, but these marketers' hands are tied because they lack the proof or visibility to show its worth.

"We measure positive reviews versus previous periods. It's hard convincing management to give money to this; we need to show how much it contributes to sales."
– *Marketing director, CPG company*

"We are not measuring UGC. Cost is a reason; lack of awareness by upper management to UGC is another. Typically, older generations don't understand the power of UGC and social media. We don't have resources in place and internal knowledge to measure and track it."
– *Brand manager, automotive company*

"We have no specific goals. It's more about have we done it or have we not done it? Unless something went wrong, we don't even talk about it in management reviews."
– *Brand manager, CPG company*

"Our barriers are strategy, time, and importance. [UGC] is not viewed as important enough; therefore, there are no goals."
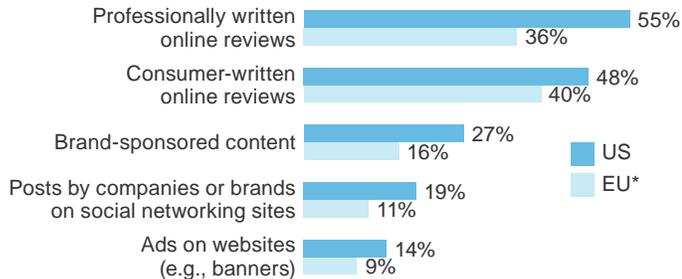– *Global digital marketing manager, automotive company*

User-Generated Content Has Unrealized Brand Building Potential

Trust is the most critical component of building a strong brand across categories from food and beverage to insurance and big-box retail. Forrester's research shows that:

› **Trust drives brand resonance.** A brand is ultimately a promise to a consumer, and the strongest brands are ones that consumers trust to deliver on that promise. Trusted brands create an emotional connection with consumers that generates a long-lasting bond. Through advanced analysis of consumer's perception of brands, Forrester established that trust has a high correlation with brand resonance — a higher form of brand loyalty where consumers feel a sense of connection with a brand. Consumers are more willing to recommend a brand, pay a premium for it, and prefer it over other brands like it. Together these create a strong, resonant brand.[7]

› **Consumers trust consumer-written online reviews more than brand communications.** Consumer-written online reviews are one of the most trusted forms of marketing communications; 48% of US online consumers and 40% of European online consumers trust this form of communication, compared with 14% and 9%, respectively, who trust ads on websites such as banner ads (see Figure 3).

FORRESTER®

FIGURE 3

Consumers Trust Content From Other Consumers More Than Content From Brands

"To what extent do you trust each of the following types of advertising/promotion?"
(4 or 5 on a scale of 1 [do not trust] to
5 [trust completely])

	US	EU*
Professionally written online reviews	55%	36%
Consumer-written online reviews	48%	40%
Brand-sponsored content	27%	16%
Posts by companies or brands on social networking sites	19%	11%
Ads on websites (e.g., banners)	14%	9%

Base: 58,583 US online adults 18+

*Base: 16,210 European online adults 18+ (France, Germany, Great Britain, Italy, the Netherlands, Spain, Sweden)

Source: North American Consumer Technographics Online Benchmark Survey (Part 1), 2014, Forrester Research, Inc.
*Source: European Consumer Technographics Online Benchmark Survey, 2014, Forrester Research, Inc.

Leading marketers recognize that UGC builds brand trust. Marketers we spoke to recognize that consumers are more likely to trust recommendations from other consumers than ones that come from brands, creating a halo effect of goodwill for the brand.
"It's more independent, it's credible, [and it's] much more believable. It creates more trust because it's not coming directly from the brand."
— *Marketing manager, CPG company*

"Nobody believes advertisers anymore. If other people have tested it and they write about it and they tell their friends about it, consumers gain trust in the brand."
— *Brand manager, CPG company*

Leverage User-Generated Content To Build Your Brand

Today we see that UGC is more than a purchase driver. It has the potential to build a brand. UGC must be elevated from an eCommerce tool to a brand building tool. Leverage different forms of user-generated content throughout the customer life cycle to drive not just purchase, but also

discovery and engagement (see Figure 4).[8] Follow the path of leading CPG marketers who also recognize how peer influence has an impact on brand perception.

"The first thing people look now is for that peer-style influence, and UGC provides that for them."
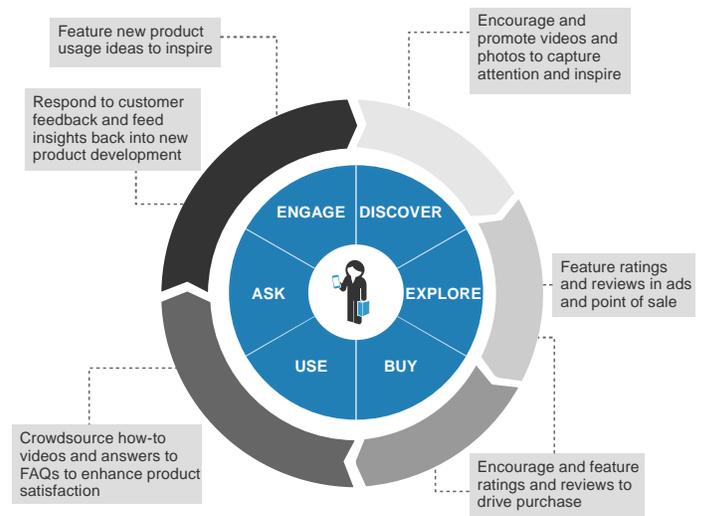— *Brand manager, automotive company*

"People are much more likely to be influenced by people who they know and trust who haven't been incentivized by a large corporation. Good UGC is more important than even paid advertising."
— *Associate brand manager, CPG company*

"We found through research that what others say about you is more important than what brands say themselves. Whether through social media, through reviews, or a video, if it's independent, it's credible and it drives purchase intent."
— *Marketing manager, CPG company*

FIGURE 4

Leverage UGC Throughout The Customer Life Cycle

Feature new product usage ideas to inspire

Respond to customer feedback and feed insights back into new product development

Encourage and promote videos and photos to capture attention and inspire

ENGAGE · DISCOVER · EXPLORE · BUY · USE · ASK

Feature ratings and reviews in ads and point of sale

Crowdsource how-to videos and answers to FAQs to enhance product satisfaction

Encourage and feature ratings and reviews to drive purchase

Source: Forrester Research, Inc.

FORRESTER®

UGC MUST BE ENCOURAGED TO BUILD CRITICAL MASS

The first step to leveraging UGC is getting UGC. Don't sit back and wait for customers to share videos or send endorsements; actively go out and seek it. This is how:

› **Go beyond ratings and reviews.** Ratings and reviews are the tip of the user-generated iceberg. The rapid adoption of image-based photo-sharing sites combined with photo and video technology advances have elevated UGC to a premium medium. Sports brands and even premium fashion brands eagerly share customer content that shows how customers are using their product and making it their own.

› **Invite customers to contribute content.** Marketers we spoke to are confident in the delivery of their product, so they actively seek out feedback from satisfied customers. Software tools automate the process of encouraging customers to leave reviews at the point of purchase. Prospective consumer technology shoppers who engaged with user-generated content converted at twice the rate of those who did not.[9] A sporting equipment brand's social content hub features a media gallery of the equipment users' microblog postings and photos in addition to the brand's own branded content.[10]

› **Give customers a reason to engage with the brand.** Outside of a purchase review, brand fans need to be prompted to share their brand experiences. A soft drinks company encourages brand lovers to share their one-of-a-kind experiences to help build its "one-of-a-kind brand." Through active content generation, the soda brand grew its fan base and increased engagement by more than 40% for two years in a row.[11] A shoe manufacturer invited customers to post photos of their style combinations on social media for the launch of a new apparel line with a celebrity endorser. Photos posted directly to the brand's website and linked directly to the product catalogue, generating a 39% increase in sales over the course of the campaign.[12]

› **Engage with customers who engage with your brand.** Don't let comments, posts, and questions languish without a response. Actively engage with customers who take the time to share their experiences, good or bad. This not only creates a good relationship with the customers who post, but also shows those reading the content that you are open and responsive to what your customers have to say.

UGC MUST BE AUTHENTIC TO BUILD CREDIBILITY

For a brand to be trusted, it must be transparent and accountable for its actions. The UGC that is shared must be genuine, not crafted by the PR department or carefully curated to show only glowing reviews. To build credibility:

› **Share UGC that goes beyond product features and benefits, ratings, and reviews.** Consumers have a world of content to choose from. If you are too self-serving, you will turn customers away. Instead, focus on your customers' needs to provide value-added content that puts customer first, product or brand second. For example, a food brand could share recipes from other customers, or a bank could share budgeting tips that like-minded customers find work for them.

> "We track pictures and recipes. We asked people to send pictures of their chicken meals, and it has become an encyclopedia of chicken."
> *–Digital media manager, CPG company*

› **Be transparent in the source of your UGC.** Ensure that customers know where the content is coming from. Employ a ratings and reviews vendor that provides a "trust mark" next to each review. This indicates that the content was written by an actual user of the product and is not a result of fraudulent activity. Or, enable peer validation to show that customers have endorsed the content. For example, a telecommunications company's online community allows visitors and members to give "kudos" to member content to indicate that it was helpful and/or answered a question.[13]

> "The holy grail of UGC is content that happens naturally — this is UGC in its purest form, and people trust it the most. If people are organically influenced, that is the best way to develop people's trust."
> *– Associate brand manager, CPG company*

› **Foster conversations around less transparent parts of your business.** Transparency in communications is now table stakes for building brand trust. Show consumers that you have nothing to hide by encouraging content around all aspects of your business practice, from manufacturing to research and development (R&D). Widely share the good, but don't hide from the bad. The truth will be revealed, and it will be far more damaging if you look like you were trying to hide a defect or a recall.

FORRESTER®

UGC MUST BE MEASURED TO BUILD MATURITY

To get out of the catch-22 of lack of UGC investment due to lack of ROI, start testing and measuring user-generated content. Leading marketers are trying different routes to understand UGC's impact on their brand and their business.[14] To measure UGC:

› **Set goals around quality and engagement, not quantity.** Get started by setting goals for what you want UGC to accomplish for your business. One marketer we spoke with measures quality, not just quantity, of UGC such as whether there is video or photo included in the post. Take a cue from PR and create a tiered rating for A-, B-, and C-level content relative to your brand building goals. For example, if you want to position your brand as more innovative, give a higher rating to content that shows products being used in innovative ways.

> "Make sure you have a clear POV; it's not productive otherwise. Make sure you have a clear voice and [know] what objective you're trying to reach with UGC."
> – *Senior director of digital, consumer electronics company*

> "We measure volume — the number of posts and amount of content submitted. The second layer is quality of content — is there a video, a photo, etc.?"
> – *Marketing communications manager, automotive company*

› **Set up controlled tests to measure business impact.** Beyond brand impact, senior management will want to know how UGC is affecting business results. In the early stages of UGC development, controlled tests can enable you to learn from your efforts. Give marketing teams license to experiment broadly without fear of failure, but test relentlessly to learn from these experiments and tie these tests to specific sales metrics. Conduct A/B testing to measure impact on messaging effectiveness. Follow the example of a leading CPG firm that tested digital marketing messages with and without ratings and reviews to evaluate incremental benefit of these endorsements on web traffic and conversion. Or, sequence word-of-mouth content ahead of launches to isolate impact such as sales offtake.

> "Our video content is about how many views we are having. Video content is out there to have a consumer buy your product. We look at the conversion to click on the 'buy now' button as well."
> – *Marketing manager, CPG company*

> "For word of mouth, we can easily measure offtake of sales and reach. We do WOM before the advertising of the new product starts so we can see what the development is from it. It's usually very clear to see [that there's a] clear correlation of when it starts and when sales start to develop."
> – *Brand manager, CPG company*

FORRESTER®

Key Recommendations

There's no magic bullet for effective UGC measurement, but there are tools and techniques that can start to provide a more disciplined and measured approach to UGC that will help you elevate it to a more mature brand building discipline. To do this:

> **Employ tools and platforms that curate and verify.** Scaling and measuring UGC is not a mom-and-pop operation. It requires effective content management tools that can enable your team to curate, verify, and publish relevant user content. Look for features with advanced moderation and filtering tools for real-time content automation and curation of tasks that could rapidly become overwhelming during peak content activity.[15] Visual analytics tools can help you assess which images resonate with your customers, and vendors with predictive analytics capabilities can help you identify and jump on user-generated content trends.[16]

> **Collect data to build up internal benchmarks for good, better, and best UGC.** Learn from your UGC experiments. Capture as much data as you can to look for patterns on how UGC affects your business. Share widely throughout the organization and start to build up internal benchmarks on what constitutes good, better, or best UGC to set expectations for future programs.

> **Integrate UGC into your brand measurement tracker.** Talk to your consumer insights partners to determine how UGC can be built into ongoing brand measurement studies. Many brand health measurement firms integrate touchpoint analysis into brand health studies to identify correlation between marketing communications and brand equity shifts. Forrester conducts a driver touchpoint analysis to identify which touchpoints — such as customer service, product quality, or exclusive content — have the biggest impact on driving brand referral or preference.

> **Incorporate UGC into other marketing communications.** Do your consumers love your products? Tell people about it. Harness the power of peer-to-peer endorsements by sharing them widely. Incorporate stellar ratings or innovative product uses into point-of-sale materials and online or mobile ads. One CPG manufacturer learned that display ads that incorporate ratings and reviews drove higher web traffic and conversion than ads without such information.

> **Turn UGC into insights and action.** UGC offers access to a wealth of insights into what customers respond to and how they use your products. Insights, when turned into action, can be used to fuel new product innovation, improvements, or stronger messaging. One fridge manufacturer redesigned its product based on customer photos collected from the Web that showed how its products were being used and adapted.[17] Use A/B testing to identify what type of content resonates most with your customers, and then feed those insights into ongoing and future message refinement.

FORRESTER®

Appendix A: Methodology

In this study, Forrester interviewed 14 organizations in the US and Europe to evaluate the benefits of leveraging user-generated content like Q&A, rich media, photos and videos, and ratings and reviews to increase brand resonance. Interview participants included marketing decision-makers in CPG, consumer electronics, and automotive industries who actively leverage user-generated content. Questions provided to the participants asked about their use of UGC. Respondents were offered incentives as a thank you for time spent on the interview. The study began in June 2014 and was completed in August 2014.

Appendix B: Supplemental Material

RELATED FORRESTER RESEARCH

"Navigate To A 21st Century Brand With The TRUE Brand Compass," Forrester Research, Inc., July 8, 2013

"Invest In The Brand Building Experience," Forrester Research, Inc., October 2, 2014

"The Customer Life Cycle: A Blueprint For Customer-Obsessed Enterprises," Forrester Research, Inc., April 14, 2014

"Best Practices For Social Content Hubs," Forrester Research, Inc., May 19, 2014

Appendix C: Endnotes

[1] Forrester has identified six stages of the customer life cycle: discover, explore, buy, use, ask, and engage. Source: "The Customer Life Cycle: A Blueprint For Customer-Obsessed Enterprises," Forrester Research, Inc., April 14, 2014.

[2] Source: North American Consumer Technographics Online Benchmark Survey (Part 1), 2014, Forrester Research, Inc. and "Brand Experience Redefines Brand Management," Forrester Research, Inc., September 3, 2014.

[3] Source: North American Technographics Consumer Deep Dive: Investigating The Customer Life Cycle (Explore Phase) Survey, Q4 2013 (US), Forrester Research, Inc. and "Revisiting The Touchpoint-Impact Framework For 2014," Forrester Research, Inc., June 2, 2014.

[4] European respondents for France, Germany, Great Britain, Italy, the Netherlands, Spain, and Sweden. Source: North American Consumer Technographics Online Benchmark Survey (Part 1), 2014, Forrester Research, Inc. and European Consumer Technographics Online Benchmark Survey, 2014, Forrester Research, Inc.

[5] Source: Karl Greenberg, "Appliance Retailer And Brand Sites Benefit From Reviews," MediaPost, September 24, 2014 (http://www.mediapost.com/publications/article/234806/appliance-retailer-and-brand-sites-benefit-from-re.html).

[6] Source: "B2C Marketers Must Turn Fragmented Marketing Budgets Into Business Budgets," Forrester Research, Inc., December 12, 2013.

[7] Source: "Navigate To A 21st Century Brand With The TRUE Brand Compass," Forrester Research, Inc., July 8, 2013.

[8] The customer life cycle replaces the outdated funnel as a more customer-centric approach to a customer's path to purchase. Source: "The Customer Life Cycle: A Blueprint For Customer-Obsessed Enterprises," Forrester Research, Inc., April 14, 2014.

[9] Source: "Build Your Content Strategy With The Marketing RaDaR," Forrester Research, Inc., June 10, 2014.

FORRESTER®

[10] Source: "Best Practices For Social Content Hubs," Forrester Research, Inc., May 19, 2014.

[11] Source: "Build Your Content Strategy With The Marketing RaDaR," Forrester Research, Inc., June 10, 2014.

[12] Source: "Best Practices For Social Content Hubs," Forrester Research, Inc., May 19, 2014.

[13] Source: "Establish Product Credibility On Your Website," Forrester Research, Inc., June 26, 2014.

[14] Source: "Invest In The Brand Building Experience," Forrester Research, Inc., October 2, 2014.

[15] Source: "Establish Product Credibility On Your Website," Forrester Research, Inc., June 26, 2014.

[16] Source: "Use Social Content Curation Tools To Feature Your Consumers," Forrester Research, Inc., August 4, 2014.

[17] Source: David Edelman, "Communicating in pictures: The rise of the image," LinkedIn, January 7, 2013 (http://www.linkedin.com/today/post/article/20130107112258-1816165-communicating-in-pictures-the-rise-of-the-image).