PushediN

The Next Step in Social Media Marketing?

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Abstract

This case takes place in the context of a small to medium-sized retail clothing firm. It examines the latest trends in social media marketing technology and the potential ethical issues regarding privacy infringement and behavioral control of teenagers and young adults that such technology presents. The scenario invites students to consider how much, if at all, such marketing practices should be resisted going forward.

Learning Outcomes

• Understanding the potential for unethical use of personal data in marketing technology.
• Understanding how social media marketing could exacerbate addictive consumer behavior and escalate social competition between teenagers.
• Understanding the challenges technology firms increasingly confront when seeking to use social media marketing technology responsibly.

Case

Vineyard Cape, a casual clothing retailer with a handful of stores nestled in some of the most exclusive beach towns of New England, was looking to take its brand recognition to the next level. In just four years, the company had grown from a tiny shop in Watch Hill, Rhode Island selling its own line of preppy-casual wear to a thriving local chain with national aspirations. Vineyard Cape was fast becoming a household name among young and affluent East coast elites, particularly among 16-24 year olds. The company had become a much sought-after brand precisely because those who wore the clothing were the wealthy and popular kids that most adolescents and young adults wanted to emulate. The catalyst for this trend was no doubt the moment when famed Watch Hill resident Taylor Swift was seen shopping in the store and later photographed on the harbor while wearing the clothing. Those pictures went viral on social media and catapulted the brand to fame nearly overnight. The Vineyard Cape name had gotten so hot that the company had increased the price of its new clothing lines by nearly fifty percent every season for the last three years, finding that the higher the prices, the faster the merchandise would move. A shirt that cost a mere $29.99 three years ago now sold for $89.99.

The challenge at this point was how to grow the chain nationally without diluting the brand's prestige. There were only so many elite resort towns with available retail space. The company also had an online store, but sales there had been nearly flat for the last two years. It seemed the real growth potential was in outlet malls further inland. But expanding into those locations was a double-edged sword. While it would expand their consumer base beyond their current market segment to include tour bus shoppers and deal hunters, management feared it also ran the risk of compromising the elite cachet that was the very essence of the brand. So they'd decided to proceed carefully with just one new store this year in Boston's trendy Back Bay shopping district.

Stacey Spector, the company's marketing director, was preparing for a pricing meeting for the new line when she got a call from a hip young man named Avi Archer, the sales director of PushediN, a new San Francisco tech firm. Having got wind of the new store opening while in Boston that week, he offered to swing by her office to discuss a deal that sounded too good to pass up. He was prepared to provide Vineyard

Cape with free use of PushediN's cutting-edge social media marketing app that he guaranteed would at least double the Boston store's monthly sales predictions within the first three months of opening. And if that didn't happen, she could choose to simply stop using the app or to continue using it for a full year absolutely free. Otherwise, his company would retain ten percent of all sales pushed by the app. Stacey looked him up online and found that he was recently interviewed for a piece in Fast Company on new frontiers in social marketing. That was all she needed to agree to meet with him tomorrow afternoon. She was hopeful that Vineyard Cape would successfully expand its market reach and wondered if this social media technology would be the right fit for their brand.

The Push: Targeted Social Media Marketing Technology

When Stacey met Avi, she was immediately impressed by his intelligence and thorough grasp of the latest techniques in social marketing. He was a recent Stanford graduate and founded PushediN while finishing his degree there, following in the footsteps of such renowned firms as Google and Instagram. Avi explained that Vineyard Cape was a perfect fit for the PushediN platform which used social media information from sites like Facebook and Instagram together with location data to send push notifications to users when they happened to find themselves near a store location. After a push notice was received, potential customers would have one hour to use a time-stamped and non-transferable coupon sent exclusively to them. The targeting would go something like this: A couple of weeks before the store's grand opening, PushediN invitations would be emailed to every patron living in the wider Boston area. Vineyard Cape already had the needed home and email addresses to do this via its loyalty program, so that part was easy. If customers accepted the invitations, they would explicitly agree to share their social media and location information with the software, thereby ensuring that their privacy was not being invaded. As invitations were accepted, social media followers and location data would be collected to determine which of those customers were the trend-setters and where and when they tended to go shopping. Then on opening weekend, any of those who happened to be shopping in the Back Bay would receive an exclusive time-stamped offer for a limited-release item good for one hour only at a fifty percent discount. This would create an immediate buzz, especially later when their friends saw them wearing the clothing only

to discover the items were no longer available. Avi noted that Vineyard Cape could also opt to make some or all the products available later at full price. But he strongly recommended going the full exclusion route for at least some items since the brand was already so hot that virtually any new item with the brand's name on it was likely to sell anyway.

The Hook: Leveraging Momentum to Optimize Sales

The idea now was to leverage the brand's momentum on the national scale and sustain it going forward. Exclusive items only available to popular trendsetters creates a market scarcity which can really drive demand. What PushediN does is allow companies to psychologically exploit this economic fact by linking their products directly to their customers' competition for social status. So that when a coveted push notification finally arrives, it triggers a conditioned behavioral response within the reward center of the brain, compelling the customer to race into the store and make a purchase. At this point, the app has succeeded in leveraging brain chemistry to make an extrinsic reward such as a purchase become inherently pleasurable to the consumer. This kind new kind of approach is called neuromarketing, and holds a huge potential for increasing sales. Very soon, the company would no longer need to provide discounts to get everyone to pay full price for the latest garb. An added advantage is that timing the notifications hour by hour allows the store to keep its flow of customers at optimal levels and avoid weekend bottlenecks at the register.

This was all music to Stacey's ears. However, she asked Avi why he was so confident the app would double projected store sales. He replied that he had piloted it with a few carefully-chosen clients on the West coast and found that half the battle was starting with a desirable brand name, which Vineyard Cape clearly had. After that, the only thing needed was to bait the hook. And given how much personal data is now compiled via social media, his company could comfortably predict that starting out, each customer who downloaded the PushediN app had a fifty to sixty percent chance of purchasing at least one item at the store for every notification received. The key was to not overdo the pushes. Avi recommended limiting them to just one or two a month. That way customers, never knowing when they might arrive, would start hoping for them and hence be much more likely to respond when they did. But that was just the beginning. Soon, those who followed the trendsetters on social media would be

targeted with embedded ads notifying them of who had recently bought what. This would generate an ever-expanding base of customers competing to receive pushes, so that eventually, roughly ninety percent of notifications would generate a sale across a massively increased customer base.

Status Symbol: Maintaining the Brand

Stacey had another question. Obviously, as more and more people began wearing the clothing, there was a risk of losing the elite cachet. Avi replied that while that was always the case with any popular brand, an advantage of the PushediN software was that it allowed for that risk to be minimized via an evolving menu of tools included in the app's technology enabling a very fine-grained level of targeting. For instance, pushes for exclusive items could be sent only to customers with specific characteristics, say, athletic high school seniors with 700 or more Instagram followers who hadn't purchased any of the company's products in the last month. This would ensure that certain items would only be available to those at the very top of the social ladder, thereby maintaining the level of scarcity required to sustain high brand demand. Another tool Avi was working on was compiling personal profile data to tailor new items specifically to certain Vineyard Cape subgroups. If a popular girl liked a specific style of clothing, say, lace-stitched denim, a specific color, say pastel orange, and her favorite animal happened to be a hedgehog, then she could be targeted with a push picturing an article containing all three, with the words: "We came up with this design with you in mind. Choose size, color, and signature animal now and you can have it the day after tomorrow!" Then if she didn't order it within the allotted time frame, say by the end of the day, she would lose the promo code, thereby making the item either no longer available to her or only at a higher price.

Stacey was bowled over by the potential of this new marketing technology. She thanked Avi for the meeting and what sounded like a terrific product and an enticing offer. At this point, she needed to think it over and discuss it with the entire executive team. Perhaps the best thing would be to run it by her own daughter, Scarlet, who'd just turned fourteen. Stacey was still marveling at all the PushediN possibilities as she exited the office to join the stream of evening commuters rushing down the block toward the nearest Metro station. Gradually, her pace slowed the more she thought

about what her daughter might say about it. Then suddenly, she froze right there in the middle of the bustling throng. How would *she* feel as a parent if Scarlet started using the app?

Discussion Questions

1. Do you think there is anything unethical about the marketing strategy laid out in this case? Justify your answer. If so, where is the ethical line being crossed exactly and is there a way the technology could be used ethically?
2. What do you think the ethical implications are for neuromarketing? Do you think this kind of technology could create compulsive overconsumption?
3. How would different moral/justice frames analyze this case? Consider what a virtue theorist or a Kantian/Rawlsian or utilitarian or libertarian would say about it.
4. Given what you know about PushediN, would you as a consumer be willing to download it to your cellphone? Why or why not?
5. Would you have a problem with your teenage son or daughter using the app? Did you answer this question differently than the last? If so why? If not, why not?
6. Do you think firms such as these have a greater obligation to resist violating their customers' privacy and potential autonomy when they are teenagers than when they are adults? Justify your answer.
7. Can you think of similar examples of social media marketing technology already in existence?
8. Do you think technology firms such as Google and Facebook/Instagram are already confronting such questions and choosing to resist using personal data in the ways depicted in this case? Justify your answer.
9. Do you think government regulation should step in to address this problem? If so, how exactly?