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Michael Smith cashes in on social media's popularity

Washington Business Journal - by [Darlene Darcy](#) Staff Reporter



Joanne S. Lawton

New Ballgame: 'Traditional PR is dead,' says Mike Smith, CEO of Michael Smith Business Development, who has retooled his company to focus more on social media strategies.

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The effectiveness of Barack Obama's social media-driven presidential campaign was an inspiration to public relations veteran Mike Smith, but it wasn't the deciding factor that led him to change the focus of his 9-year-old, traditional marketing and communications company, [Michael Smith Business Development Inc.](#)

Rather, Smith said, it was the work he did for his largest and most famous client, Craig Newmark, founder and chairman of online marketplace [Craigslist Inc.](#), that validated his view of the potential that social media offers in public relations work.

"Traditional PR is dead," Smith said. "Social marketing is the new model, certainly for public affairs and PR firms."

Others agree. Although the social media revolution hit the Web fast and furious well before Obama's campaign, many would argue that the campaign's large-scale, multifaceted orchestration of social media tools was a first and demonstrated that Facebook, MySpace, Twitter and LinkedIn have more than entertainment value.

Social networks are not just an invaluable place for political, nonprofit and other issue-driven groups to raise money, gain support and call people to action, but also are a forum for big-brand retailers and a host of other businesses to connect with existing and potential customers.

As more cases can be made for social media's role in building business, the online phenomenon is spawning new ventures in the Washington area — small startups,

traditional PR firms shifting toward social marketing services and pioneers in digital marketing.

The presidential effect

Smith has been roving Capitol Hill for nearly three decades, fortifying relationships with key decision-makers, and it seems to be helping his PR company's new division, [Mike Smith Public Affairs](#). He formed the division in September to create social media strategies for clients doing business with the government.

Since landing his gig with Newmark at the end of 2007 — earning Smith some “cred” — and launching Mike Smith Public Affairs about three months ago, he has generated just under \$1 million in revenue from the new division.

Smith spent about \$5,000 on his company's re-branding, including a new Web site, business cards and space closer to the Hill.

Smith and his five employees also signed social media-related clients such as Reston-based [comScore Inc.](#), which measures companies' online performance, and New York-based [DNA13 Inc.](#), which monitors online media outlets, including about 40 million blogs, to gauge sentiment about their clients. Smith is helping comScore translate its market research into useful statistics for government and use Twitter to send the targeted data to government officials.

In addition, Smith is helping a new Alzheimer's disease lobbying group in D.C. set up a Web site where Alzheimer's caregivers can share their experiences and “opt in” to have those stories sent to local members of Congress as a way to advocate for a pending \$2 billion in funding. “That's how you move Washington,” Smith said.

He has also advised the group on setting up a Twitter account and Facebook fan page.

More revenue is on its way from larger, traditional public relations and affairs agencies on K Street that want to outsource social media services to smaller boutique firms, Smith said, declining to name particular companies.

“I never thought I'd be getting calls from the competition,” he said.

Choosy spenders

While social media strategies are catching on in many industries, government contractors, nonprofits and associations often have been slow to act, Smith said. “We're spending a lot of time teaching. That's not billable.”

That hasn't deterred Julie Wadler, who owns a 13-year-old Alexandria-based fundraising and events company, [Epiphany Productions Inc.](#), and is promoting social networking to political, nonprofit and association clients.

“It was what we saw not going on [in those markets] that got us interested,” she said.

Somewhere in between running Epiphany Productions, overseeing the design of a green building in D.C., and investing in Capitol Hill restaurant Johnny’s Half Shell, Wadler found time to create [Comitatus Consulting](#), her fourth, self-funded startup.

The new business — a three-person team and a few contracted tech engineers — is helping Epiphany’s political and nonprofit clients use social media tools to broaden their online presence and connect with potential supporters, charitable givers and voters. Epiphany generates about \$3 million in annual revenue.

“If you don’t explore these new technologies you’re really missing out,” Wadler said, “especially in rough economic times when nonprofits’ budgets have atrophied with corporate givers’ philanthropic budgets.”

These days, mentions of marketing and advertising budgets are likely to be met with a cringe. Nevertheless, the portion of those shrinking budgets used for digital marketing strategies continues to grow.

Funds spent on interactive marketing will reach nearly \$55 billion by 2014 and “represent 21 percent of all marketing spending as marketers shift dollars away from traditional media and toward search marketing, display advertising, e-mail marketing, social media and mobile marketing,” according to [Forrester Research Inc.](#)

“You can’t drive demand without spending money on sales and marketing,” said Brad Heidemann, executive vice president of client services for D.C.-based digital marketing agency Q-Industries.

For Q’s customers, marketing is pretty much synonymous with social media, Heidemann said. “It’s not just certain customers. Every one of them wants a social media component. It’s a mandatory part of the solution now.”

Although the summer months slowed a bit, executives at Q say spending is picking up, especially among manufacturers whose brands cover the globe. There seems to be a sudden rush of companies who want to complete at least a small marketing project before the end of the year and are eager discuss first-quarter spending, Heidemann said.

At the speed of tweet

With dollars still flowing from its clients — including [Microsoft Corp.](#), [Lockheed Martin Corp.](#), [General Electric](#) Co. and [Volkswagen of America Inc.](#) — 10-year-old Q-Industries finished 2008 with revenue of about \$10 million and expects to double that by the end of this year.

The company, which has 75 employees, added eight hires in the last month and a half and plans to open three more offices in the next two to three years, starting with Columbus, Ohio, early in 2010.

What's changed, Heidemann explains, is that the convergence of the marketing and communications functions within companies has finally caught the attention of chief marketing officers and other executives, who now see the importance of integrating the ways they communicate with customers into all aspects of their marketing strategy.

It wasn't too long ago that Q got lots of requests for "some of that Web 2.0 stuff," which clients didn't really understand.

The confusion and the slow — maybe even haphazard — adoption of social media tools early on revealed the generation gap that often exists as new technology emerges, and led to lots of young, fashion-forward interns creating widgets and setting up Facebook pages.

Now, Heidemann said, the strategy has shifted from hoping a YouTube video goes viral to creating a consistent and personal experience for consumers wherever they encounter a company's brand.

With more outlets online that give consumers a voice to broadcast praise or condemnation of a brand, it's become critical for companies to be wherever their customers are and respond on a human level, he said. "There has to be engagement."

"The world is about choice these days," Wadler said. The trick is using technology to find the right audience and deliver the right message.

ddarcy@bizjournals.com