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# THE SOCIAL WEB AS MARKETPLACE: A PRIMER IN SOCIAL MEDIA MARKETING

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## Abstract

Information and Communication Technologies and the Internet are already integral elements of the marketing landscape; they are fundamentally transforming the market dynamics adding new dimensions to the marketing strategy. The rapid public adoption of a new generation of online applications known as Social Media (or Web 2.0) has resulted in a new breed of powerful, sophisticated, empowered customers increasingly challenging the corporate message and claiming control over the marketing process. The latest wave of customer empowerment has raised new doubts about the effectiveness of traditional marketing tools and mass media approaches. In reaction to the ominous loss of market control many businesses are rushing to integrate the Social Media into their marketing strategy, often without sufficient knowledge and experience. Understanding the essentials and effects of the Social Media Marketing can help corporate strategists to make sense of a marketplace where the customer is the dominant party. The article discusses the nature of the Social Media as the current stage of the Internet evolution, explains their effect on customer behavior, positions the Social Media Marketing as part of the marketing program and identifies the principal ways to use the Social Media applications as part of the marketing toolbox. Learning to use these applications properly opens to the 21st Century marketer the door to a collection of new marketing tools and new ways of listening to, informing, interacting, acquiring and retaining the new empowered consumer.

***Keywords:*** *Social Media, Web 2.0, Internet Marketing, E-Marketing, Customer Empowerment*

## 1    INTRODUCTION

Marketing as academic discipline and management activity has been subject of substantial transformations during the last twenty years. Old trusted approaches do not work as well as they used to and time-honored marketing tools are getting less and less effective (Urban, 2005; Thomas, 2007). Media proliferation and a new breed of intelligent, multitasking customers reduce the impact of mass marketing approaches while the emergence of a new generation of Internet applications presents individuals with new opportunities and increasing empowerment. An Economist article[i] titled "Crowned at last" and the unusual step of the TIME magazine[ii] to award of the title of the Man of the Year to the online citizen sent a clear message about the power shift taking place in the marketplace. The Internet and more specifically its new evolutionary stage widely known as Web 2.0 (or the Social Media) is the main catalyst of the change, putting the virtual customer in the wheel and changing the rules of marketing.

Marketers feel that the era of push and mass tactics is over. Reaching the customer becomes difficult and expensive and many in the field and academia are looking for the next marketing paradigm; what seems to emerge is a paradigm based on openness, engagement, cooperation, co-creation and propensity to help rather than control the customer. In the new marketing the role of the Internet and especially the role of the Social Media will become even more pivotal.

For marketing strategists, the message is simple: surviving in the age of the empowered customer requires revisiting old tactics, placing the Social Media in the right perspective and more importantly learning to use them to their advantage.

## 2    THE WEB AS AGENT OF CUSTOMER EMPOWERMENT

What is happening in the (online) marketplace today is the upshot of a process that begun in the mid-90's with the expansion of the commercial use of the Internet as a market platform. Firms previously limited by geographic constraints or lack of resources got access to simple and low cost technologies allowing them to expand their offer portfolios and reach new markets far beyond their traditional business borders. Corporate web sites became important tools of customer acquisition and retention as well as mainstream communication and transaction channels. The Internet revolutionized the way many businesses operated by reducing the role of intermediates and creating a range of new business forms based on direct contacts and interaction with customers. Many pioneering online start-ups of the 90s utilized the unique capabilities of the virtual tools presenting customers with new value propositions and rapidly expanding their online business at the cost of traditional ones.

Businesses were not the only party that benefited from the new technology. The Internet presented consumers with unique opportunities to access new information sources and find alternatives in a way unparallel to anything they had ever experienced before; this because of the breadth and depth of the information provided online but also because the average individual had for the first time in history control over the medium delivering the marketing message. High quality information and control of the marketing message combined with the presence of many alternatives and easy transactions contributed to the first substantial market power migration from the producers to consumers (Wind and Mahajan, 2001; Rha et al, 2002; Bush, 2004; Urban 2006; Constantinides and Fountain, 2008) .

One of the upshots of the increasing customer control on the new communication channels was the decreasing power and effectiveness of the traditional mass communication media. There is plenty of evidence about the growing importance of the Internet as communication / advertising medium at the cost of traditional mass media (TV, Radio, press). The Internet has become in a fast pace a major communication channel and mainstream element of the communication mix. According to a 2008 survey[iii] the web is already the main - if often not the only - source of information for a large portion of its approximately 1.5 billion Internet users. A Newsweek article[iv] emphasizes that "the web has replaced phone books, and is in the process of replacing phones. It's the place that answers our questions in four tenths of a second…..it's the main news source …a megaphone for those who make their own media…". The Web is also a popular channel for commercial transactions: 85% of the online consumers shop online[v]. The decrease of power and effectiveness of traditional mass media is reflected in a major shift of advertising budgets from traditional to online channels and  predictions suggest that "television advertising in 2010 will be only 35% as effective as it was in 1990" (McKinsey Quarterly, 2005).

The first wave of customer empowerment (Web 1.0) was followed by a second one in the mid of the present decade when a new generation of online technologies and applications became available to the mainstream online public. The new technologies, known as Web 2.0 or Social Media, allow the direct connectivity, interaction between individuals and the easy publication and editing of content. Next to industry pundits a new breed of opinion influencers has emerged (Gillin, 2007). Blogs, online forums, social networks, online communities and other types of Customer Generated Media (CGM) harness the collective knowledge further undercutting the impact of traditional media by allowing customers to talk online about shopping experiences, publish product reviews and giving advices. Product reviews and recommendations contributed by consumers are perceived by peers as more credible than those

designed by industry experts[vi]; the trust on peer opinion rather than expert opinion is based on the perception that peer-created content reflects genuine feelings and unbiased product experiences.

## 3     SOCIAL MEDIA: THREAT OR OPPORTUNITY?

The Social Media and the increasing customer empowerment have been for some time a source of concern for marketers, advertisers and recently subject of academic focus. Fading customer trust in corporate messages, declining customer loyalty and growing doubts about the role of contemporary marketing (Kumar, 2004).

Empowered customers have devised new tactics in searching, evaluating, choosing and buying goods and services. All indications point to growing customer desire for customized products, active market participation, co-creation, interaction, highlighting a trend towards increasing control by the customer over the commercial process. In that background it is not surprising that the Social Media or Web 2.0 applications are deemed as a strategic danger by corporate strategists and marketers. However there is a lot of evidence that they can also become a major opportunity and powerful strategic tools for firms willing to learn how to actively engage them and willing to reform their organization, marketing culture and practices.

## 4     THE MAIN ISSUES

The enthusiastic public adoption of the Social Media resulted in a corporate rush to integrate blogs, customer reviews, online communities, podcasts and other Web 2.0 applications to company web sites.

Next to the growing number of firms already actively using Web 2.0 applications as part of their marketing many more are planning to do the same. According to one of the first longitudinal studies on the corporate use of Social Media (Barnes and Mattson, 2007) corporations are adopting Web 2.0 applications as part of their marketing strategy at a very fast pace. Similar findings are reported in studies conducted by McKinsey (2007a; 2007b), Forrester Research (2008) and others.

It is evident that corporate willingness to embrace Web 2.0 is high yet lack of knowledge on the basics of the Social Media and organizational shortcomings often lead to experimentation and blind imitation of others - by no means the right way to proceed. Small and medium businesses are often in a disadvantaged position since they cannot afford investing in experimental Social Media marketing while they are neither ready nor willing to implement organizational changes required. Furthermore, trying to build Web 2.0 strategies on the back of faulty Web 1.0 set-up (mediocre web sites, unreliable online customer service and flimsy fulfillment) or on shaky traditional business models is a prescription for failure and disappointment. Haphazard implementation of the Social Media could lead to serious damage of corporate or brand reputation (Godin, 2007).

Surprisingly the majority of early adopters of the Social Media are the large, often  global corporations; unlike the first wave of the Internet back in the 90's that by all means was ignored by this category, large firms are this time the leaders in adoption of Social Media as marketing tools. A possible explanation is that many of them have learned from mistakes in the past; but what seems to be also a plausible explanation is the fact that many managers are themselves experienced users of such media. According to the Social Network Practitioner Consensus Survey[vii] more than 50% of professionals said already using social networks privately or otherwise.

Marketers can profit from the Social Media in many ways; understanding the role, effects and potential of Web 2.0 applications as strategic marketing tools is the first step to this direction. In the following

chapters we will discuss the main questions arising when engaging the Social Media as corporate marketing tools:

- **What is Web 2.0?**

- **What are the effects of web 2.0 on customer behavior?**

- **What is the position of Web 2.0 as part of the (online) marketing strategy?**

- **How Web 2.0 applications can be engaged as marketing tools.**

## 4.1   What is Web 2.0?

Tim O'Reilly popularized in 2005 the term Web 2.0 as the a next stage in the Internet evolution describing it as the underpinning of web applications sharing a number of common characteristics: "The Web as a platform, Harnessing of the Collective Intelligence, Data is the Next Intel Inside, End of the Software Release Cycle, Lightweight Programming Models, Rich User Experiences". The somehow fuzzy nature of the terms describing Web 2.0 lead    to a new definition attempt: "Web 2.0 is a set of economic, social and technology trends that collectively form the basis for the next generation of the Internet, a more mature, distinctive medium characterized by user participation, openness, and network effects" (Musser and O'Reilly, 2006). The ambiguity about the exact nature of the Web 2.0, even after the second definition (mainly due to the use of terms like 'trends', 'participation' and 'openness'), did not prevent its endorsement by Silicon Valley circles, followed by the press, businesses and the wider public.

A variety of definitions of the Web 2.0 can be found in press articles and white papers and a Google search query of the term produces more than 300 million pages. In the academic literature there is no consensus as to what the term means.

Social Media is a difficult to describe concept and many proposed definitions fail to describe the phenomenon in a comprehensive manner. The reason for this is that Web 2.0 is by all means a complex phenomenon; computing technologies and techniques, applications and social effects are often mixed up creating confusion and ambiguity. Some definitions on the other hand attempt to avoid the confusion by oversimplifying the situation.

Providing a clear picture of the concept requires identifying and separating the main dimensions of it: the Application Types, the Social Effects and the Enabling Technologies (Figure 1). The three dimensions are explained in Appendix 1.

The multidimensional character of the Social Media underlines the complexity of the issue and the difficulty to define a phenomenon where marketing elements, psychology and information technologies co-exist. From the strategic and marketing perspective the Application Types and the Social Effects are the important and relevant topics of this domain, something clearly reflected in the following definition (Constantinides and Fountain, 2008):

***Web 2.0 (or Social Media) is a collection of interactive, open source and user-controlled Internet applications enhancing the experiences, collaboration, knowledge and market power of the users as participants in business and social processes. Web 2.0 applications support the creation of informal users' networks facilitating the flow of ideas, information, knowledge and promote innovation and creativity by allowing the efficient generation, dissemination, sharing and editing of content.***

This definition focuses on the Applications and the Social Effects - being the most important elements for the marketing strategist - rather than on the Enabling Technologies concerning technologies and technology-related issues that underpin Web 2.0 applications; this in order to avoid a common element

of confusion in describing the Web 2.0. This definition forms the basis of the classification of Social Media as marketing tools discussed later in this article.

## 4.2   What are the effects of Web 2.0 on customer behavior?

There is plenty of mainly anecdotal evidence indicating that Web 2.0 has become a new and **uncontrollable** element of influence of buying behavior (Kotler, 2003). As mentioned earlier the Social Media applications present customers with new forms of empowerment and means of information souring. Customers are able to communicate online exchanging information, comments and product reviews and in general creating content beyond the marketer's control: for all intents and purposes corporations do not have any power over the Web 2.0 environment and therefore no control over the online conversation and content.

This new uncontrollable factor further complicates the textbook decision-making process described in the Inputs — Processing — Response model making the outcome of the process even more uncertain. In Figure 2, elements A and B represent the 'classic' influences of buying behavior (Kotler, 2003): the conventional marketing mix (A) and the uncontrollable personal factors (B). In today's virtual marketing environment, the Internet, as a communication and transaction channel, has added two new parameters to the model: the online marketing mix (C) i.e. the controllable online- or Web-experiences embedded in the corporate website (also known as Web 1.0) and (D), the Web 2.0 / Social Media influence, a factor by and large beyond the marketer's control.

Failing to recognize the effects of the Social Media on the customer behavior today is a serious strategic mistake. The marketing strategist must understand the impact of Web 2.0 on the customer's decision making process and attempt to utilize the Web 2.0 environment to his advantage or even gain some control over it. A simple way to do that is to tap the online customer voice, especially complaints, comments about his products or talk about competitors and use this information as basis of appropriate action. A more proactive attitude is to use the various Web 2.0 applications as part of the marketing toolbox. Using a low cost medium like the Internet as communication tool presents marketers with cost advantages.

## 4.3   What is the position of Web 2.0 as part of the (online) marketing strategy?

Taking advantage of the Social Media requires that strategists understand the limitations and pitfalls of integrating such tools into their existing marketing strategies. The crucial question is whether it is always possible or feasible to engage Web 2.0 as marketing tools and what basic rules and conditions apply.

Let's start with a critical precondition: Web 2.0 applications should become part of the e-marketing strategy only when the "Web 1.0" and the rest of the marketing legacy are in impeccable state: the corporate web site must be functional, efficient, trustworthy, customer-friendly and customer-oriented. The firm's online corporate presence must reflect and communicate the corporate positioning, quality, customer orientation and image.

Yet having a well designed web site is by no means a guarantee of success. Customer orientation, reflected not only in the online but also in the traditional marketing and fulfillment activities is very important and therefore the value delivered by means of products and services online and offline must be excellent. Web 2.0 enables customers to easily probe company quality or price claims, find alternatives and last but not least review products or services and report their own experiences to large numbers of peers: Web sites like tripadvisor.com provide more than 15,000,000 traveler reviews and opinions of hotels, vacations or anything else having to do with the leisure industry and online forums

like epinions.com publish thousands of customer generated reviews about several categories of products or services.

Engaging the social media as an e-marketing tool is the final step of a four-level marketing strategy. The relation of Web 2.0 with the rest of the marketing plan is illustrated in the E-Marketing Pyramid (Figure 3). According to this approach the Web 2.0 must be seen as the pinnacle of the marketing process, the last frontier of the marketing strategy. Failing to properly address the issues arising in all four levels will lead to disappointments, waste of resources and loss of customer goodwill.

The four levels of the E-Marketing pyramid are the following:

**Level 1**: The basis of the marketing strategy should be the quality of products and services and the customer/market orientation of the company. These two parameters define the company's mission, unique selling proposition, product value, market image and market positioning. Failing to deliver the expected product quality in the era of Social Media is risky since the consumer is able and willing to find the truth (i.e. whether the value promised by the firm is actually delivered) by getting in touch with other users, reading technology blogs or looking for product reviews. Continuous innovation and quality control systems are important strategic foundations of this stage.

**Level 2**: The second level aims at creating and maintaining a market-oriented organization able to support traditional as well as online marketing activities. Experience has shown that many traditional organizations adopting online marketing had often difficulties to adapt their organization and reach the level of sophistication required for operating online. Transformation is not always easy or fast. For some firms the Internet is a sustaining technology for others a disruptive one (Christensen, 1998). While Dell Computers was thriving as an online retailer in the 90s most of its traditional competitors like Compaq or IBM – mainly due to organizational reasons - never reached even remotely the levels of Dell's online sales.

This situation has been observed in other industries also. It took almost ten years to many traditional airlines before they managed to engineer organizational infrastructures able to support an efficient e-ticketing system; this was necessary in order to compete effectively with low cost airlines or online travel startups like expedia.com and travelocity.com who captured substantial market shares due to - among other things- efficient e-ticketing models.

**Level 3**: Having created a market-oriented organization to support traditional and online marketing activities is essential in order to establish a successful online presence, the corporate web site. Reputation and competitive advantages of the traditional business are sources of value and customer goodwill for the online operations. Yet the customer quality perception and image of the online business but also of the physical business can be damaged by inefficient and substandard online approaches. Online customers expect today a superb online experience (Constantinides, 2004); cumbersome, poorly designed or difficult to navigate web sites are perceived by users as indicative of a flawed company quality. Online marketers should understand the importance of a well designed and credible web site and assign to it a role[viii] (or roles) contributing to the overall marketing objectives. Assigning the right roles, creating the proper customer online experience and integrating the online business into the total business are imperatives for the online business to become a valuable part of the total marketing program.

**Level 4**: Having an impeccable online presence is the crucial factor for moving to the next stage involving Web 2.0 as marketing tool. Synergy with the Web 1.0 environment is vital and steps towards Web 2.0 must be founded on the resources and capabilities of the organizational back office: corporate strategists must critically gauge the objectives of their Social Media strategy and the internal capabilities.

Developing a Social Media strategy is much better than following the market pack. This helps strategists analyze and understand the underlying value of Web 2.0 as marketing tool for their own business. It is also necessary to identify what organizational or other changes are required; Social Media as marketing strategy is a long-term process requiring resources and organizational commitment. For example offering to customers the possibility to participate in a company sponsored online community without having a clear idea as to how to deal with complaints posted online or how to tap the feed-back provided will have a very limited contribution to customer loyalty and engagement as a recent study of Forum One Networks indicates.

### 4.4    How Web 2.0 applications can be engaged as marketing tools.

Field data but also an increasing number of studies provide already a good picture on the basic patterns of engaging Social Media as part of the marketing strategy. Yet there are not yet any studies measuring the results of such strategies but evidence suggests that firms engaging social media are generally positive about them. Lack of concrete performance metrics require from early adopters to recognize that the process is still in experimental stage: efficient management of the Social Media as part of the marketing strategy will require developing benchmarks and metrics as well as developing theoretical foundations and best practice methodologies.

Properly defining the role of the Social Media as marketing tools starts with identifying the tasks these media could fulfill as part of the marketing process. In order to do that we go back to the basics of the Marketing as described in the definition of the term. According to the most recent (2007) definition of the Marketing by the American Marketing Association[ix] "*Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large".*

Considering Marketing Management as the parent discipline of Social Media Marketing it can be argued that value creation and communication are two areas where Social Media marketing can add value to the corporate marketing program. The Social Media domain can be utilized as a low-cost yet very effective source of customer voice helping marketers to identify market needs, customer experiences, competitive movements and trends. It can also be engaged as a tool allowing customers to contribute to innovation processes and product design. As a communication tool the social media can play multiple roles: Assist the PR efforts, reach early product adopters and support interaction with customers.

These principles, combined with the earlier discussed nature of the Social Media applications, have led to the taxonomy model presented in Table 1. On the vertical dimension we identify the five application types discussed earlier (Figure 1): Web logs, Content Communities, Social Networks, Forums / Bulletin Boards and Content Aggregators. On the horizontal dimension we identify the main marketing objectives that can be attributed to the Social Media as marketing tools, in two categories of approaches: The Passive and the Active approaches. (Table 1).

### A. The Passive way (Listening-In): Using the Web 2.0 domain as source of intelligence i.e. as source of customer voice and market information

 Individuals like to talk on line exchanging reviews, experiences, problems and ideas about products or services. Common Social Media applications for customer dialog are the web logs (or blogs), forums and content communities. Individuals participating in the online discussion often use video, audio or other types rich media to demonstrate their point. Comments, news or information posted online are sometimes so powerful that even reach the mainstream media and the general public. A video showing

a Dell laptop computer spontaneously combusting created an enormous online and offline buzz and forcing Dell to recall millions of laptops with a faulty battery. A web log with complaints of customers about a Land Rover model[x] came into the list of the 50 more influential web logs and a recorded conversation of a customer with an America On Line (AOL) sales rep revealing the company's high-pressure tactics towards subscribers trying to terminate their subscription are also classic examples of online stories that became first page news forcing corporations to adjust their practices.

Capturing the customer voice is of paramount significance and marketers are well aware of the value of listening to it. Customer voice reveals needs, experiences, complaints, expectations and market trends (Gillin, 2007); it is vital for the effective communication with the target markets and crucial for successful product /service development. Traditionally marketers tap the consumer voice using surveys, focus groups, data mining and several other conventional market research methods. Such methods can be costly and the information accuracy depends on several factors. Often the collection and processing of data requires lengthy trajectories limiting their actual value, mainly in the case of highly competitive, fast changing markets. Marketers are able today to access the "live" customer voice on a continuous basis by listening-in or even participating in the online conversation. This requires locating and monitoring what people discuss or publish in the Social Media space (blogs, podcasts, forums and online communities).

Many options are available for tapping the customer's voice ranging from simple and free-of-charge tools like Google Alerts to expert agents collecting and sorting information relevant to the a specific brand, products or competitors. There are also several specialized web tools and search engines that can be used in locating and gathering this content. Nielsen Buzz Metrics, a commercial service monitoring several millions of blogs, can provide a lot of information as to what is discussed online and even what is said about the company or its products. Specialized classification tools like Technorati, CollectiveIntellect.com, buzzcapture.com and blog search engines like BlogPulse or the "index aggregator" TalkDigger are also easy to use and low cost alternative solutions.

Most suitable Web 2.0 applications for listening in: Blogs, online communities and forums.

**B. The Active ways: Using Web 2.0 applications as PR, Direct Marketing and Customer Influence tools as well as means for personalizing the customer experience and tapping customer creativity**

The Active ways can be divided in four sub-categories:

**B.1. Using Web 2.0-based application as PR and Direct Marketing tools**

An increasing number of marketers recognize the importance of the online dialog taking place in web logs, online forums and user communities. Introducing such environments as part of the corporate online presence allows corporate executives to attract the dialog in their own quarters and directly discuss with their customers. There are already many examples of firms taking steps to initiate the dialog with the customer in this way and the growth of corporate blogs is impressive: in the Inc. 500 index 20% more firms were using corporate blogs in 2008 compared to 2007. Business executives like Jonathan Swartz, CEO of Sun Microsystems, Steve Jobs, CEO of Apple Computers, Alan Meckler of Jupiter Media, GM Vice Chairman Bob Lutz and McDonalds Vice President Bob Langert post regularly in their corporate blogs, encouraging customers to interact and freely express their feelings, ideas, suggestions or remarks. Most politicians have also already understood the power of blogs as channels of direct communication with their constituencies.

Not only top executives are blogging. A widely applied variant, pioneered by Microsoft back in 2003, is to encourage company employees to initiate their own blogs and forums. This approach requires

openness and trust on employees' capabilities and discreetness but often drafting some guidelines helps avoiding problems and misunderstandings between the firm and employees.

Next to company-sponsored blogs a simple and low-cost way to engage the Social Media as PR tool is to utilize content communities - like the video sharing sites YouTube, GoogleVideo and others - as communication / advertising channels of corporate promotional material. Commercials uploaded to these sites have the potential to be viewed by thousands or even millions of viewers at practically no cost, although still the reach of video exchange sites is high only among certain population segments. This form of publicity often reaches very respectable numbers of viewers. A YouTube commercial of Unilever's Dove Real Beauty campaign was viewed more than ten million times and videos of candidates of the 2007- 2008 of the American primaries and elections posted online have been downloaded and watched by several millions of viewers.

Special interest blogs, online communities or publicly wiki-based edited environments like Wikipedia, Citizendium and Wikitravel can be also effectively used as advertising platforms. An additional advantage of publishing in wiki-based online communities is that these in general reach high rankings in search engine queries. More "traditional" online advertising tools like videos, links or banners placed in special interest blogs, communities or forums enable marketers to reach special interest publics and what is described as the Long Tail (Anderson, 2006): tiny market niches or even individual customers looking for products that typically can not be found in the limited assortments of high-street shops. This type of publicity can be realized at a fraction of the costs required by traditional media.

Finally firms can keep their customers informed about their products or services by adding at no cost RSS (Rich site Summary) capability to the company's web site; marketers can access with such permission-based and renewable content many millions of Internet users who filter the online content they receive by subscribing to RSS readers like google.com/reader, MyYahoo.com, newsgator.com and bloglines.com.

Most suitable Web 2.0 applications for online PR: Blogs, forums and content aggregators.

**B.2. Engaging Social Media personalities as product or brand advocates**

Engaging the specialized press and industry experts has been always part of the traditional commercialization process of new products. Such opinion leaders are important in ensuring that the message would reach the early adopters and consequently the critical mass of potential customers. Today more and more marketers understand that next to traditional influencers is important to engage the online opinion leaders and personalities (mostly authors of high traffic, influential blogs or forums) as a means of attracting customer attention. Such a strategy requires identifying, reaching and informing the "New Influencers" (Gillin, 2007) about the firm, its brands and new market offerings. The public prefers these channels because they are usually informed much earlier than press or other traditional channels. Blogs like techcrunch.com, gizmodo.com, engadget.com and other attract daily millions of readers interested in new product information and reviews. The endorsement of product innovations by online influencers is often decisive for the adoption of products by mainstream customers. The objective of marketers should be to establish ties and working relationships with leading blogs or user forums so that they are willing to review, discuss, comment on or even recommend the usage of the firm's new products. Finding the proper channels is possible by using instruments and services already available: Technorati.com, Nielsen BuzzMetrics and other specialized services measure the influence of blogs providing rankings and relevant information for better targeting.

Most suitable Web 2.0 applications: Blogs, forums.

**B.3. Using Social Media for personalizing customer experience or customizing products**

This approach can positively influence customer loyalty by offering individuals the possibility to personalize their online experiences or customize products they buy. Firms like about.com, MySpace.com, Nike, Disney, Coca Cola, and many others have been experimenting with Web 2.0 based tools allowing customers to adapt parts of their web sites to their specific needs or preferences. Next to customizing the web site many firms have developed interactive online applications and tools allowing customers to partly or fully shape physical products they buy online. Pioneers in this area are Kleenex, allowing customers to design the packaging of the product (myklenextissue.com), photostamps.com allowing consumers to create their own US Postal Service approved stamps, Heinz (myheinz.com) inviting customers to create their own personalized labels of their ketchup bottle, M&M (nymms.com) that makes possible for customers to select their favorite candy colors and print a personalized message on it and recently Heineken (designyourheineken.com) allowing individuals to design their own bottle and order online. In many cases customer designed products become available to all customers; Pepsi Co provides online design tools and invites fans to design their soft drink cans in the Design Our Pepsi Can Contest (designourpepsican.com) with the best idea adopted as the new look of the product in regular intervals. Producers of sport accessories like NIKE and Converse offer similar tools to customers allowing them to customize articles ordered online. The popular furniture chain IKEA recently launched an online campaign called "Everyone is Designer" encouraging customers to create their ideal living space using IKEA furniture (iedereenisdesigner.nl/) and publish their ideas in the IKEA site.

The customization strategy addresses the increasing customer need for individual rather than mass products and can contribute to higher customer retention and efficient customer focused branding.

Most suitable Web 2.0 applications: Web 2.0-enabled company web site in the form of sponsored online forums and social networks.

**B.4. Engaging the customer as contributor of product reviews, advertising concepts and as part of the innovation process.**

This approach is based on the assumption that product reviews, recommendations but also commercials and even products created by peers are perceived as better than those written by experts: customers seem to trust more the creations and opinions of other customers. The trust of individuals on peer opinion rather than expert opinion is based on the perception that peer comments reflect genuine feelings and experiences. Opening the innovation process to end customers is inspired by the Open Innovation principles (Chesbrough, 2003) advocating for the participation of business partners in the innovation process. The Social Media – based tactic has been already labeled as Distributed Co-Creation (McKinsey, 2008). This approach goes a step further than the Open Innovation in the sense that customers / end users can now become co-creators, taking actively part in innovation processes. The approach is in line with the Web 2.0 capabilities for "Harnessing the collective intelligence" (O'Reilly, 2005; Bernhof and Li, 2008).

The customer as innovator can fulfill a number of different roles; product conceptualizer, product designer, product tester, product support specialist and product marketer (Nambisan and Nambisan, 2008). Shorter development trajectories, better products, low innovation costs and flexibility are important advantages of Distributed Co-Creation.

Applying the Distributed Co-Creation approach requires creating Virtual Customer Environments (Nambisan and Nambisan, 2008)i.e. Web 2.0-based applications allowing customers to participate in the firm's innovation processes in different ways.

There are several examples of this type of innovation. A firm in the greeting card and gift business that has been successfully using a customer community to verify and explore ideas under development by their product development department. Conversations among community members ranged from

discussing colors and designs that should be utilized on a greeting card to selecting what gifts and price ranges were more appropriate for a high school graduation. Community members were also asked to keep a virtual journal where they recorded and ranked marketing materials that they received from the company. Additionally, the company used the online community to learn more about the customers themselves. Community members were asked to upload and share their pictures and provide insights about their lifestyles, hobbies, and needs. This resulted in the company gaining valuable insights into consumer behavior, reactions to new products and ideas, as well as the effectiveness of the company's marketing materials, all at a very low cost and effort. Some more examples:

Distributed Co-Creation is popular among companies in the ICT domain: in most cases the participating individuals have access to tools, information and capabilities previously accessible only to R&D staff. SAP, HP, NOKIA and AMD invite developers to join their developers support communities, Sun Microsystems operates a developers' community called Sun Developer Network while the telecom firm NOKIA operates a complete online platform dedicated to its developer community with a discussion forum, blogs and a wiki application. In the same way LEGO, the toy-brick market leader, has engaged an enthusiastic community of customers to design new products.

There is no shortage of individuals willing to co-create: According to a recent McKinsey (2008) report of McKinsey one in ten of the participants in the online community Second Life is already involved in co-creating with companies in different ways (testing prototypes or participating in design of new products); 60% of the participants of this community say that they are willing to experiment with co-creation.

Next to engaging customers as innovation agents tapping customer advertising creativity is a new way to engage customers with the brand or product in a very effective way. SONY, Frito-Lay's, Sunkist, and Coca-Cola are indicative examples of a growing number of corporations partnering with talented amateurs who generate advertising concepts or even create TV commercials for them. The advantage of commercials made by amateurs, next to their negligible cost in comparizon to professionally-made ones is that they are perceived as interesting and attractive by customers. Web sites like current.com match the demand and supply for amateur advertising talent and can be used by corporations for recruiting creative individuals. A variant of the customer created advertising is to encourage customer participation in the choice of commercials to be broadcasted and at the same time creating viral buzz around the brand[xi].

In some cases customer co-creation can be profitable not only for corporations but also for the participating customers themselves. Such collaborations create new business models with customers becoming business partners. The online t-shirt retailer Threadless invites creative customers to submit T-shirts designs, submissions are evaluated by site visitors and the best ones become part of the assortment while the designer wins 2.500 $US in cash and merchandise as award. The firm recently launched its first physical shop in Chicago.

Most suitable Web 2.0 applications: Corporate web sites offering social networks and online communities functionality.

## 5 CONCLUSIONS

While the online public quickly understood the meaning, importance and power of the Social Media, there are plenty of opportunities available to corporations to use these media to their advantage. Marketers have a wide range of options to use the Social Media as strategic marketing tools. Organizational changes, but mainly a radical change in attitudes and tactics, are necessary. Marketers must realize that their dominance in the marketplace and the era of push marketing are over; growing

customer power has resulted in decreasing trust for the marketing communication and has diminished the effectiveness of most long-established marketing approaches. Substantial changes in the marketplace, social developments but more importantly substantial innovations in the area of Information and Communication Technologies – with the Internet being the most important one – have increased the customer control on the communication and the marketing process. Developments related to the present evolutionary stage of the Internet widely known as Web 2.0 or Social Media are presenting individuals with a whole new range of online tools, networking opportunities and market empowerment.

While developments around the Social Media are widely perceived as a threat by marketing strategists there is evidence that the domain presents marketers with opportunities to reclaim some control and influence on the marketing process. A necessary condition is that marketers adopt new attitudes: instead of looking to their customers as a massive and passive audience they should treat them as sophisticated and creative individuals or even as potential partners. The Social Media can play here a very important and decisive role. Using the Social Media effectively leads to higher customer retention and allows currying out a number of marketing activities more effectively and economically.

The Social Media can be engaged in a number of ways as marketing tools. As source of customer voice but also as public relation and promotional tools, as instruments of customer influence, as tools allowing customers to customize their online experience or even the products they buy. Last but not least the Social Media open a whole range of opportunities to corporations as platforms of customer- based co-creation and innovation.

Strategic re-orientation and often radical change of business attitudes are necessary conditions in order to deal with the new realities in the marketplace. Marketers should understand the influence of the Internet and particularly the importance of the Social Media movement on the market process and the buying behavior. It is also important to understand the role of the Social Media as marketing tools and as part of the total marketing program. The most important message though is that the future marketing paradigm will be based on openness, cooperation, co-creation and an honest commitment to listen to and help rather than control the customer. The Social Media or Web 2.0 is an actor of change and a source of opportunities for marketing strategists who will learn to operate in a new business environment that puts the customer again on the top of corporate priorities.

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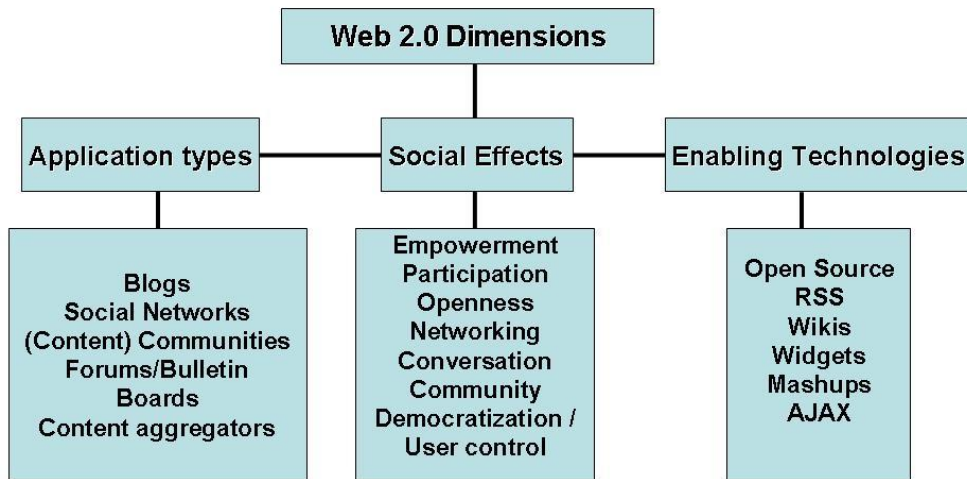http://www.oreillynet.com/pub/a/oreilly/tim/news/2005/09/30/what-is-web-20.html

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# Figures and Tables



Source: Constantinides and Fountain, 2008
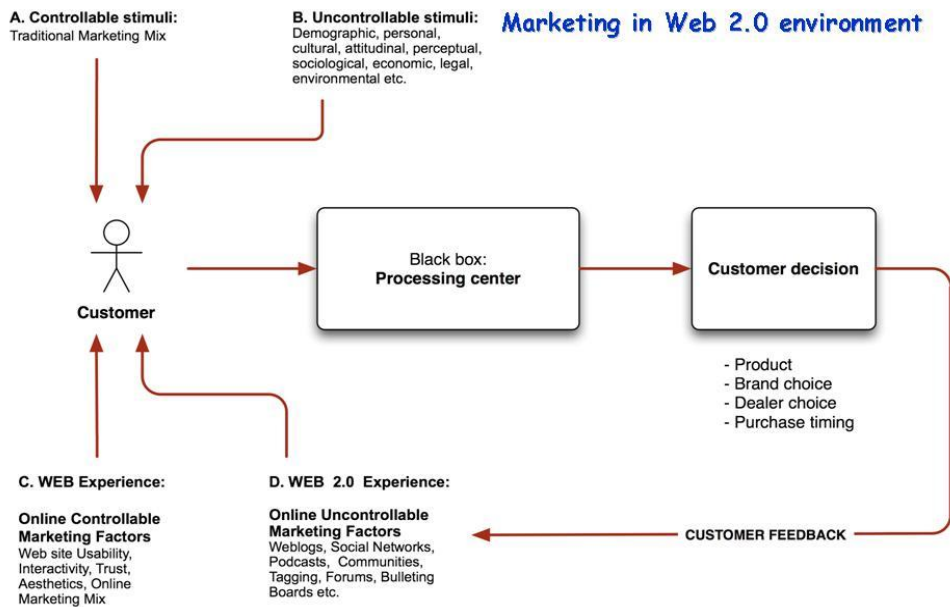
*Figure 1. The Web 2.0 dimensions*

**A. Controllable stimuli:**
Traditional Marketing Mix

**B. Uncontrollable stimuli:**
Demographic, personal, cultural, attitudinal, perceptual, sociological, economic, legal, environmental etc.

Marketing in Web 2.0 environment

Customer

Black box:
**Processing center**

**Customer decision**

- Product
- Brand choice
- Dealer choice
- Purchase timing

**C. WEB Experience:**

**Online Controllable Marketing Factors**
Web site Usability, Interactivity, Trust, Aesthetics, Online Marketing Mix

**D. WEB 2.0 Experience:**

**Online Uncontrollable Marketing Factors**
Weblogs, Social Networks, Podcasts, Communities, Tagging, Forums, Bulleting Boards etc.

**CUSTOMER FEEDBACK**

*Figure 2: The consumer behavior process in traditional and virtual marketing settings*

## The (E-)Marketing Strategy



Level 4 — Web 2.0 Social Media

Level 3 — Web 1.0 Web site

Level 2 — Marketing/ E-Marketing Organization

Level 1 — Product/ service
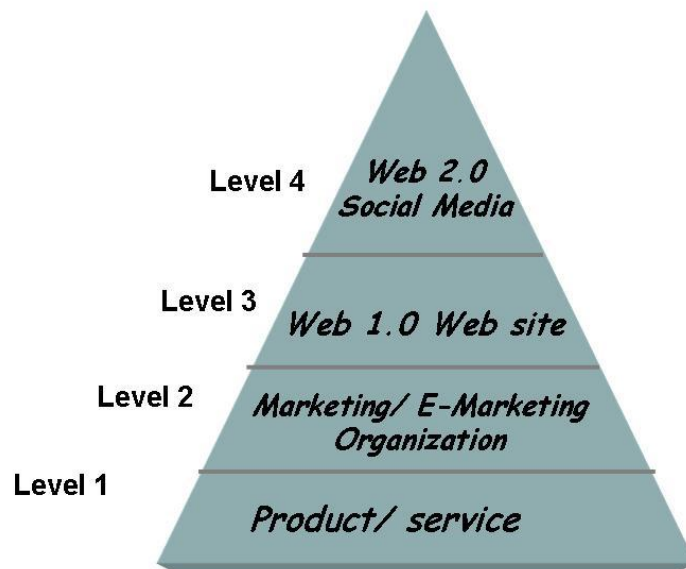
*Figure 3. The position of Web 2.0 within the (E-) Marketing program*

| Web 2.0 Applications as Marketing Tools | | | | | |
|---|---|---|---|---|---|
| | Passive | Active | | | |
| MARKETING OBJECTIVE | Listening In | PR and Direct Marketing | Reaching the New Influencers | Personalizing customer Experience | Tapping customer creativity |
| APPLICATION TYPE | | | | | |
| Web logs | XXX | XXX | XXX | | |
| (Content) Communities | XXX | X | | XXX | XXX |
| Social Networks | X | XX | | XX | XX |
| Forums / Bulletin Boards | XXX | X | XXX | | |
| Content Aggregators | | XXX | X | | |

*Table 1. Passive and active ways of engaging the Social Media as Marketing tools*

*XXX: very suitable, XX: moderately suitable, X: less suitable, Blank: not suitable*

## Appendix

Application Types

1. Blogs: Short for Web logs: online journals, the most known and fastest growing category of Web 2.0 applications. Blogs are often including audio logs (Podcasts) or video logs (Videocasts) i.e. digital audio or video that can be streamed and downloaded to computers or portable devices. Some blogs attract large numbers, even millions of readers per day and have become very influential information sources and therefore important centers of product or services endorsement. Examples of top blogs are: gizmodo.com, boingboing.net, huffingtonpost.com. A new development is the increasingly popular micro-blog Twitter.com that has also several characteristics of a social Network.

2. Social Networks: Applications allowing users to build personal websites accessible to other users for exchange of personal information, contents and communication. Social networks play an important role in the distribution of information and word-of mouth and allow users to network, communicate (in the form of messaging or otherwise) and interact. Examples: myspace.com, facebook.com, hyves.nl, linkedin.com, ning.com. Many commercial organizations are experimenting already in using social networks as communication, publicity and even transaction channels.

3. (Content) Communities: Web sites organizing and sharing particular types of content. Examples are applications of Video sharing: video.google.com, youtube.com, etsylove.ning.com, Photos sharing: flickr.com, Social Bookmarking: digg.com, del.icio.us and publicly edited encyclopedias or knowledge sites: wikipedia.org, citizendium.org, wikitravel.org and traveladvisor.com

4. Forums / Bulleting Boards: Interactive sites for exchanging ideas and information usually around special interests. Examples: epinions.com, python.org, personaldemocracy.com. Often such forums or bulleting boards take the form online classifieds (craigslist.org) of online markets (ebay.com) allowing customer-to-customer transactions and payments.

5. Content aggregators: These applications can take two different forms. The first category includes applications allowing users to easily access fully customized, syndicated web content. These sites make use of techniques like social bookmarking and RSS (Rich Site Summary or Real Simple Syndication) that allows the streaming of data from selected sources of syndicated or proprietary content to special, customizable web sites like my.yahoo.com, google.com/ig, netvibes.com and many others. The second category of content aggregators includes applications based on content assembled from different sources, creating new – often customizable - products or services. Google Maps and Fark.com are examples of this type of aggregators.

Social Effects

The Web 2.0 as a social movement (Birdsal, 2007) has become an internal part of the daily life of many consumers. In this environment several forms of social interaction take place. The almost unlimited possibilities of contacting other users allow the creation of online communities formed around demographics or special interests (Beer and Burrows, 2007; Birdsal, 2007).

Generating content, copying, sharing, editing, syndicating, reproducing and re-mixing information are common practices in the Web 2.0 domain. Such practices lead to what has been described as democratization of technology, information and knowledge (O'Reilly, 2005) facilitating the active participation of the user as contributor, reviewer and reporter. Users can easily create or join communities and special interest groups sharing their experiences and knowledge but also engage in a conversation with other users, the industry and politicians. In short social networking becomes part of the popular culture, mainly among younger generations. Businesses and politicians (as the latest US primary elections have shown) begin to understand the power of these communities as communication platforms and it is common that businesses support or even create such communities themselves inviting people to become members. An interesting phenomenon worth further research is what is termed as Distributed Co-Creation: Engaging the online user as part of the innovation process (McKinsey, 2008).

Enabling Technologies

While several technologies involved in the Web 2.0 domain are not necessarily new, there is a basic difference between Web 2.0 and the previous software applications namely the fact that many of these are open source ones. This fact has places the application user in the chair of the application co-developer and has lead to a fast, low cost and efficient application improvement. Next to existing applications the Web 2.0 movement founded on some unique new software applications and development techniques. The purpose of this article is not to examine this aspect of Web 2.0 but bellow there is a short description of the most important new enabling technologies and development tools applied in this domain.

RSS is short for Rich Site Summary / Real Simple Syndication, a way to syndicate and customize online content

Wiki is an application allowing collaborative publishing

Widget is a generic term for the part of a Graphical User Interface that allows users to interface with the application and operating system

Mash-ups are aggregators of content from different online sources to create a new service

AJAX is a web development technique used for creating interactive web applications

i Crowned at last, Economist, April 2nd 2005

ii Person of the Year, TIME, December 26/ 2006 -January 1/2007

iii Zogby Poll, 27 February 2008, http://www.zogby.com/news/ReadNews.dbm?ID=1454

iv Newsweek, 2007 The New Wisdom of the Web, http://www.newsweek.com/id/45976/page/2

v Nielsen Online, 2008, Over 875 Million Consumers Have Shopped Online -- The Number of Internet Shoppers Up 40% in Two Years, http://www.nielsen.com/media/2008/pr_080128b.html

vi BizReport.com, June 5, 2007

vii BizReport.com, June 5, 2007

viii  Possible roles can be: Informational, promotional, relational, educational or transactional

ix  http://www.marketingpower.com/Community/ARC/Pages/Additional/Definition/default.aspx

x http://www.haveyoursay.com/

xi http://www.nespresso-whatelse.com/club/?xtor=