

Consumer Information Systems and Relationship Management:

Design, Implementation, and Use

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Chapter 4

Social Media Marketing: Challenges and Opportunities in the Web 2.0 Marketplace

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ABSTRACT

The present stage in the evolution of the Internet, commonly called Web 2.0, has revolutionized the way people communicate, interact, and share information and has radically changed the way customers search for and buy products. The increasing adoption of Web 2.0 applications and technologies has led to an explosion of customer-generated content and has opened new opportunities for networking and collaboration among customers. Web 2.0 applications have brought about a new media category, the Social Media, increasingly growing in importance at the cost of traditional media. The Social Media have changed the power structures in the marketplace; evidence points to a major power-migration that is taking place and to the emergence of a new breed of powerful and sophisticated customers, difficult to influence, persuade, and retain. The chapter outlines the nature, effects, and present status of the Social Media, underscoring their role as agents of customer-empowerment. It explains their aptitude and possible roles as part of the corporate marketing strategy and identifies different ways of engaging them as marketing tools. The chapter proposes two possible Social Media marketing strategies. One is a passive approach focusing on utilizing the Social Media domain as source of customer voice and market intelligence. The second is an active approach, engaging the Social Media as direct marketing and PR channels, as channels of customer influence, as tools of personalizing products, and last, but not least, developing them as platforms of co-operation and customer-generated innovation. Finally, the chapter identifies future research directions for this new element of the marketing landscape.

INTRODUCTION

Marketing, as an academic discipline and management activity, has been the subject of substantial transformation during the last twenty years. Many scholars and practitioners agree that mass-mar-

keting approaches, while popular in the 60's and 70's, have lost ground (Brady & Davis, 1993; Seth & Sisodia; 1995; Bakos, 1998; Chaffey, Mayer, Johnston, & Ellis-Chadwick, 2000; Coviello & Brodie, 2001; Constantinides, 2006; Court, 2007). Media proliferation, market globalization, and

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the emergence of a new generation of Information and Communication Technologies (ICT) are changing marketing rules and market dynamics and weakening the corporate competitive position (Porter, 2001), while at the same time, presenting individuals with many new opportunities and empowerment (Christopher, 1989; Wind & Mahajan, 1997; Rha, Widdows, Hooker, & Montalto, 2002; Bush, 2004; Urban, 2005).

In light of this development, the old debate on the need for a new marketing orientation has gained new momentum. What is emerging is a consensus on the need to re-define marketing approaches (Constantinides, 2006; Heaton, 2006; Thomas, 2007). Previously, some scholars have argued for a relationship-focused marketing approach as an alternative. (Grönroos, 1994, Grönroos, 1997; Kumar, 2004; Gummesson, 2008), while others suggest a customer-focused paradigm based on openness, engagement, cooperation, co-creation, and a shift to helping customers rather than controlling them (von Hippel & Katz, 2002; Prahalad & Ramaswamy, 2004; Urban, 2005; Deighton & Konrfeld, 2009).

Looking closely at the emergence of new ICTs, and particularly at the impact of the commercial Internet on businesses and the public, one could argue that the Internet has dominated the development in the marketing domain during the last two decades. One of the key developments was the continuous migration of market power from producers and marketers to consumers/customers, a fact that brought a substantial change to the rules of marketing and marketing communication. The Internet, as a commercial landscape, and particularly, the developments related to its current stage, widely known as Web 2.0 (or Social Media) presents commercial organizations with unique challenges. The Social Media are the main contributors to customer empowerment and, as such, they represent a major strategic threat for marketers. Surviving in a customer-dominated marketplace requires that commercial organizations understand the threats of the Social Media

to but also learn how to turn them into a strategic opportunity. This is because the Social Media domain presents businesses with new options for improving their competitive position and exploring new sources of customer value that will attract customers and help to build strong relationships with them. For marketing strategists, the message is simple; surviving in the age of the empowered customer means less dependence on traditional mass-marketing tactics and more attention on one-to-one communication and customized approach. The Social media can be a major enabler of this approach.

This chapter underlines the increasing pressure on marketers to adjust their approaches in the evolving marketing ecosystem where technology plays an increasingly important role. It examines the nature of the Web 2.0 domain and identifies the possible roles of Social Media applications as marketing tools. The chapter proposes a classification of the various Social Media applications and identifies their roles as part of the marketing toolbox of the twenty-first century marketer.

What is Web 2.0 and Social Media?

Web 2.0 and Social Media are new terms in the Internet and marketing lexicon. Tim O'Reilly (2005) popularized the term Web 2.0 as the next stage of the evolution of the Internet by referring to it as a wide collection of online applications sharing a number of common characteristics. The Web 2.0 concept was received with enthusiasm by Silicon Valley circles, the press, businesses, and the wider public.

The subject has attracted scholarly attention. A variety of definitions of Web 2.0 can be found in academic publications but and there is no consensus on the exact meaning of the term. The reason for this is that, from a number of perspectives, Web 2.0 is a complex issue; computing technologies and techniques, software applications, behavioral issues and social effects are often mixed together, creating confusion and ambiguity. Understanding

Web 2.0 is easier if we identify the main dimensions of this concept: the application types, the social effects and the enabling technologies (Figure 1). A detailed description of these dimensions is provided in Appendix 1. With these three components in place, Constantinides and Fountain (2008) proposed the following definition:

Web 2.0 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, and knowledge, and promote innovation and creativity by allowing the efficient generation, dissemination, sharing, and editing of content.

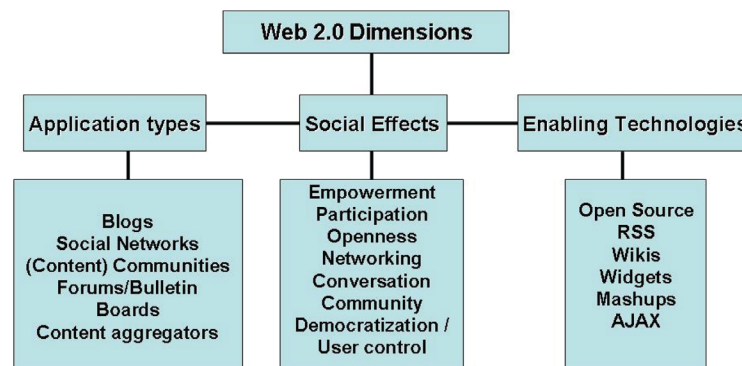
This definition focuses on the application types and the social effects as the most important elements from the marketing perspective. The third dimension of Web 2.0 (enabling technologies) refers to the software tools employed in the different application types, something that does not belong to the domain of marketing. Particularly important from a marketing perspective are the

application types: blogs, social networks, content communities, online forums, and content aggregators. These are the Web 2.0 applications that allow peer-to-peer communication, the exchange of information, and the creation/editing of content.

The term Social Media was coined more recently, and has often been used interchangeably with the term Web 2.0. According to the online dictionary, WIKIPEDIA, Social Media "are media designed to be disseminated through social interaction, created using highly accessible and scalable publishing techniques. The Social Media support the human need for social interaction, using Internet- and web-based technologies, unlike broadcast media monologues (one-to-many)".

For most practitioners, the term Social Media is associated with user-generated content, a view also shared by many academics (Agichtein, Castillo, Donato, Gionis, & Mishne, 2008; Mangold & Faulds, 2009; Lariscy, Avery, Sweetser, & Howes, 2009). Social Media support dialog (peer to peer) and social networking. Dialog and social networking allow the democratization of knowledge and information, transforming individuals from content consumers to content producers.

Figure 1. The web 2.0 dimensions



Source: Constantinides and Fountain, 2008

With this background, we define the Social Media as Web 2.0 applications enabling the creation, editing, and dissemination of user-generated content. These applications (blogs, social networks, content communities, forums/bulletin boards and content aggregators) were identified earlier as the first of the Web 2.0 dimensions: the application types (Figure 1). Focusing on the Social Media rather than the other elements of the Web 2.0 mix is critical because of the efficacy and potential of these applications as part of the marketing toolbox. The Social Media are very powerful new communication channels, allowing marketers to engage in direct dialog with their customers, listen to the customer voice, learn about individual customer needs, communicate efficiently with them, and customize their products or services the second wave of customer empowerment

The expansion of the Internet as a commercial domain during the 90s presented customers with unique opportunities. The quality and quantity of online information (about companies, products, and brands), the easy access to it and the almost unlimited online shopping alternatives became sources of customer empowerment, increasing the customers' negotiating power over producers and distributors of products and services (Porter, 2001; Rha, Widdows, Hooker, & Montalto; Bush, 2004; Urban, 2005). The advent of Web 2.0 technologies during the first years of the twenty-first century and the widespread adoption of Social Media applications by the public further strengthened the customers' position. For the first time, the public was gaining control over the Internet, which had already been established as a major communication and transaction channel (Dobele, Toleman, & Beverland, 2005; Mayzlin, 2006; Gillin, 2007; Bernoff & Li, 2008; Bian, Liu, Agichtein, & Zha, 2008).

The Social Media further increased customer power by allowing peer-to-peer connectivity, easy interaction between individuals, information sharing, and the easy creation, publication, and editing of user-generated content. The new forms of col-

laboration between consumers and the exchange of customer-generated product information, product reviews, product recommendations, and comments resulted in a vast volume of word-of-mouth (or buzz) outside the official corporate communication channels and beyond corporate control. Web logs, online forums, social networks, online communities and other types of Social Media harness the collective knowledge/intelligence and spread information rapidly, allowing customers to talk online about brands and shopping experiences, to publish product reviews, and to give shopping advice to each other (Gillin, 2007). Product reviews and recommendations, contributed by consumers, are perceived by peers as more credible than those of industry experts; the trust of peer opinion rather than expert opinion is based on the perception that peer-created content reflects genuine feelings and unbiased product experiences.

The increasing online interaction and empowerment of customers has resulted in a steady decrease of the power and effectiveness of traditional, one-way media (TV, press, radio, etc.) as channels of customer influence (Danaher & Rossiter 2006; Levine 2006). The decline of traditional mass media is reflected in a major shift of advertising budgets from traditional to online channels; a TSN Media Intelligence report published on May 2009 indicates that in 2008, the US advertising expenditure on the Internet increased, while it declined in all forms of traditional mass media. McKinsey predicted that "television advertising in 2010 will only be 35% as effective as it was in 1990".

Social Media: A Strategic Opportunity for Marketers

The Social Media have made customers more sophisticated and have helped them develop new tactics in searching, evaluating, choosing, and buying goods and services (Albors, Ramos, & Hervás, 2008). Recent research reveals new behavioral trends that are rooted in the use of the Social Media. For example, the demand for

customized products (Kera & Kaynak, 1997) and the willingness of customers to get actively involved in the process of product development are increasing (Pralhad & Ramaswamy, 2004; Piller & Walcher, 2006; Kim & Bae, 2008; Parise & Guinan, 2008; Drury, 2008; Eikermann, Hajj, & Peterson, 2008). Customers are anxious to have their say in more stages of the business process.

Such developments influence the way marketers operate and affect marketing practices on strategic and tactical levels, presenting marketers with difficult choices and challenges (Sharma & Sheth, 2004; Thomas, 2007; Winer, 2009). Marketers have become open to the idea of offering products that can be customized according to the wishes of the final consumer; often, they are also open to the idea of creating the conditions that allow collaboration with customers in developing and testing new products, a process known as co-creation (Pralhad & Ramaswamy, 2004; Piller & Walcher, 2006). Furthermore, competitive pressure and the recognition by marketers that they have to regain some control over the customer-controlled Social Media space has prompted many businesses to invest in a Social Media presence (Barwise & Styler 2003) or to develop plans to launch marketing activities in this domain in the near future. A 2009 study by The Center for Media Research found that over half of the businesses surveyed plan to engage social networks as part of their marketing plans in 2010.

Research on the experiences of marketers adopting the Social Media as part of their marketing strategies is still limited, but some academic studies already indicate that marketers are, in general, positive about their experiences of Social Media marketing (Kim & Bae, 2008; Ellison, Steinfield, & Lampe, 2007). Recently published studies from the practitioner's quarters also confirm these findings: a report by Stelzner (2009) identified the main benefits of Social Media Marketing:

- 81% of the companies surveyed in this study indicate that their Social Media activities generated more market exposure.
- 61% of them observed increased customer traffic.
- 56% of the cases, Social Media marketing resulted in new business partnerships.
- 45% of the firms reported reduced marketing expenses.

Zabin (2009) identified the effects of Social Media Marketing for three types of companies, depending on the degree of their adoption of the Social Media. The study found that the experience of the top 20% ("best-in-class") using Web 2.0 applications as marketing tools was:

- Improved the likelihood of customers recommending the firm's products or services in 95% of the cases.
- Improved the return on marketing investment in 87% of the cases.
- Improved the customer acquisition rate in 95% of the cases.

Another recently published report from the Altimeter Group (2009), in cooperation with the social platform WETPAINT, found a correlation between a brand's social engagement and its financial performance among the top 100 global brands. The brands most heavily engaged in Social Media Marketing show 18% revenue growth against a 6% revenue decline for the brands that were not engaged. The study found similar effects in gross margins (+15% versus -9%, respectively) and net margins (+4% versus -11%, respectively). While more research is needed, all indications point to the fact that Social Media Marketing presents marketers with a very interesting strategic opportunity.

The Social Media as Part of the Marketing Strategy

Effectively engaging the Social Media as part of the corporate marketing strategy requires that the company's "Web 1.0" legacy be in good shape; the corporate website must be in position to serve as the corporate platform for meeting the expectations of the online customer (Constantinides, 2004; Constantinides & Geurts, 2005). Most of the strategic objectives of Social Media Marketing require the presence of an impeccable company website: functional, efficient, trustworthy, organizationally integrated, and customer-oriented. The firm's online corporate presence must reflect and communicate the corporate positioning, quality, customer orientation, and image.

Having a well-designed website is a necessity, but by no means a guarantee of success; a second important condition is the customer-orientation of the marketing organization expressed in their traditional marketing activities and fulfillment processes. Customer-oriented marketing organizations must be geared to offer high value to customers by delivering quality products and services. Marketers should realize that Social Media users can easily investigate and test the company's quality or price claims, find alternatives or substitutes and, last but not least, review products or services and report their own experiences to large numbers of peers. To take the leisure industry, as a case in point, today no hotel marketer should attempt to promote his services by showing beautiful pictures of his hotel rooms or beautiful surroundings or make claims about the hotel services that have nothing to do with reality. The online forum, Tripadvisor.com, provides more than 15,000,000 traveler-generated reviews, pictures, and comments about practically every hotel, vacation destination, restaurant, and anything else having to do with the leisure industry on the planet. These are viewed by millions of people who want to book a vacation. Web logs and online forums, such as epinions.com, reviewcenter.com,

and consumersearch.com publish thousands of customer-generated reviews about many categories of products or services, allowing customers to compare products and learn about them very easily before they buy.

Therefore, engaging the Social Media as marketing tools is not an isolated process, but rather, the final step of a consistent strategic effort to improve the product/service, the organization, and the traditional corporate website. This is illustrated in the E-Marketing Pyramid model (Figure 2) that presents the relationship between Social Media Marketing and the rest of the marketing program. Social Media-based marketing is the pinnacle of an integrated marketing effort; however, failing to address the issues arising in lower levels of the pyramid properly will lead to disappointments, waste of resources, and loss of customer goodwill (Godin, 2007). The E-Marketing pyramid identifies four levels:

Level 1: The Product and Service

The basis of the marketing strategy is the quality of products and services and the customer/market orientation of the company. These issues should be defined in the company's mission, unique sell-

Figure 2. The position of the social media or web 2.0 within the (e-) marketing program



ing 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 out 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 Marketing (and E-Marketing) Organization

The second level of the pyramid refers to the creation and maintenance of a market-oriented organization able to support traditional as well as online marketing activities. This means that organizational processes like production, logistics, customer service, sales, and procurement (Porter, 1985) should deliver high customer value and should be flexible enough to support the firm's online activities. There is plenty of evidence that many traditional businesses that adopt online marketing face difficulties adapting their organization to the level of sophistication required for operating online.

The need for organizational transformation depends on the firm itself. For some businesses, the Internet has been proven to be a sustaining technology, for others, a disruptive one (Christensen, 1998). Dell Computers was thriving as an online PC producer in the 90s but most of its traditional competitors, like Compaq or IBM, have never - even remotely - reached the levels of Dell's online efficiency and sales levels, mainly due to organizational reasons (Christensen & Raynor, 2003). This is because Dell could very easily integrate the Internet into its existing operational model (telephone orders, customized production, and direct distribution). IBM and Compaq faced major problems adjusting their businesses to the online model, since their production and distribu-

tion models were based on series production and sales/distribution through intermediaries.

Similar situations have been observed in other industries. It took almost ten years for many airlines to transform their organizational infrastructures to support an efficient e-ticketing system. British Airways, Qantas, and American Airlines introduced e-ticketing in their international alliances in 2004, and the Dutch carrier KLM introduced e-ticketing in The Netherlands in 2002, all much later than their low cost competitors. EasyJet and Ryanair were smaller and more flexible organizations and integrated e-ticketing into their business models quickly and efficiently, substantially cutting their costs and improving customer service. The difficulties faced by the industry incumbents in adjusting their organizations quickly enough to meet demands of the online model have meant the loss of market share to the new entrants. Online travel services, such as expedia.com and travelocity.com have captured a substantial market share in the tourism industry, driving thousands of high-street travel agencies out of business worldwide (Urban, 2005).

Level 3: The Web 1.0 (Web Presence)

Creating a market-oriented organization that supports traditional and online marketing activities is essential in order to establish a successful online presence. Online customers have high expectations of the quality of the online experience (Constantinides, 2004); cumbersome, poorly designed or difficult to navigate websites are perceived as evidence of flawed products and low brand quality. Website performance is still a very important determinant of online acquisition and loyalty; a recent report of Akamai Technologies Inc., conducted by Forrester Consulting, underlines the importance of website performance and finds that customers are becoming increasingly critical. Online marketers should understand the importance of a well-designed and credible website and they should identify the role (or roles) the

website must play in order to help to achieve the company's marketing objectives. Assigning the right roles, creating the proper customer online experience, and integrating the corporate website into the total marketing plan are the basic elements of a strategy aiming to create an impeccable online business, both as a value-adding component of the total marketing program and as the basis of Social Media Marketing.

Level 4: Social Media Marketing

Having a flawless online presence is the crucial factor for moving to the next stage, i.e., the engagement of the Social Media as marketing tools. Synergy with the Web 1.0 environment is vital and the steps towards creating marketing-oriented Social Media applications must be backed by the resources and capabilities of the organization's back office; corporate strategists must critically appraise the objectives of their Social Media strategy and their internal capabilities. This means an analysis of the organizational needs and resources

and identification of the mix of objectives of Social Media Marketing (Table 1).

Social Media as Marketing Tools

Field evidence and an increasing number of studies already provide a good picture on the basic patterns of engaging the Social Media as part of a marketing strategy (Chesbrough, 2006; Bernhoff & Li, 2008; Prahalad & Krishnan, 2008; Deighton & Konrfeld, 2009). Two main approaches seem to emerge:

- **The Passive Approach:** Based on utilizing the Social Media public domain as a potential source of customer voice (Anderson, 2007; Parise & Guinan, 2008). The marketing objective is to provide marketers with information about market needs, customer experiences, competitive movements, and trends.
- **The Active Approach:** To use the Social Media as tools of communication, for di-

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

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		

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

rect sales, for customer acquisition and for customer retention (Bughin, 2007; McKinsey, 2007).

By plotting the various marketing objectives with the types of Social Media applications identified earlier (Figure 1), we come to the classification model presented in Table 1. On the vertical dimension of the model, we identify the five types of Social Media applications: web logs, content communities, social networks, forums/bulletin boards and content aggregators. On the horizontal dimension, the main marketing objectives are defined that can be attributed to the Social Media as marketing tools. The table also presents an initial assessment of the suitability of each social medium for each approach. The assessment is based on literature (Gillin, 2009), anecdotal evidence, and an initial review and analysis of tactics followed by organizations engaging Social Media Marketing (source: WIKI of Social Media Marketing Examples).

- **A: The Passive Approach** (listening-in) uses the Web 2.0 domain as a source of intelligence, i.e., as a source of customer voice and as a way to gain market information. The most suitable Web 2.0 applications for listening in are blogs, content communities, and forums.

Online individuals are keen to interact with peers, provide information, and post product reviews, and to exchange experiences and recommendations about brands, products, or services. The Social Media domain has subsequently become a low-cost but high-quality information source on what is happening in the marketplace at any moment. Such information can help marketers to track problems and market opportunities. Blogs or online forums are often the first to report product problems or malfunctions, as well as corporate bad practices. Companies can save a lot of money and prevent damage to their reputations

if action is taken before such news goes to the mainstream media and becomes unmanageable. (Gillin, 2007, 2009). Some examples of such situations are well known:

A video showing a Dell laptop computer spontaneously combusting during a conference in Japan created an enormous online and offline outcry and forced Dell Computers to recall millions of laptops with faulty batteries.

An unsatisfied customer of Land Rover launched the web log “Discover the truth about Discovery” and created a large community of Land Rover customers. It was pronounced one of the 50 most influential web logs a few years ago.

A recorded conversation – posted online - of a customer with an America On Line (AOL) call-center representative revealed the company’s high-pressure tactics towards subscribers trying to terminate their subscriptions.

These are examples of online stories that became first page news, forcing corporations to recall products or adjust their practices. Experience indicates that if marketers, facing negative publicity in the Social Media space, take no action, either because they do not know about it or they ignore it, there is a danger of “blog swarms” making situations unmanageable, with the possibility of crossing over to traditional media.

Traditionally, marketers tap the consumer voice using surveys, focus groups, data mining, and several other conventional market research methods, but these methods can be costly and time consuming and therefore they are not always compatible with the need for “live” information in fast-changing and highly competitive markets. Today, marketers are able to access and listen to the customer voice on an instant and continuous basis by listening in or even participating in the online conversation as it develops. This requires locating and monitoring what people are discussing and publishing in the Social Media space (blogs, podcasts, forums, and online communities).

Many options are available to marketers for tapping the customer voice, ranging from simple

and free-of-charge tools, such as Google Alerts, to sophisticated agents for collecting and sorting out relevant information. There are several web tools specialized in locating and gathering this content: Nielsen Buzz Metrics is a commercial service monitoring several millions of blogs and provides information on what is being discussed online. Indexing tools like Technorati, CollectiveIntellect.com, buzzcapture.com, and blog search engines like BlogPulse, or the “index aggregator”, TalkDigger, are easy-to-use and low-cost solutions for capturing and analyzing the online customer voice.

- **B:** The active approaches use Web 2.0 applications as tools for public relations, direct marketing, and influencing customers, and as a means for personalizing the customer experience and tapping customer creativity.

The active approaches to using the Social Media as marketing tools can be classified into four sub-categories:

- **B.1:** Using Web 2.0 applications as company public relations and direct marketing tools. The most suitable Web 2.0 applications for online public relations are blogs, forums, content communities, and content aggregators.

As we mentioned earlier, marketers increasingly understand the importance of the online dialog that is taking place in web logs, online forums, and user communities; essentially, this public dialog takes place outside the company domain and control. Introducing corporate blogs, website forums, and company-sponsored communities as part of the corporate online presence is an option that allows corporate executives to attract the dialog to within their own quarters, moderate comments and, most importantly, directly react to customers' concerns or questions (Singh, Veron-Jackson,

Cullinane, 2008). At the same time, this strategy addresses the growing desire of the customer to form online communities and interact with peers. There are already many examples of firms taking steps to initiate this type of online dialog with the public, reflected in the impressive growth of corporate blogs; twenty percent more firms in the Inc. 500 index were using corporate blogs in 2008 than in 2007. Business executives regularly post in their CEO blogs, encouraging customers to interact and freely express their feelings, ideas, suggestions, or remarks, such as Jonathan Swartz, President and CEO of Sun Microsystems, Steve Jobs CEO of Apple Computers, Alan Meckler CEO of Jupiter Media, GM Vice Chairman Bob Lutz, John Dragon CMO of Novell, Alan Meckler CEO of Jupiter Media, and McDonalds Vice President, Bob Langert. Politicians have also realized the power of Social Media as channels of direct communication with their constituencies. The surprising performance and victory of Barack Obama, as a Democratic Party and presidential candidate in the 2008 US elections, has become already a classic example of the use of the Social Media as an effective marketing instrument for building brand-awareness, image, and loyalty (Baldoni, 2009; Libert & Faulk, 2009).

Participation in the Social Media dialog does not have to be limited to top executives. A popular approach, pioneered by Microsoft in 2003, is to engage company employees as content contributors in corporate blogs and forums. Many executives deem this approach risky; it requires openness on the part of the corporations and assumes staff responsibility. Many employees make use of this opportunity, either in a business context or for private purposes. Field experience indicates that corporations engaged in blogging should draft a code of conduct for employee blogging and other Social Media-related activities, such as the publishing photos or videos. Organizational guidelines can help to avoid problems and misunderstandings between the firm and employees and can protect both parties. A recent incident (2009) involved

two employees of Dominos Pizza, who posted a number of offending videos in YouTube that threatened the brand-integrity and resulted in criminal charges against the employees.

In addition to company-sponsored blogs, a simple and low-cost way to engage the Social Media as a public relations tool is to utilize content communities – such as the video sharing sites, YouTube and GoogleVideo, – as advertising channels for 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. It is quite common for this type of free publicity to reach very substantial numbers of viewers. A YouTube commercial of Unilever's Dove Real Beauty campaign was viewed more than ten million times, and videos posted online of the candidates in the American primaries and elections for 2007-2008 were downloaded and watched by several millions of viewers.

Public content sites like Wikipedia, Citizendium, and Wikitravel can also be used effectively as advertising platforms. Posting company or product information in wiki-based online sites like Wikipedia allows potential customers to find this information very easily, because such sites have high rankings in search engine queries.

Applications like special interest blogs and online communities can also be used effectively for focused communication. Advertisements, links, or banners placed in special interest blogs, communities, or forums enable marketers to reach special interest publics and what has been described as the Internet Long Tail (Anderson, 2006): tiny market niches or even individual customers looking for products that typically cannot be found in high-street shops. This type of publicity can be realized at a fraction of the cost of traditional media.

The Social Media can also be very useful tools for customer retention. Many firms add RSS- (Rich Site Summary) capability to their companies' website, syndicate their website content, and keep their customers up-to-date about

their products or services; a necessary condition is that customers are subscribers to RSS readers, such as igoogle.com, MyYahoo.com, newsgator.com, and bloglines.com.

Finally, another way to keep in touch with customers interested in company brands and products is to facilitate the creation of online communities, offering the possibility for people to share interests in the company brand or products and to interact. A characteristic example of this trend is the community NIKE+, which focuses on the running experiences of their customers. The site allows different forms of interaction between customers, in online forums on the social networking site, FACEBOOK, and in the "Distance Club", where the distances that every member runs wearing NIKE shoes are added up and presented on a map in real time. The idea of corporate-sponsored online communities has become popular, even among traditional corporations. The New York Times already offers a mix of Social Media to its public, including blogs, and in special interest communities in social networking sites, such as FACEBOOK, the micro-blogging site Twitter, and the photo-exchange community, Flickr

- **B.2:** Engaging Social Media personalities as product or brand advocates. The most suitable Web 2.0 applications are blogs and forums.

Engaging early adopters, the specialized press, and industry experts as advocates of product innovations has always been a part of the traditional commercialization process of new products. These opinion leaders are important in ensuring that the message reaches the critical mass of potential customers. Today, more and more marketers are discovering that next to traditional influencers (experts), it is important to engage online opinion leaders and personalities (mostly the authors of high-traffic, influential blogs) as product advocates, as a means of attracting immediate and extensive free publicity and word-of-mouth

endorsement. Such a strategy requires that marketers identify the “New Influencers” (Gillin, 2007), establishing contact with them, and informing them about the firm, its brands, and its new market offerings. The public favors blogs and online forums as sources of new product information because these media usually publish information that has not yet reached the press or other traditional channels. Blogs, such as *techcrunch.com*, *gizmodo.com*, and *engadget.com* attract millions of readers daily, who are interested in new product information and product reviews. The endorsement of product innovations by these online influencers is often decisive for the adoption of products by mainstream customers. The objective of marketers should be to set up ties and working relationships with leading blogs or user forums that are willing to review, discuss, comment on, or even recommend the use of the firm’s new products. Finding the proper channels is possible by using instruments and services already available online: *Technorati.com*, *Nielsen BuzzMetrics*, and other specialized agencies and online services measure the influence of blogs and provide rankings and relevant information for better targeting.

- **B.3:** Using Social Media for personalizing the customer’s online experience and allowing product customization. The most suitable Web 2.0 applications are Web 2.0-enabled company websites with sponsored online forums and social networking capabilities.

This approach can boost customer loyalty by offering individuals the possibility of personalizing their online experience or customizing the products they buy. Firms, such as *about.com*, *MySpace.com*, Nike, Disney, and Coca Cola have been experimenting with Web 2.0-based tools that allow customers to adapt parts of the websites to their specific needs or preferences. As well as customizing the website, many firms have introduced interactive, online applications

known as “Configurators” (Piller & Walcher, 2006) and other tools that allow customers to partly, or fully, customize the physical products they buy online. Pioneers in this area are Kleenex, that allows customers to design the packaging of the product (*myklenextissue.com*), *photostamps.com*, that allows consumers to create their own US Postal Service approved stamps, Heinz (*myheinz.com*), that invites customers to create their own personalized labels for their ketchup bottles, and M&M (*nymms.com*) that makes it possible for customers to select their favorite candy colors and print a personalized message on them. Recently the beer giant, Heineken, introduced the application, “Design your Heineken”, allowing individuals to design their own beer bottle and order it online. Producers of sport accessories, such as NIKE (NIKEiD), Reebok (YourReebok), and Converse (ConverseOne) offer similar tools to customers, allowing them to customize articles ordered online. In many cases, customer-designed products become available to the larger public. 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 at regular intervals. The popular furniture chain, IKEA, recently launched an online campaign called “Everyone is a Designer”, encouraging customers to create their ideal living space using IKEA furniture (*iedereenisdesigner.nl*) and to publish their ideas on 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 more efficient branding.

- **B.4:** Harnessing crowd intelligence and creativity: engaging the customer as a contributor of product reviews and advertising concepts, and as part of the innovation process. The most suitable Web 2.0 applications are Interactive E-commerce sites that allow the customer to provide product

reviews and ratings and corporate social sites that allow customer networking and the formation of communities.

The popular online shop, Amazon.com, is the most well-known pioneer in customer reviews, product ratings, and product recommendations, based on behavioral targeting. Product reviews and ratings written by customers are perceived as more reliable than corporate advertising and even more reliable than product reviews written by product experts. A 2007 study of Deloitte Touche, USA found that 62% of US consumers read consumer-generated reviews online and 98% of them find these reviews reliable. Furthermore, 80% of consumers that read peer reviews and product advice say that this type of information has affected their buying intentions. These findings are backed by academic research; Dellarocas (2003), Lee et al. (2008), and Chen and Xie (2008) that found that customer-generated reviews have a substantial effect on customer behavior.

The trust of individuals of peer opinion stems from the perception that peer comments reflect sincere feelings and experiences. This sentiment reflects a general feeling of mistrust and an increasing suspicion of the mainstream media; according to a We Media/Zogby Interactive report (2008), “nearly 70 percent of Americans believe traditional journalism is out of touch, and nearly half are turning to the Internet to get their news”. According to the same study, 32% of Americans believe that websites are the most trustworthy sources, followed by newspapers (22%), television (21%) and radio (15%).

A second option to harness collective intelligence is to use customer-generated advertising. Utilizing customer advertising creativity is a new tactic to engage customers with the brand in a very effective way. SONY, Frito-Lay's, Sunkist, L'Oreal, and Coca-Cola are some of the 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 comparison to professionally made ones, is that customers perceive them as interesting and attractive. Websites, such as current.com match the demand and supply for amateur advertising talent and can be used by corporations for recruiting creative individuals. A variant of customer-created advertising is to encourage customer participation in the choice of commercials to be broadcast, creating viral buzz around the brand. Nestle applied this approach in one of its “Nespresso, What Else” commercials series.

Another option to actively engaging customers is to get them involved in the innovation process. Opening the innovation process to the final customer (Kim & Bae, 2008) is the next step of the Open Innovation concept (Chesbrough, 2003). This process has been labeled as ‘Crowdsourcing’ or ‘Distributed Co-Creation’ (Bughin, Chui, & Johnson, 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 & Nambisan, 2008). Shorter development trajectories, better products, low costs, and flexibility are important strategic advantages of this approach.

Applying the ‘Distributed Co-Creation’ approach requires the creation of Virtual Customer Environments (Nambisan & Nambisan, 2008), i.e., Web 2.0-based applications that allow customers to participate in the firm's innovation processes in different ways. There are several examples of this type of innovation, including 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 development department. Conversations among community members range from discussing colors and designs that should be utilized on a greeting card, to selecting what gifts and price ranges are most appropriate for a high school graduation. Community members are also asked

to keep a virtual journal where they record and rank marketing materials that they have received from the company. Additionally, the company uses the online community to learn more about the customers themselves. Community members are asked to upload and share their pictures and provide insights about their lifestyles, hobbies, and needs. This has resulted in the company gaining valuable insights into consumer behavior, reactions to new products, and new ideas, as well as insights into the effectiveness of the company's marketing materials, all at a very low cost and effort.

Distributed Co-Creation' is also 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. Companies, including SAP, HP, NOKIA, and AMD invite customers to join their developers' support communities. Sun Microsystems operates a developers' community called Sun Developer Network, and 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 McKinsey Report (Bughin et al., 2008), one in ten of the participants in the online community, Second Life, is already involved in co-creating with company in different ways (testing prototypes or participating in the design of new products) and 60% of the participants in this community say that they are willing to experiment with co-creation. 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.com, allows customers to submit their favorite text or figure online and they print it on

t-shirts. If the customers agree, their submissions are posted on the site and are evaluated by site visitors; the best ideas become part of the company's assortment, while the designer wins US\$2,500 in cash and merchandise as a reward. The firm recently launched its first physical shop in Chicago. In this example, the whole innovation process is in the hands of the customer; the formula is so popular that Threadless.com already has a customer community of more than 400,000 people worldwide.

Finally, a new tactic for the outsourcing of product innovation and problem solving is emerging and quickly expanding; a number of specialized portals of 'Crowdsourcing', such as Innocentive.com, Yet2.com, and Innovationexchange.com operate as innovation platforms. Companies looking for solutions to various technical or business problems can post a challenge on these sites, offering a reward (around \$5,000 and often, over \$100,000) for the best solution. The cost-advantages of such processes over the traditional R&D process are obvious. The enthusiastic participation of many corporations in such platforms reflects positive experiences. The explosive growth of 'Crowdsourcing' activities makes this domain especially interesting for scientific research in the future.

FUTURE RESEARCH DIRECTIONS

This chapter introduces and identifies dimensions of the social marketing domain, developed from examinations of the literature and practice in the communication and technology space, the Social Media. The findings indicate a future research agenda that should be focused on three main areas:

1. Identification and study of the effects of the Social Media on individuals' buying behavior and corporate internal processes.

An issue of primary importance is the impact of online social networking and online collaboration,

on customer empowerment, and on the decision-making processes. Customer empowerment is expressed in the growing demand for customized products and services, and in their increasing willingness to actively participate in product development and testing. Customer willingness to co-create presents businesses with new opportunities and advantages, such as reduced R&D and market research costs, shorter time to market, better targeting, and better products. The increasing demand for customized products presents marketers with a very valuable source of customer voice and market trends. At the same time, it presents businesses with new challenges, often requiring the redesign of production, stocking, logistics distribution, and other internal processes

Another important issue is the adoption process of the Social Media by individuals and the motivating factors underpinning this adoption process. Research can build on the theoretical background from the area of human – computer interaction, and from studies based on the Technology Acceptance Model -TAM (Davis, 1989), or on any of its numerous versions found in the literature. The TAM is a suitable framework because of the aptitude of the model to explain the adoption of many new technologies (Mathieson, 1991; Venkatesh & Davis, 2000; Gefen, Karahanna, & Straub, 2003 a, b; Vijayasarathy, 2004; Shih & Fang, 2004; King & He, 2006), and of the online technologies in particular (Koufaris, 2002). In the specific area of online collaboration, there is already some pioneering work; Willis (2008) applied a TAM (Venkatesh & Davis, 2000) to study the adoption of social networking sites. As the numbers of users of the Social Media increases, and new generations of consumers enter the market, the numbers of individuals willing to engage in direct dialog and to co-create with businesses will certainly keep increasing. Understanding the adoption process of the Social Media and identifying the motivating factors underpinning their adoption by the public will allow marketing practitioners to

develop attractive and value-adding online tools that allow customers to engage in dialog with the company, as well as with each other. Participating in the online social dialog will allow marketers to learn about customer needs, discover emerging trends, identify problems and weaknesses of their products, and adjust their products to the fast-changing market.

2. Empirical verification of the potential of marketing strategies based on the Social Media.

While measurement of the effects of traditional marketing strategies and actions is notoriously difficult, the aptitude of online commerce to produce measurable responses and concrete metrics makes this possible. Research should be focused on the measurement of the efficacy and suitability of the various Social Media applications as marketing tools (Table 1), either online or in combination with traditional marketing strategies (Kaplan & Haenlein, 2009).

3. Exploration and classification of collective intelligence and co-creation processes.

Two strategies of specific importance in Social Media-based marketing are mass-customization and innovation based on co-creation, as discussed earlier in this chapter. The concept of ‘Crowd-sourcing’, i.e., harnessing collective intelligence, is gaining popularity among individuals willing to participate in co-creation activities, and among marketers who realize the potential and advantages of engaging the customer as an innovation agent (Boudreau & Lakhani, 2009). Research should focus on exploration of the various aspects of co-creation and the classification of these practices, as a first step towards the formulation and testing of concrete research hypotheses and experimentation about the potential of crowdsourcing as part of the marketing process.

CONCLUSION

Marketers have been confronted with the fact that their dominance in the marketplace is fading; push marketing, based on mass-media communication is becoming less efficient while substantial changes in the marketplace and developments in the area of Information and Communication Technologies have put the customer in control of the communication and marketing process. Increasing customer power goes hand-in-hand with decreasing trust in traditional marketing, and in the diminishing effectiveness of long-established marketing approaches.

The present evolutionary stage of the Internet, widely known as Web 2.0, has boosted customer power by presenting individuals with a new generation of online applications, tools, and networking opportunities, commonly referred to as the Social Media.

While customer empowerment presents marketers with a substantial challenge, there are many ways they can also utilize the Social Media domain to their own advantage and regain some control over the marketing process. A necessary condition is that they understand the realities of the new market and adopt new attitudes; instead of looking at their customers as a massive and passive audience, they must treat them as sophisticated and creative individuals, or even as potential partners. The Social Media can play a very important and decisive role here; marketers can use them as substitutes for traditional tools, helping them to carry out a number of marketing activities effectively and economically, very often with the active participation of their customers.

Social Media applications can be engaged as marketing tools in different ways. They are low-cost, yet valuable sources of “live” customer voice, allowing organizations to fine-tune their marketing activities and often prevent calamities. Social Media can also be engaged as public relations and promotional tools, as instruments of customer influence, and as tools that allow

customers to customize their online experience and the products they buy. Last, but not least, the Social Media open a whole range of opportunities for corporations as platforms for harnessing collective intelligence and creativity; the Social Media can be used to encourage customer involvement with the brand by contributing to the production and innovation process.

Strategic re-orientation and often a radical change of business and management attitudes are necessary in order to deal with the new realities in the customer-dominated marketplace. Marketers should understand the influence of the Internet and, particularly, the importance of the Social Media movement on the market process and on buying behavior. It is also essential to identify and understand the role of the Social Media as marketing tools and as part of the total marketing program. In this sense, this chapter contributes a basis for understanding the role of the Social Media in the changing marketing landscape, and outlines its effects on marketing strategy and practice. The chapter positions the Social Media within the traditional marketing context and defines a framework of reference as a basis for further analysis and research. In this respect, the reliance on literature and practical examples has resulted in a number of concepts of a descriptive and normative nature that present researchers with a number of interesting intellectual challenges and research issues. Therefore, the chapter contributes to the growing debate about the role of the Social Media as marketing tools and provides a number of bases for further research and experimentation.

The most important message of the chapter is that marketers should realize 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 are agents of change and sources of opportunities for marketing strategists who want to learn to operate in a new business environment that, once again, places the customer at the top of corporate priorities.

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APPENDIX

Web 2.0 Application Types/Social Media

1. **Blogs:** Short for Web logs, blogs are online journals and are the most known and fastest growing category of Web 2.0 applications. Blogs often include 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 sources of information. Therefore, they are important centers of the endorsement of products or services. Examples of top blogs are gizmodo.com, boingboing.net, huffingtonpost.com, and techcrunch.com.
2. **Social Networks:** These are applications that allow users to build personal websites that are accessible to other users for the exchange of personal information, content, and communication. Social networks play an important role in the distribution of information and word-of mouth opinions, allowing users to network, communicate (in the form of messaging or otherwise), and interact. Examples of social networks are myspace.com, facebook.com, hyves.nl, linkedin.com, ning.com, and twitter.com. Many commercial organizations are already experimenting in the use of social networks as communication, publicity, and even transaction channels.
3. **(Content) Communities:** These are websites that organize and share particular types of content. Examples are applications of Video sharing, including video.google.com, youtube.com, and etsylove.ning.com. Photo-sharing communities include flickr.com, and Social Bookmarking sites include digg.com, and del.icio.us. Publicly edited encyclopedias or knowledge sites include wikipedia.org, citizendium.org, wikitravel.org, and traveladvisor.com.
4. **Forums / Bulletin Boards:** These are interactive sites for exchanging ideas and information, usually around special interests. Examples are epinions.com, python.org, and personaldemocracy.com. Often such forums or bulletin boards take the form online classifieds (craigslist.org) or 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 access customized, syndicated web content easily. These sites make use of techniques, such as social bookmarking and RSS (Rich Site Summary or Really Simple Syndication), which allow the streaming of data from selected sources of syndicated or proprietary content to special, customizable web. Examples are 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 aggregator.

Social Effects

Web 2.0 as a social movement has become an integral part of the daily life of many consumers. In this environment, several forms of social interaction take place. The almost unlimited possibility of contacting other users allows the creation of online communities formed around demographics or special interests.

Generating content, copying, sharing, editing, syndicating, reproducing, and re-mixing information are all common practices in the Web 2.0 domain. Such practices lead to what has been described as the

democratization of technology, information, and knowledge. They facilitate the active participation of the user as a contributor, reviewer, and reporter. Users can easily create or join communities and special interest groups, sharing their experiences and knowledge but also engaging in conversations with other users, the industry, and politicians. In short, social networking has become a part of the popular culture, mainly among the younger generations. Businesses and politicians (as the latest US primary elections have shown) have begun to understand the power of these communities as communication platforms and it is common that businesses support or even create such communities themselves and invite people to become members. An interesting phenomenon, worth further research, is what is called Distributed Co-Creation, engaging the online user as part of the innovation process.

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 applications. This fact has placed the user of the application in the position of application-co-developer and has led to fast, low cost and efficient improvement of the applications. Next to existing applications, the Web 2.0 movement has been 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 a short description of the most important new enabling technologies and development tools applied in this domain is included below.

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

Wiki is an application that allows 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.