# Organizations and Social Networking: Utilizing Social Media to Engage Consumers

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# Chapter 11
# Application of Social Media Tools by Retailers

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## ABSTRACT

*The chapter explores the factors influencing the adoption process and the degree of engagement of the social media as part of the online marketing strategy by Spanish retailers. A retail industry survey identifies four different segments of retailers depending on the level of implementation of social media marketing strategies. The study examines the antecedents of the social media tools' adoption process across the dimensions of a Technology Adoption Model (TAM) and assesses various other factors likely to affect the degree of the adoption. One essential conclusion is that the company size is not important but that the level of adoption social media marketing is related to the organizational maturity in the areas of management attitudes, employee empowerment, access to Internet technologies, and technological infrastructure. The study proposes a future research agenda including cross-cultural studies for better understanding the global business attitudes in this area and underlines the need for development of benchmarks and metrics necessary for better assessing the value of social media marketing.*

## INTRODUCTION

The advances in the area of Information and Communication Technologies (ICT) have brought sweeping changes to peoples' lives and to the marketing practice. The Internet and increasingly the mobile telephone are the technologies with the greater impact on the commercial landscape (Biswas & Krishnan, 2004; Sharma & Sheth, 2004). With over 1.5 billion users, the Internet has become a mainstream phenomenon and an important marketing platform. The Web is already

the second most important retailing channel in the USA and the European Union (Eurostat, 2010)[1] and several other countries. There are strong indications that the Web has already become the primary customer information source about products or services for many of its users. As a result, the online marketing is claiming an ever increasing portion of the marketers' attention and corporate budget. According to a recent report of eMarketer (2010),[2] spending on print advertising in the U.S. was for the first time in history lower than spending in online advertising in 2010 and the difference is expected to increase in the future.

The most profound effect of the Internet on the marketing practice was the migration of market power from the corporation to the customer (Rogers et al., 1997; Wind & Mahajan, 2001; Varandarajan & Yadav, 2002, Rha et al., 2002; Urban, 2005; Constantinides et al., 2008). This is a continuous process that started in the beginning of the 1990s with the commercialization of the Internet, the development of the World Wide Web, the emergence of the first Web browsers and, of course, the advance of the adoption of personal computing. These developments brought about the first wave of customer empowerment: by accessing the Internet, customers obtained new tools and access to businesses on a global scale, giving them access to almost unlimited information about products and services while allowing them to virtually walk in a global high street.

Around the middle of the first decade of the 21st Century, a new development in the Internet domain became the source of a second wave of customer empowerment. This development is widely known as Web 2.0 or social media. The evolution of the Internet to the Web 2.0 era took place with the arrival of a new generation of interactive technologies and online applications allowing the easy publication, editing, and dissemination of content and also the creation of personal online networks and communities; these developments resulted in new forms of one-to-one

communication and one-to-many broadcasting of user generated content.

The Web 2.0 era dramatically increased the available information volume over products, services, and commercial outlets accessible to consumers but also radically affected the very nature and dissemination modes of marketing information. While traditionally marketing information was generated by corporations and channeled to markets through one way mass media or traditional direct media channels (like direct mail and tele-marketing) the social media-based product, brand and company information is user generated and transmitted through personal social networks, blogs, online communities, customer forums, and more. These channels are for all intents and purposes created outside the traditional marketing communication domain and therefore beyond the control of marketers a lot of the information exchanged refers to customer experiences from using products or services and user comments in the form of product reviews, recommendations to other customers, remarks about improvements and often even advices for use. There is evidence that customer generated information plays an increasingly important role in the decision making process (Constantinides et al., 2008), since this information is often perceived more reliable and unbiased. A recent report of the Opinion Research Corporation[3] found that 84% of Americans are influenced in their purchases by online customer generated product reviews while according to a Bizrate survey 59% of users consider customer reviews to be more reliable than those from experts.

The parallel information stream disseminated through peer-to-peer channels has therefore further empowered customers providing them with plenty and unbiased information allowing them to make better buying decisions. The result of customer decision making processes is today less dependent on corporate information and this has led to the decline of the effectiveness of the

traditional marketing communication approaches. Many businesses are already trying to cope with the situation by, integrating social media strategies into their marketing programs. This new trend in consumer marketing is gaining momentum but there is limited academic research as to the exact factors underpinning the adoption of social media as marketing tools, the extent of these strategies and importantly the actual use and effectiveness of the social media as marketing tools.

This chapter presents the findings of a study aiming at mapping the use of social media as marketing tools by retailers in Spain. The study identifies the antecedents of the adoption of such applications by retailers, the motives and degree of adoption, and also maps the experiences of businesses from their social media marketing strategies.

## BACKGROUND

Internet use has grown almost exponentially in recent years. Indeed, according to statistics provided by Internet World Stats[4], there are 2,095,006,005 Internet users in March 2011, more than a quarter of the world. Internet use in the world grew by 480% in the period 2000–2011.

In 1992, Tim Berners-Lee created the World Wide Web, which is currently known as Web 1.0. Pages in this Web were characterised by being static, with their administrators, or webmasters, having absolute control of all the information controlled therein. These pages were designed to be read, with essentially no interaction between users (O'Really, 2005). The role of the Internet user during this developmental phase of the Web was therefore as a mere information consumer.

The term Web 2.0, or Social Web, has been used more and more often recently to refer to a new trend in the design and use of web pages whereby the user is both the centre of the information and content generator. This concept has been conceived as a philosophy, an attitude, a new way of doing

things that has arisen due to the evolution of the technology itself, which has allowed Internet users to move on from being simply consumers to become producers and creators as well.

The birth of Web 2.0 was marked by the appearance of specific communication tools for Internet users, such as blogs, chats, newsgroups and SNSs, which promote a greater degree of participation. Indeed, as discussed by Riegner (2007), as well as providing benefits for consumers, this interaction has major commercial implications as the consumers themselves now have an increasing influence on products and the strategies used to sell them.

The difference between traditional web pages and Web 2.0 therefore lies in the fact that in the former individuals or organisation only provided information about themselves (Arroyo, 2007), whereas the communication channels in Web 2.0 are two-way: Top-down and bottom-up. As discussed by O'Reilly (2005), a true Web 2.0 application is one which improves the more people use it. The key to such applications therefore lies in finding a balance between personal and social interests.

This term Web 2.0 was introduced by O'Reilly (2005) as the new stage in the Internet evolution referring to a collection of online 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 Web 2.0 has been defined in the literature in different ways (Anderson, 2007; Birdsall, 2007; Coyle, 2007; Craig, 2007; Needleman, 2007; Swisher, 2007) but still no definition seems to have been gained universal approval. Moreover there is a steady decline of the use of the term Web 2.0 while the term social media is gaining popularity[5]. Some researchers use this terms interchangeably but there is in fact a difference between them. Constantinides and Fountain (2008) defined the Web 2.0 and described it as an online interactive platform consisting of three components:

Application Types, Social Effects and Enabling Technologies. These three elements are depicted in Figure 1.

The application types (Blogs, Social Networks, Content Online Communities, Forums/Bulletin Boards and Content Aggregators) are in fact the categories of interactive and customer c\generated content platforms used by customers for communication and creation, editing and dissemination of content; in this study the term social media refers to these five application types but alternatively the term "Web 2.0 applications" can be used also.

Regarding the social effects factors in the model, these include the customer empowerment, the democratization of technology and the social networking as the most important ones. The social effects have been an important factor in shaping the consumer of the 21st Century. Enabling seamless generation of information and easy access to it is the key advantage of Web 2.0 applications. Copying, sharing, editing, syndicating, reproducing and re-mixing information are common practices in the Web 2.0 domain. The creation, sharing and dissemination of information results to democratization of knowledge and allows the active participation of users as contributors, reviewers and editors. Users can

easily create communities of special interests and further share their experience and knowledge but also engage in a transparent conversation with the industry or politicians. The result is as explained earlier a unique form of customer empowerment allowing customers to affect as never before the market power structures and more importantly the shape of the future marketing (Constantinides et al., 2008).

The third dimension of the model, the Enabling Technologies, includes the equipment and software necessary to create the interactive social media and realize the connectivity, creation, editing, and dissemination of the user generated content. For example, RSS (Really Simple Syndication) is a way to syndicate and customize online content, wikis are applications allowing collaborative publishing, widgets is a generic term for the part of a Graphical User Interface that displays information and allows users to interface with the application and operating system in different ways, mashups are aggregators of content from different online sources to create a new service, AJAX is short for Asynchronous JavaScript, XML is a web development technique used for creating interactive web applications, or RIA (Rich Internet Applications) are Web applications that have the features and functionality of traditional desktop applications.

*Figure 1. Web 2.0 dimensions*
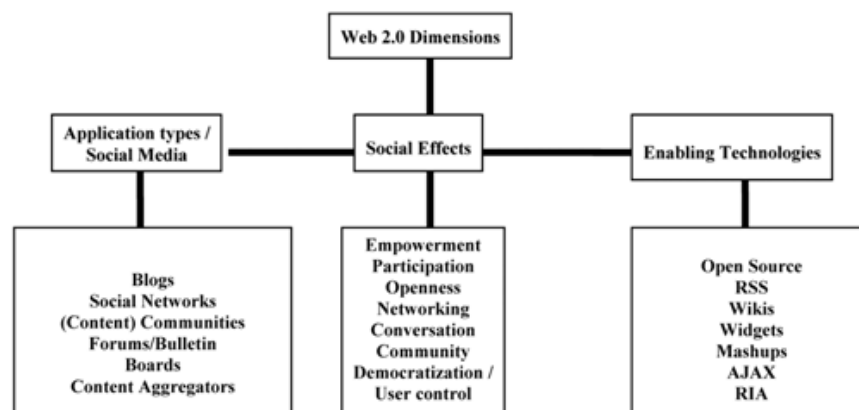


Source: Constantinides and Fountain (2008)

On the other hand, Cobo and Pardo (2007) propose a taxonomy of Web 2.0 applications and tools identifying four main application categories: Social Networking Sites, User Generated Content (UGC), intelligent information organization, and mashups.

- **Social Networking Sites:** Tools and applications for designing and creating websites to facilitate and promote social interchange spaces and communities (e.g., Facebook, LinkedIn).
- **User-Generated Content:** Applications that allow users to generate information in virtual environments using tools for upload and download contents and for writing, disseminating and bartering information. As tools for content generation, some examples could be: (a) weblogs software (blogware) that include content management software designed to create and administrate blogs (e.g., www.blogger.com), (b) blogging tools to improve blogs management such as readers, organizers, tagging tools, search tools, indexation tools (e.g., www.bloglines.com); (c) CMS, or Content Management Systems that can create and manage web sites in an easy manner (e.g., joomla, www.joomla.org); (d) wikis, as tools that allow users to upload and share contents and information generated by different users (e.g., Wikipedia, www.wikipedia.org); (e) online word processors (e.g., http://docs.google.com); online spreadsheets (e.g., http://spreadsheets.google.com); (f) Websites that allow the storage, publication, sharing and editing digital pictures (e.g. www.flickr.com); (g) tools and Websites that allow the access, editing and organizations of multimedia files (e.g., www.youtube.com); (h) virtual agendas and calendars that allow scheduling and shared planning (e.g., http://calendar.google.com); (i) tools for generating, publishing and sharing presentations (e.g., www.slide.com).
- **Intelligent Information Organization:** Tools, applications and resources that facilitate the arrangement, labeling, organization and arrangement of the information (e.g., http://del.icio.us). The contents syndication is a way to distribute and share information from a website. Then, other websites or users can easily access to these information. Most popular are RSS, Atom, RDF and OPML. The labeling or tagging allows Internet users to classify contents by assigning keywords called labels or tags. The folksonomies is a collective classification system that allows the information organization in a collective way, based on people that cooperate by arranging contents using tags.
- **Mashups:** Applications that allow the combination of resources and applications from different websites to offer an added value service (e.g., Panoramio uses Google Maps to locate pictures uploaded by the users).

The difference between traditional web sites and Web 2.0 sites lies in the fact that in the former individuals or organizations can merely present information about themselves and their activities in an one-way, downwards communication pattern (Arroyo, 2007) while in the interactive Web 2.0 the communication becomes two-way: downwards and upwards. O'Reilly (2005) states that network effects are obvious in this environment since a true Web 2.0 application becomes more valuable the more people use it. The key is the size of the users group and the search for balance between personal interests and public assets. Rheingold (2005) suggests that technology convergence has profound social repercussions; this because people use tools allowing them to adopt new forms of interaction, coordination and cooperation. These new forms facilitate the exchange of collective knowledge

and the accumulation of a social capital, generated when social networking, trust, reciprocity, standards and values are shared encouraging people to collaborate and cooperate (Rheingold, 2005). O'Reilly (2005) defines this as the "architecture of participation" which underlines the need for Web 2.0 web sites allowing user participation, so that the architecture of participation is built around individuals, not around the technology.

The importance and popularity of the Social Media as marketing tools and communication channels have been steadily growing during the last six years (Deighton & Kornfeld, 2009) and research suggests that social media have become an important influencer of consumer behavior (Constantinides & Fountain, 2008). According to a Forrester Research Report (2008), the social media domain has become an important tool of Interactive Marketing and commercial budgets on Social Media marketing are growing at the cost of other forms of interactive and traditional marketing.

Most marketing practitioners already recognize the impact of the Social Media as a social and commercial phenomenon placing the customer rather than the marketer in control. In this line a key interest of marketers is how to minimize the negative effects of customer empowerment and utilize the Social Media to their advantage so that they can extract the maximum possible value from social media-based marketing approaches (Regus Report, 2010). In this sense we observe the last years an explosion in the number of social media applications adopted by businesses and particularly by retailers. Some of the methods proposed in the literature include getting real-time feedback on existing products or new product ideas/concepts, build "community" among consumers around their goods, services or brand, leverage customer self-service, and have consumers collaborating on developing future product strategies (Constantinides & Fountain, 2008; Parise & Guinan, 2008).

According to Bernoff and Li (2008), companies can deploy social applications in different departments to accomplish a variety of objectives (see Table 1).

## MAIN FOCUS OF THE CHAPTER

The effects of the social media on people and businesses have been the focus of attention by practitioners and academics. Grewal, Iyer & Levy (2004) observed that "… no other innovation has received as much attention from retailers, manufacturers, consumers and the general public as has been accorded to Internet retailing or e-tailing. Indeed, no other form of intertype competition threatens to upset traditional retailing more than Internet retailing."

Academic research is mainly focused on the impact of the social media on corporate processes (Yakel, 2006; Craig, 2007), on the importance of online communities for corporations (Du & Wagner, 2006; Kolbitsch & Maurer, 2007; Swaine, 2007) or on issues regarding the effects of these new technologies on business (Karger & Quan, 2005; Biever, 2006; Deshpande & Jadad, 2006; Boll, 2007). Non-academic research also provides plenty of evidence as to how corporations integrate the Web 2.0 applications into their operations (DeFelice, 2006; McKinsey, 2007). An increasing number of studies suggest that corporate interest on the social media domain keeps growing and more and more firms are introducing different forms of social media into their daily business routines as well as into their marketing strategies (Cymfony, 2006).

Internet retailing has not escaped from these technology trends and e-tailing as a retail format has moved quickly through a cycle of fast technology change. Rightly Grewal *et al*. (2004) point to the fact that observations and contents regarding the actual state of internet retailing may be debatable or obsolete in a very short term.

*Table 1. Deployment of social applications*

| Manager's role or department | Typical groundswell objective | Appropriate social applications | Success metrics |
|---|---|---|---|
| **Research and Development** | Listening: gaining insights from customers and using that input in the innovation process | • Brand monitoring<br>• Research communities<br>• Innovation communities | • Insights gained<br>• Usable product ideas<br>• Increased speed of development |
| **Marketing** | Talking: Using conversations with customers to promote products or services | • Blogs<br>• Communities<br>• Video on user-generated sites | • Better market awareness<br>• Online "buzz"<br>• Time spent on sites<br>• Increased sales |
| **Sales** | Energizing: Identifying enthusiastic customers and using them to influence others | • Social networking sites<br>• Brand ambassador programs<br>• Communities<br>• Embeddable "widgets" | • Community membership<br>• Online "buzz"<br>• Increased sales |
| **Customer Support** | Supporting: Enabling customers to help one another solve problems | • Support forums<br>• Wikis | • Number of members participating<br>• Volume of questions answered online<br>• Decreased volume of support calls |
| **Operations** | Managing: Providing employees with tools so that they can assist one another in finding more effective ways of doing business | • Internal social networks<br>• Wikis | • Number of members participating<br>• Increased operational efficiency<br>• Decreased volume of e-mail |

Source: Bernoff and Li (2007, p. 41)

## Issues, Controversies, Problems

As mentioned earlier the emergence and the mushrooming growth of Web 2.0 and in particular of the Social Media applications brought about a revolution in the marketing practice. Next to the customer empowerment Social Media-related additional trends and challenges for online retailers are the collaborative merchandising and the (mobile) comparison shopping (Forrester Research, 2008),

These challenges could be transformed though to opportunities; the Web 2.0 could give a new impulse to online retailing and in some cases alleviate some of the negative dimensions of the social media revolution. The effects of Web 2.0 in retailing can be broken down in three dimensions (Jain & Ganesh, 2007): content parameters, col-

laboration parameters and commerce parameters (see Table 2).

Content parameters are related to tools and techniques allowing a better and richer information environment. For example, RIAs (Rich Internet Applications) like FLEX allow a higher quality presentation format with an easier and more user-friendly interface that enhances the customer experience. The same happens with RSS feeds, podcasts, videocasts or mashups.

Collaboration parameters refer to applications that allow consumers-retailer interaction and participation of consumers and other agents on product or services productions (see the example of SAP or AMD at the beginning of the chapter).

Finally, commerce parameters are related to functionalities that can support consumer choices and/or give a higher value to the chosen option.

*Table 2. The effects of Web 2.0 in retailing*

| Content parameters | Collaboration parameters | Commerce parameters |
|---|---|---|
| • Unique user experiences (RIA driven).<br>• Dynamic user help (Peer-to-peer or central).<br>• Data Feeds (RSS, ATOM, XML, JS).<br>• Podcasts/Vodcasts.<br>• Search (Semantic)<br>• Aggregation mechanisms (Mashups) | • Customer peer-to peer network, Collective Intelligence (Blogs, Wikis, Discussion Forums, User Reviews, Tagging, etc.).<br>• Collaborative product customizations | • End user product customizations.<br>• Contextual shopping help (Live agent chat).<br>• Voice based chopping help (VoIP)<br>• Comparison shopping (across brands, end user recommendations) |

Source: Jain and Ganesh (2007)

For example, offering some kind of shopping assistant or a complementary support service through voice or chatting tools.

The above classification highlights the fact that there are multiple factors and effects from implementing Web 2.0 applications/Social Media in retailing. The study attempts to provide a better understanding of the effects, experiences and potential of retailers by engaging social media as part of their marketing strategy. Next to these objectives the study also provides a picture of the businesses using these technologies by segmenting the market according to the intensity of use of social media strategies.

In summary the chapter will provide an answer to the following research questions:

- What are the different segments of retailing businesses in Spain based on the degree of engagement of Social Media Marketing tools?
- What are the characteristics of the retailing segments involved in social media marketing?
- What are the priorities of retailers in adopting social media as marketing tools?
- What internal, external and technological factors influencing the adoption of social media marketing by the various categories of retailers?
- Is the size of the business affecting the degree of the adoption process?

## RESEARCH METHODOLOGY, SAMPLE, AND DATA PROCESSING

In order to evaluate the impact and potential effects of Web 2.0 concepts and tools an online questionnaire for data collection was developed. The sample was drawn from three categories of retailers: Large (more than 250 employees, more than 50 million euro of sales), Medium (between 50 and 250 employees, between 10 and 50 million euro of sales), and Small (less than 50 employees, less than 10 million euro of sales) companies from the Spanish retail sector (NACE2, 47). To identify and select the companies that meet these requirements the AMADEUS database edited by Bureau Van Dijk was used; this database contains financial information on over 10 million public and private companies in 41 countries. The potential participants were contacted by telephone in order to invite the right person (marketing manager) to participate in the study. Finally a representative sample of 90 companies was obtained.

The questionnaire was based on a combination of closed-ended, dichotomous and multichotomous questions, with single and multiple responses. The main objective was to acquire information about the Spanish companies' experience, use and opinion of the Social Media tools.

The latent segmentation methodology was used in order to define segments and to profile the companies. This method allows the assignment of companies to segments based on their probability

of belonging to the clusters, breaking with the restrictions of deterministic assignment inherent to the non-hierarchical cluster analysis (Dillon & Kumar, 1994). Another advantage of latent class models is that they allow the inclusion of variables with different measurement scales (continual, ordinal or nominal) (Vermunt & Magidson, 2005).

The indicators for the latent segmentation were based on the different constructs of the Technology Acceptance Model (TAM) proposed by Davis, Bagozzi and Warshaw (1989) on a five-point Likert scale: Attitudes towards social media applications (Figure 1), perceived ease of use and usefulness of these tools, intention to use or continue using the social media, and actual use of these tools. Moreover, we have added more constructs to segment the companies, the perceived strategic value of these tools to their organization, based on Grandon and Pearson's research (2003) (see Table 3). Based on these variables, different grouping patterns that fulfill the principles of maximum internal coherence and maximum external differentiation were obtained; the Latent Gold 4.5. statistical software was used.

In order to use these constructs in the cluster segmentation, the content, convergent and discriminant validity and reliability of the constructs were verified first by means of the Partial Least Square (PLS) path model, using the SmartPLS software. Then, the resulting factor scores of the measurement model were used as measure of these indicators, so these variables are continuous defined in the real intervals (Brown, Pope & Voges, 2003; Allred, Smith & Swinyard, 2006; Mäenpää, 2006).

In order to refine the resulting segments, we have analyzed different variables that could have an influence on the degree of use of social media: Number of employees in the company, number of information and communication technologies (ICT) professionals working in the company, presence or not of formal policy guidelines on the use of Social Media, possession of broad-band connection and Intranet site, possession of adequate software and hardware tools for social media–related activities, number of employees who can send e-mails internally, externally and visit Internet sites without restrictions. Finally, various social media applications that are not used or applications that companies were not planning to use in the future were identified as well as the applications actually used. For applications used businesses had to identify how these are actually used. Three options were possible here: for internal purposes, for customer–related purposes and for working with external partners/suppliers).

*Table 3. Definitions of constructs*

| Construct | Definition |
|---|---|
| Attitude | "An individual's positive or negative feelings (evaluative affect) about performing the target behavior" (Fishbein and Ajzen, 1975, p. 216). |
| Perceived Ease of Use | "The degree to which a person believes that using a particular system would be free of effort" (Davis, 1989, p. 320). |
| Perceived Usefulness | "The degree to which a person believes that using a particular system would enhance his or her job performance" (Davis, 1989, p. 320). |
| Intention to Use | The company's intention to use the Web 2.0 tools (Davis, 1989). |
| Use | The degree of current usage of the Web 2.0 tools (Davis, 1989). |
| Perceived Strategic Value | "The summation of perceived benefits from (Web 2.0 tools) minus the summation of perceived cost over a period of time" (Kwun, Nickels, Alijani and Omar, 2010) |

## A TYPOLOGY OF COMPANIES ACCORDING TO SOCIAL MEDIA USE

In applying the latent segmentation approach, the first step consists of selecting the optimum number of segments. The model used estimated from one (no heterogeneity existed) up to eight (i.e. eight segments or heterogeneity existed). Table 4 shows the estimation process summary and the fit indexes for each of the eight models.

The model fit was evaluated according to the Bayesian Information Criterion (BIC) that allows the identification of the model with the least number of classes that best fits to the data. The lowest BIC value was considered as the best model indicator (Vermunt & Magidson, 2002; 2005). In this case, the best alternative was represented by four different user groups, as the BIC is minimized in this case. The statistic values included in Table 4 indicate that the model has a good fit.

The Wald statistic was analyzed in order to evaluate the statistical significance within a group of estimated parameters (see Table 5). For all the indicators a significant p-value associated with the Wald statistics was obtained, confirming that each indicator discriminates between the clusters in a significant way (Vermunt & Magidson, 2005).

Table 5 also contains the profiles of the obtained clusters. In the upper part the size and name assigned to the four groups is shown: the cluster called "Passive" includes 20.49% of companies surveyed, the "Potential" 42.15%, the "Initiated" cluster 18.32% and "Expert" cluster 19.03%.

In addition, in the Table 5 we observe the average score that takes each segment in each of the indicators (note that these can take values between 0 and 5, since items that composed each

*Table 4. Estimates and fit indexes*

| Number of conglomerates | LL | BIC(LL) | Npar | Class.Err. | $E_s$ | $R^2$ |
|---|---|---|---|---|---|---|
| 1-Cluster | -803.9808 | 1661.1314 | 12 | 0.0000 | 1 | 1 |
| 2-Cluster | -668.2734 | 1447.3172 | 25 | 0.0133 | 0.9428 | 0.9558 |
| 3-Cluster | -592.4378 | 1353.2467 | 38 | 0.0317 | 0.9295 | 0.9317 |
| **4-Cluster** | **-540.3367** | **1306.6450** | **51** | **0.0196** | **0.9529** | **0.9558** |
| 5-Cluster | -512.4392 | 1308.4507 | 64 | 0.0135 | 0.9658 | 0.9670 |
| 6-Cluster | -474.1386 | 1289.4501 | 77 | 0.0167 | 0.9725 | 0.9673 |
| 7-Cluster | -478.9200 | 1356.6135 | 90 | 0.0121 | 0.9794 | 0.9772 |
| 8-Cluster | -457.1400 | 1370.6541 | 103 | 0.0265 | 0.9604 | 0.9503 |

LL=log likelihood; BIC=Bayesian information criterion; Npar=number of parameters;
Class.Err.=classification error; $E_s$=entropy statistic (*entropy R-squared*); $R^2$=Standard R-squared

*Table 5. Profiles of clusters*

| | PASSIVE | POTENTIAL | INITIATED | EXPERT | Wald | p-value | $R^2$ |
|---|---|---|---|---|---|---|---|
| Cluster Size | 20.49% | 42.15% | 18.32% | 19,03% | | | |
| **Indicators** | | | | | | | |
| Attitude | 2.2462 | 3.8415 | 3.5597 | 4.7548 | 111.1753 | 6.1e-24 | 0.5210 |
| Perceived Ease of Use | 2.3534 | 3.6777 | 3.2014 | 3.9302 | 24.0722 | 2.4e-5 | 0.2718 |
| Intention to Use | 1.8081 | 3.8550 | 3.6036 | 4.9858 | 627.9091 | 9.0e-136 | 0.7107 |
| Perceived Usefulness | 1.7480 | 2.9116 | 3.2434 | 4.3656 | 219.7572 | 2.3e-47 | 0.5949 |
| Use | 0.0000 | 0.0000 | 3.3170 | 3.8714 | 142.9491 | 8.7e-31 | 0.7514 |
| Perceived Strategic Value | 1.9313 | 3.1529 | 3.4147 | 3.9668 | 101.9836 | 5.8e-22 | 0.5180 |

scale were measured with five-point likert scales). We note that the clusters are ordered from lowest to highest use of social media tools. Thus the "Passive" and "Potential" clusters do not use any social media. However, the future intention to use of "Potential" cluster is greater than the intention to use of "Passive" cluster. In addition, "Potential" cluster has a more positive attitude towards Social Media tools and they perceived them as easier to use, more useful and are considered as providing greater strategic value to the company.

On the other hand, the companies included in the "Initiated" and "Expert" cluster are currently using social media. The use of Social Media by the "Expert" cluster is greater than the use of "Initiated" cluster. Furthermore, the intention to continue using these tools is higher in the "Expert" cluster. Moreover businesses belonging to the "Expert" cluster have the most positive attitudes towards these tools. In addition, they perceived them as easier to use, more useful and have greater strategic value to their business.

Completing the composition of the four segments the profile of the resulting groups according to the information from other variables was analyzed. Table 6 shows the groups' composition based on a number of descriptive criteria included in the analysis. Independence tests associated with

*Table 6. Summary statistics of descriptive criteria*

| DESCRIPTIVE CRITERIA | CATEGORIES | Passive | Potential | Initiated | Expert | $\chi^2$ | p-value |
|---|---|---|---|---|---|---|---|
| **Number of employees** | Less than 25 | **29.4%** | **38.9%** | 13.3% | 22.2% | 22.605 | 0.365 |
| | Between 25 and 50 | 17.6% | 19.4% | **33.3%** | 5.6% | | |
| | Between 51 and 100 | 23.5% | 8.3% | 0.0% | 22.2% | | |
| | Between 101 and 250 | 5.9% | 13.9% | 6.7% | 11.1% | | |
| | Between 251 and 500 | 0.0% | 8.3% | 20.0% | 16.7% | | |
| | Between 501 and 1000 | 17.6% | 8.3% | 13.3% | 5.6% | | |
| | Between 1001 and 5000 | 0.0% | 2.8% | 6.7% | 5.6% | | |
| | More than 5000 | 5.9% | 0.0% | 6.7% | 11.1% | | |
| **Number of ICT professionals working in the company** | No one | **47.1%** | **56.8%** | 20.0% | 16.7% | 28.158 | 0.021 |
| | Between 1 and 2 | 35.3% | 18.9% | **26.7%** | 27.8% | | |
| | Between 3 and 5 | 0.0% | 10.8% | 13.3% | 16.7% | | |
| | Between 6 and 10 | 0.0% | 13.5% | 20.0% | 11.1% | | |
| | Between 11 and 20 | 17.6% | 0.0% | 6.7% | 22.2% | | |
| | More than 20 | 0.0% | 0.0% | 13.3% | 5.6% | | |
| **Formal policy guidelines on the use of Social Media** | Yes | 0.0% | 5.4% | 40.0% | 66.7% | 32.817 | 0.000 |
| | No | **100.0%** | **94.6%** | **60.0%** | 33.3% | | |
| **Broadband connection** | Yes | **94.1%** | **91.9%** | **100.0%** | **100.0%** | 3.316 | 0.768 |
| | No | 5.9% | 5.4% | 0.0% | 0.0% | | |
| | No Internet connection | 0.0% | 2.7% | 0.0% | 0.0% | | |
| **Intranet site** | Yes | **52.9%** | 43.2% | **80.0%** | **94.1%** | 15.560 | 0.001 |
| | No | 47.1% | **56.8%** | 20.0% | 5.9% | | |
| **Adequate software/ hardware for Social Media – related activities** | Yes | 31.3% | **62.2%** | **86.7%** | **94.4%** | 18.516 | 0.000 |
| | No | **68.8%** | 37.8% | 13.3% | 5.6% | | |
| **Amount of employees who can send internal emails** | No one | 11.8% | 8.1% | 0.0% | 0.0% | 17.688 | 0.039 |
| | A few | **41.2%** | 21.6% | 20.0% | 0.0% | | |
| | The majority | 17.6% | **40.5%** | 26.7% | 33.3% | | |
| | Everyone | 29.4% | 29.7% | **53.3%** | **66.7%** | | |
| **Amount of employees who can send external emails** | No one | 11.8% | 8.1% | 0.0% | 0.0% | 11.713 | 0.230 |
| | A few | 29.4% | 29.7% | 26.7% | 11.1% | | |
| | The majority | 23.5% | **43.2%** | 33.3% | 33.3% | | |
| | Everyone | **35.3%** | 18.9% | **40.0%** | **55.6%** | | |
| **Amount of employees who can visit Internet sites without restrictions** | No one | 5.9% | 8.1% | 0.0% | 0.0% | 15.877 | 0.069 |
| | A few | **47.1%** | 35.1% | 26.7% | 5.6% | | |
| | The majority | 17.6% | **37.8%** | **46.7%** | 38.9% | | |
| | Everyone | 29.4% | 18.9% | 26.7% | **55.6%** | | |

statistic $\chi^2$ conclude that significant differences exist between the segments regarding the number of ICT professionals working in the company, the presence of formal policy guidelines on the use of Social Media, the possession of adequate software and hardware tools for introducing social media–related activities, and the number of employees who can send email internally. So there is independence between different clusters regarding the number of company employees, the presence of broadband connection and Intranet, the number of employees who can send emails externally, and the number of employees who are able to visit Internet sites without restrictions.

With regard to the number of employees, the largest percentage of companies that belong to "Passive" and "Potential" cluster have fewer than 25 workers (29.4% and 38.9%, respectively), the largest percentage of those belonging to "Initiated" cluster have between 25 and 50 employees (33.3%) and with respect to the companies belonging to "Expert" cluster, there is an equal percentage with less than 25 and between 51 and 100 employees (22.2% each). It is worth noting the high percentage of companies belonging to "Expert" cluster, compared with the rest, with more than 5000 employees.

Moreover, related to employee, the highest percentage of companies belonging to "Potential" and "Passive" cluster do not have any ICT professionals working for them (41.1% and 56.8%, respectively). However, the highest proportion of companies belonging to "Initiated" and "Expert" cluster has between 1 and 2 ICT professionals (26.7% and 27.8%, respectively), in addition, the percentage of companies with more than 2 ICT professionals is also high.

An effective use of social media as marketing tools requires that the personnel is empowered to use them – privately or professionally - but the problem of responsible and prudent use is a realistic and serious one. It is therefore important for businesses to establish formal policy guidelines on the use of Social Media by employees.

The analysis indicates that only the majority of companies belonging to "Initiated" cluster, that is to say companies who in principle make relatively intensive use of social media tools, have such policy guidelines drafted. It seems that the intensive use of social media tools has triggered the need to implement these policy guidelines (or conversely, the development of these policies has led to a greater use of these tools).

In our segmentation there is a higher percentage of companies in the most social media active segments with broadband connection, intranet, adequate hardware/software infrastructure for implementing social media-related activities; this category has also the largest number of employees who can send emails internally, externally and can access the Internet without restrictions. So, we can conclude that the technology adoption, and more specifically the adoption of social media tools by companies, mainly depends on the technological context of the company.

In Table 7 are depicted various social media instruments and the use of these by companies per cluster. Companies that do not use any social media tools were asked whether they plan to use these in the future. Companies using social media tools were asked to identify the main purpose of their use: For internal purposes (for example, communicate, share information among employees), for customer-related purposes (communication with the customers) or for cooperating with external partners or suppliers.

Interestingly most companies from the "Passive" and "Potential" clusters do not use the Social Media tools mentioned and they do not plan to use them; this percentage is lower in companies from the Potential" cluster something also evident in Table 5 where the future intention to use was analyzed. With respect to additional tools they plan to use, companies from "Passive" cluster showed primarily Social Networking Sites (17.6%), customer reviews (11.8%), "listening" to the voice of the customer in the social space (11.8%), blogs (11.8%) and product suggestion box (11.8%).

*Table 7. Summary statistics of social media instruments*

| | | Passive | Potential | Initiated | Expert | $\chi^2$ | p-value |
|---|---|---|---|---|---|---|---|
| **Social Networking Sits** | Do not plan to use | 82.4% | 78.4% | 20.0% | 22.2% | 51.072 | 0.000 |
| | Plan to use | 17.6% | 21.6% | 13.3% | 16.7% | | |
| | Used for internal purposes | 0.0% | 0.0% | 20.0% | 11.1% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 20.0% | 33.3% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 13.3% | 11.1% | | |
| | Do not know | 0.0% | 0.0% | 13.3% | 5.6% | | |
| **Customer reviews** | Do not plan to use | 88.2% | 73.0% | 13.3% | 5.6% | 55.697 | 0.000 |
| | Plan to use | 11.8% | 10.8% | 33.3% | 11.1% | | |
| | Used for internal purposes | 0.0% | 5.4% | 6.7% | 22.2% | | |
| | Used for customer-related purposes | 0.0% | 5.4% | 13.3% | 38.9% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 6.7% | 11.1% | | |
| | Do not know | 0.0% | 5.4% | 26.7% | 11.1% | | |
| **Blogs** | Do not plan to use | 82.4% | 78.4% | 33.3% | 27.8% | 38.275 | 0.001 |
| | Plan to use | 11.8% | 16.2% | 20.0% | 22.2% | | |
| | Used for internal purposes | 0.0% | 0.0% | 6.7% | 16.7% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 20.0% | 27.8% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 13.3% | 5.6% | | |
| | Do not know | 5.9% | 5.4% | 6.7% | 0.0% | | |
| **Youtube or other videos** | Do not plan to use | 94.1% | 83.8% | 13.3% | 33.3% | 55.175 | 0.000 |
| | Plan to use | 0.0% | 8.1% | 13.3% | 11.1% | | |
| | Used for internal purposes | 0.0% | 2.7% | 20.0% | 22.2% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 6.7% | 22.2% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 20.0% | 0.0% | | |
| | Do not know | 5.9% | 5.4% | 26.7% | 11.1% | | |
| **Social bookmarking sites/ tagging** | Do not plan to use | 94.1% | 75.7% | 33.3% | 27.8% | 36.759 | 0.001 |
| | Plan to use | 0.0% | 5.4% | 13.3% | 11.1% | | |
| | Used for internal purposes | 0.0% | 2.7% | 0.0% | 11.1% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 0.0% | 11.1% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 6.7% | 0.0% | | |
| | Do not know | 5.9% | 16.2% | 46.7% | 38.9% | | |
| **"Listening" to the voice of the customer in the social space** | Do not plan to use | 76.5% | 73.0% | 20.0% | 11.1% | 45.793 | 0.000 |
| | Plan to use | 11.8% | 10.8% | 20.0% | 11.1% | | |
| | Used for internal purposes | 0.0% | 2.7% | 6.7% | 33.3% | | |
| | Used for customer-related purposes | 5.9% | 2.7% | 20.0% | 33.3% | | |
| | Used for working with suppliers | 0.0% | 2.7% | 6.7% | 5.6% | | |
| | Do not know | 5.9% | 8.1% | 26.7% | 5.6% | | |
| **Questions and answers** | Do not plan to use | 88.2% | 64.9% | 13.3% | 5.6% | 57.638 | 0.000 |
| | Plan to use | 5.9% | 13.5% | 13.3% | 11.1% | | |
| | Used for internal purposes | 0.0% | 8.1% | 6.7% | 27.8% | | |
| | Used for customer-related purposes | 0.0% | 2.7% | 26.7% | 50.0% | | |
| | Used for working with suppliers | 0.0% | 2.7% | 13.3% | 5.6% | | |
| | Do not know | 5.9% | 8.1% | 26.7% | 0.0% | | |
| **Community forums** | Do not plan to use | 88.2% | 78.4% | 13.3% | 11.1% | 62.240 | 0.000 |
| | Plan to use | 5.9% | 13.5% | 20.0% | 27.8% | | |
| | Used for internal purposes | 0.0% | 0.0% | 6.7% | 27.8% | | |
| | Used for customer-related purposes | 0.0% | 2.7% | 20.0% | 22.2% | | |
| | Used for working with suppliers | 0.0% | 2.7% | 6.7% | 11.1% | | |
| | Do not know | 5.9% | 2.7% | 33.3% | 0.0% | | |
| **Product suggestion box** | Do not plan to use | 76.5% | 59.5% | 0.0% | 11.1% | 42.478 | 0.000 |
| | Plan to use | 11.8% | 16.2% | 26.7% | 11.1% | | |
| | Used for internal purposes | 0.0% | 10.8% | 13.3% | 33.3% | | |
| | Used for customer-related purposes | 5.9% | 10.8% | 33.3% | 33.3% | | |
| | Used for working with suppliers | 5.9% | 0.0% | 6.7% | 5.6% | | |
| | Do not know | 0.0% | 2.7% | 20.0% | 5.6% | | |

*Table 7. Continued*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Real Simple Syndication (RSS) | Do not plan to use | **94.1%** | **75.7%** | 26.7% | 22.2% | 35.303 | 0.000 |
| | Plan to use | 0.0% | 5.4% | 13.3% | 11.1% | | |
| | Used for internal purposes | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 13.3% | 27.8% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Do not know | 5.9% | 18.9% | **46.7%** | **38.9%** | | |
| Wikis | Do not plan to use | **94.1%** | **86.5%** | 40.0% | **55.6%** | 37.713 | 0.000 |
| | Plan to use | 0.0% | 2.7% | 0.0% | 11.1% | | |
| | Used for internal purposes | 0.0% | 0.0% | 0.0% | 16.7% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 13.3% | 5.6% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Do not know | 5.9% | 10.8% | **46.7%** | 11.1% | | |
| Podcasts | Do not plan to use | **94.1%** | **81.1%** | **46.7%** | **50.0%** | 21.297 | 0.046 |
| | Plan to use | 0.0% | 2.7% | 13.3% | 5.6% | | |
| | Used for internal purposes | 0.0% | 0.0% | 0.0% | 5.6% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 0.0% | 5.6% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Do not know | 5.9% | 16.2% | 40.0% | 33.3% | | |
| Product Reviews and Product Ratings | Do not plan to use | **94.1%** | **83.8%** | 26.7% | 22.2% | 49.209 | 0.000 |
| | Plan to use | 0.0% | 2.7% | **40.0%** | **27.8%** | | |
| | Used for internal purposes | 0.0% | 2.7% | 6.7% | 11.1% | | |
| | Used for customer-related purposes | 0.0% | 2.7% | 6.7% | 27.8% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 0.0% | 5.6% | | |
| | Do not know | 5.9% | 8.1% | 20.0% | 5.6% | | |
| Peer to peer (P2P) Networking | Do not plan to use | **94.1%** | **83.8%** | 40.0% | **66.7%** | 20.080 | 0.001 |
| | Plan to use | 0.0% | 0.0% | 0.0% | 5.6% | | |
| | Used for internal purposes | 0.0% | 0.0% | 0.0% | 11.1% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Do not know | 5.9% | 16.2% | **60.0%** | 16.7% | | |
| Microblogging | Do not plan to use | **94.1%** | **83.8%** | 33.3% | **38.9%** | 43.945 | 0.000 |
| | Plan to use | 0.0% | 0.0% | 20.0% | 16.7% | | |
| | Used for internal purposes | 0.0% | 0.0% | 6.7% | 16.7% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 0.0% | 16.7% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Do not know | 5.9% | 16.2% | **40.0%** | 11.1% | | |
| Mash-ups | Do not plan to use | **94.1%** | **67.6%** | 13.3% | 27.8% | 41.404 | 0.000 |
| | Plan to use | 0.0% | 10.8% | 20.0% | 11.1% | | |
| | Used for internal purposes | 0.0% | 8.1% | 6.7% | 11.1% | | |
| | Used for customer-related purposes | 0.0% | 2.7% | 20.0% | **33.3%** | | |
| | Used for working with suppliers | 0.0% | 2.7% | 0.0% | 5.6% | | |
| | Do not know | 5.9% | 8.1% | **40.0%** | 11.1% | | |
| Real-time feed agregator | Do not plan to use | **94.1%** | **75.7%** | **46.7%** | 38.9% | 20.281 | 0.016 |
| | Plan to use | 0.0% | 2.7% | 13.3% | 5.6% | | |
| | Used for internal purposes | 0.0% | 0.0% | 0.0% | 5.6% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Do not know | 5.9% | 21.6% | 40.0% | **50.0%** | | |
| Customization of products | Do not plan to use | **94.1%** | **81.1%** | 26.7% | **55.6%** | 26.510 | 0.009 |
| | Plan to use | 0.0% | 2.7% | 6.7% | 11.1% | | |
| | Used for internal purposes | 0.0% | 2.7% | 13.3% | 5.6% | | |
| | Used for customer-related purposes | 0.0% | 0.0% | 20.0% | 11.1% | | |
| | Used for working with suppliers | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | Do not know | 5.9% | 13.5% | **33.3%** | 16.7% | | |

On the other hand, companies belonging to the "Potential" cluster saw interest in the same tools as above plus the creation of a Questions and Answers (Q&A) section (13.5%), forums (13.5%) and mash-ups (10.8%).

With regard to "Initiated" cluster, there are an equal percentage of companies using Social Networking Sites for internal purposes and for customer-related purposes (20% each). The highest percentage of companies uses a section on their web site with a product suggestion box (33.3%) and questions and answers (26.7%) for customer-related purposes. In addition, there is a high percentage of companies with own blog (20%), that use YouTube or other videos (20%), mash-ups (20%) and offer the possibility of customization of products (20%), all of these tools for customer-related purposes. However, there is not a high proportion of companies in this cluster that use the Web 2.0 tools for internal purposes or for cooperating with external partners or suppliers. The highest percentage of companies in "Initiated" cluster states that they plan to use in the future customer reviews (33.3%) and product reviews and ratings[6] (40%).

With regard to "Initiated" cluster, there are an equal percentage of companies using Social Networking Sites for internal purposes and for customer-related purposes (20% each). The highest percentage of companies uses a section on their web site with a product suggestion box (33.3%) and questions and answers (26.7%) for customer-related purposes. In addition, there is a high percentage of companies with own blog (20%), that use YouTube or other videos (20%), mash-ups (20%) and offer the possibility of customization of products (20%), all of these tools for customer-related purposes. However, there is not a high proportion of companies in this cluster that use the Web 2.0 tools for internal purposes or for cooperating with external partners or suppliers. The highest percentage of companies in "Initiated" cluster states that they plan to use in

the future customer reviews (33.3%) and product reviews and ratings[7] (40%).

In the "Expert" cluster the highest proportion of companies provides for a section on its website for questions and answers (50%) and consumer reviews (38.9%). 33.3% uses social networking, mash-ups (33.3%), blogs (27.8%) and product reviews and ratings (27.8%), all of this tools for customer-related purposes. The highest percentage of companies uses the forums for internal purposes (27.8%) and an equal percentage plan to use them for the same reason. Interestingly an equal percentage of companies use certain tools for internal and for customer-related purposes: "Listening" to the voice of the customer in the social space (33.3% for each purpose), providing a product suggestion box (33.3% for each purpose) and YouTube or other video exchange channels (22.2% for each purpose). On the other hand more than one quarter of the businesses in this cluster use Real Simple Syndication (RSS[8]) for customer-related purposes (27.8%).

The social media tools which companies use less and are not interest to use in the future are also visible In Table 7. These are tagging, social bookmarking (e.g., Del.icio.us, Digg, StumbleUpon), wikis (e.g., Wikipedia), podcasts, peer to peer networking (P2P[9]), micro-blogging (e.g., Twitter, Plurk, Jaiku) and real-time feed aggregators (e.g., Friendfeed[10]).

## Solutions and Recommendations

Retailers perceiving the social media as easy to use, useful for the company and understand their strategic value are likely to develop a positive attitude as to the adoption of social media for current and future use. The availability, ease of use and variety of such applications increases by the day thanks to field initiatives and the open character of these applications allowing their constant improvement due to collaboration among individuals. It must not escape of our attention that

applications like the Facebook, Twitter, LinkedIn and other have gained in very short tome hundreds of millions of followers. This gives to businesses a very strong signal but it seems that this is not always received by marketers. The findings of the study underline the fact a certain level of connection with the market and digital fluency is important; in that respect proactive attitudes of the management and the technology literacy of management and personnel are important conditions for understanding the benefits offered by these tools for the business.

In addition the company technological infrastructure and personnel access to technology is also related to the current use of Web 2.0 applications. Fundamentally, companies with higher proportion of adequate software/hardware for social media-related activities, employees who can send internal and external emails, visit Internet without restrictions, and have Intranet, are those who make more use of Social Media. An interesting issue for future research is to exactly measure and model the relationship between company technological context and adoption of Web 2.0 applications.

As a recommendation we suggest that corporations should introduce the position of an Online Community Manager, that is someone dedicated to maintain and improve the company's online presence not only as an web site but also as participant in the social Web; implementing various social media strategies for capturing the online customer voice and engage with customers (Constantinides et al., 2008). This can add high value to the company marketing program and generate the bidirectional communication typical of the social Web (company-consumer, consumer-company).

The focus on the social media marketing does not mean that businesses have to neglect their traditional online presence, the web site. As mentioned earlier the Website remains the number one information source for the vast majority of consumers. In this sense it is also necessary that the Online Community Manager places attention on search engine optimization (SEO) and search engine marketing (SEM), which are necessary an effective ways to reach the online consumers and engage with them.

## FUTURE RESEARCH DIRECTIONS

The Internet marketing has become a mainstream commercial activity and the second generation of Internet applications–the Web 2.0 applications or social media–are becoming rapidly commonplace as marketing tools in the retailing sector. One should expect that after a period of experimentation and trial and error approaches the use of social media as part of the marketing strategy will enter a mature stage. Retailers and other businesses realize already that the adoption of these tools is the only way to achieve a balance against an empowered customer by engaging with customers and bringing the initiative of the social online activity to their own quarters.

Mapping the retail domain as to the adoption of the social media marketing, it can be argued that understanding the motives and barriers for adoption is the first step to the direction of developing better models and theory around this new marketing domain. This study provides a methodology to facilitate this process and offers a basis for follow-up studies focused on areas like segmentation, adoption criteria and processes, motives for adoption and effectiveness of social media marketing in the retail sector. However the study is limited to one European country: the global character of the Internet marketing requires that comparable research is conducted to more markets and geographical areas.

Another important line of future research is the assessment of performance of social media marketing efforts. This requires the development of industry benchmarks and performance metrics that will help marketers to follow up the progress and appraise the effectiveness of their strategies and improve them. Such metrics will also provide early warnings on changes in the social and tech-

nology domains that can affect the effectiveness of the social media strategies. Considering the fast technological change of the Internet domain this last element is of utmost importance.

Therefore the main lines of future research must be focused on similar studies in cross-cultural situations, the refinement of conclusions by focusing on specific research areas and the development of conceptual frameworks, benchmarks and measurement tools.

Considering the fact that Internet marketing and in particular the social media marketing is by all means a fact that will define the future of retailing and business in general this chapter provides a detailed view on the engagement of the Social media by retailers in Spain at this moment.

## CONCLUSION

The Internet and its latest stage, the social media, have contributed to a radical transformation of the marketing practice, the customer behavior and the e-business. Deighton and Konrfeld (2009) argue that considering the fact that the social media enabled the substantial increase of customer power, engaging the social media as marketing is a logical business choice. There are indications that the impact of the social Web is indeed very significant in several business activity areas and particularly the areas of marketing communication and product innovation (Piller & Walcher, 2006; Kim & Bae, 2008). For retailers already in the forefront of e-business, the social media developments can have substantial impact on their online strategies and markets. Many retailers are already active in social media marketing and many more are planning activities in this domain. This explorative study examines the antecedents of the adoption of the social media by Spanish retailers and the way they engage them as part of their online marketing strategy.

The article defines the social media and explains their potential functionalities and benefits when applied to the retail sector. The retailing environment becomes increasingly competitive and the future survival and success will greatly depend on the degree retailers will understand and approach the empowered and highly sophisticated future consumer.

The latent segmentation statistical technique was used to classify and profile companies with regard to their use of social media for marketing. Latent class models can incorporate variables with different scales, both metric and non metric and the differentiation between indicators to generate clusters allows a better framework to define, profile and explain the differences between segments. After the application of this methodology four different segments have been obtained on the basis of retailers' attitudes and maturity towards the social media; these segments were labeled as "Passives", "Potentials", "Initiators" and "Experts."

Companies in the "Passive" segment (20.49%) are not currently using the social media and have no intention of using them. These retailers are skeptics as to online technologies, considering such tools difficult to use, useless and not adding strategic value to the company. Also the Passives are characterized by low use of online communication tools within the company.

Companies in the "Potential" segment (42.15%) do not use the social media but unlike the "Passive" retailers their intention is to use at least some of them in the future, primarily for customer-related purposes.

Companies in the "Initiator" segment (18.32%) already use some of the social media with a medium frequency, primarily for customer-related purposes. Moreover they indicate a high degree of intention to continue using these tools and even increase their use in the future.

Finally, businesses belonging to the "Expert" segment (19.03%) form a group that uses most often the different social media. The intention of these retailers to continue using these tools and using new ones is also very high. Notably, this

group of companies has a very positive attitude towards the social media, they perceive them as very easy to use, very useful and that provide a great strategic value for the company.

The retailers engaged in social media marketing in Spain are at the moment in the minority. A possible explanation for this is ignorance or lack of information. The attitude, the perceived usefulness and the perceived strategic value of the social media tools by marketers, are some of the main factors which affect to the adoption of these tools. This means that learning about them and understanding their usefulness will lead to positive attitudes and wider adoption of the social media as a way to better engage with their customers and extract strategic value from these tools.

Finally, the study suggests that important factors affecting the degree of adoption of social media by Spanish retailers are the number of ICT professionals working in the company, the presence of formal policy guidelines on the use of social media, the possession of adequate software and hardware tools for introducing social media–related activities and the number of employees who can e-mail internally. In that respect it is interesting that the technological context is more important for the adoption of social Web tools, than the size of the business. Two other important factors are the management mindset and the prior experience with the ICT.

## ACKNOWLEDGMENT

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## KEY TERMS AND DEFINITIONS

**Latent Segmentation:** Part of a more general class of statistical models called finite mixture models or unmixing models. This method allows the assignment of companies to segments based on their probability of belonging to the clusters, breaking with the restrictions of deterministic assignment inherent to the non-hierarchical cluster analysis. Basically, it assumes that the data contain several homogeneous segments that have been mixed together in unknown proportions. Therefore, we must unmix the data to reveal their true number and definition.

**Mashups:** Applications that allow the combination of resources and applications from different websites to offer an added value service.

**Partial Least Square (PLS) Path Modeling:** A method of modeling a causal network of latent variables. This technique is a form of structural equation modeling, distinguished from the classical method by being component-based rather than covariance-based.

**Perceived Strategic Value:** The summation of perceived benefits from the technology minus the summation of perceived cost over a period of time.

**Social Networking Site:** Tools and applications for designing and creating websites to facilitate and promote social interchange spaces and communities (e.g., Facebook, LinkedIn).

**Technology Acceptance Model (TAM):** An information systems theory that explains how users come to accept and use a technology. This model explains perceived usefulness and usage intentions in terms of social influence and cognitive instrumental processes.

**User-Generated Content:** Applications that allow users to generate information in virtual environments using tools for upload and down-

load contents and for writing, disseminating and bartering information.

**Web 2.0:** New trend in the design and use of web pages whereby the user is both the centre of the information and the content generator. The Web 2.0 allows the direct connectivity and interaction between individuals and the easy publication and editing of content.

## ENDNOTES

1    http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/10/12&type=HTML

2    http://www.emarketer.com/Article.aspx?R=1008126

3    http://www.bizreport.com/2009/04/84_of_americans_influenced_by_online_customer_reviews.html

4    http:///www.internetworldstats.com/

5    http://www.google.com/insights/search/#q=Web%202.0%2CSocial%20Media&cmpt=q

6    A rating is the evaluation or assessment of something (products, services, persons, etc.), sometimes a classification according to order or grade.

7    A rating is the evaluation or assessment of something (products, services, persons, etc.), sometimes a classification according to order or grade.

8    RSS is a family o f web feed formats used to publish frequently updated works (such as blog entries, news headlines, audio, and video) in standardized format.

9    A P2P distributed network architecture is composed of participants that make a portion of their resources (such as processing power, disk storage or network bandwidth) directly available to other network participants, without the need for central coordination instances. Peers are both suppliers and consumers of resources (for example, peer communication systems using technology similar to Skype, BiTorrent, and eMule).

10    FriendFeed is a real-time feed aggregator that consolidates the updates from social media and social networking websites, social bookmarking websites, blogs and micro-blogging updates, as well as any other type of RSS/Atom feed. It is useful to create groups and share social networking services.