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## DISCLOSING THE PROMISING POWER OF SOCIAL MEDIA – AN IMPORTANT DIGITAL MARKETING TOOL

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**DUMIRESCU Luigi**

*Lucian Blaga University of Sibiu, Romania*

**STANCIU Oana**

*Lucian Blaga University of Sibiu, Romania*

**ȚICHINDELEAN Mihai**

*Lucian Blaga University of Sibiu, Romania*

**VINEREA Simona**

*Lucian Blaga University of Sibiu, Romania*

**Abstract:**

*The newest channels for communicating and selling to consumers are electronic. The Internet provides consumers and marketers with more opportunities than ever in achieving a greater interaction and individualization of services. Companies can send tailored messages that engage consumers by reflecting their special interests and behavior. Nowadays, very few marketing programs are considered complete without some type of prominent online component, which is gaining ground at the expense of traditional marketing. Attaining a successful marketing program compels companies to fully connect with their targeted customers. Thus, a holistic marketing approach must be adopted in order to comprehend the potential clients, by gaining a perspective of their daily lives, their customs of purchase and consumption, their plans for the future and the changes that actually occur in their lifetimes, so that the appropriate products are marketed to the right customers in the appropriate manner. The social media represents such a major cost effective opportunity for marketers to enter into dialogue with their customers and get an insight into their lives. Social network services such as Facebook, MySpace and Twitter aggregate an abundance of information about their members that marketers find highly valuable, and they have paved the way for new forms of communication and collaboration between marketers and consumers. These new communications platforms are already making an impact as businesses use them as a means to connect with their audiences, find out more about their likes and dislikes related to their market offerings, and spread brand messages virally.*

**Keywords:** *social media, customer empowerment, digital marketing, interactive marketing*

## **1. Introduction**

Digital marketing offers unique benefits. The internet has upended how consumers engage with brands. It is transforming the economics of marketing and making obsolete many of the function's traditional strategies and structures. For marketers, the old way of doing business is unsustainable (1. Edelman, 2010).

By now, everyone acknowledges the fact that technology is shifting from the mechanical world to the digital world—the Internet, computers, cell phones, and social media—which is having a profound impact on the behavior of producers and consumers. However, in a majority, companies still focus their largest proportion of their marketing resources on only two stages: brand marketing up front to woo consumers when they first consider products, and promotions at the final point of sale to sway them as they are about to make a purchase.

Undoubtedly, digital technology will change all that, because nowadays, potential customers have a sense of empowerment due to the information flow, and marketers can be part of the conversation consumers have as they actively learn about product categories and evaluate choices (2. Edelman, 2010).

## **2. The potential of social media in creating customer empowerment**

The Internet is a worldwide system of computer networks, or a network of networks, where value lies in the connections it enables. The simplest connection is the one-to-many network and involves broadcasting information to a large number of users. Such an example is a web portal (Yahoo, AOL, MSN) which delivers news and other content to many visitors. A more complex type of connection is the one-to-one network, which is transactional-based, as individuals connect with other individuals to exchange information or other transactions. Common examples are e-mail and instant messaging. Finally, the most valuable of all connections is the many-to-many network, which allows network members to form and maintain communication groups. Examples of group-forming networks include on-line communities, business-to-business exchanges, and buyer cartels.

Ethernet inventor Robert Metcalfe captured this in Metcalfe's Law when he argued that the value of one-to-one network grows in proportion to the square of the number of users. If the number of network members equals  $n$ , in other words, the value of one-to-many networks grows in proportion to  $n$ , while the value of a one-to-one network grows in proportion to  $n^2$ . However, Metcalfe's Law underestimates the power of networks when the relationship is many-to-many, or group-forming network, when consumers are having conversations with other consumers simultaneously. This is captured by Reed's Law (3. Reed, 2001) which is often used to explain the social media phenomenon. According to Reed, the power of a network in a many-to-many environment of  $n$  members equals  $2^n$ . Whenever  $n$  is greater than or equal to 5, the

power of the many-to-many network is always bigger than that of the one-to-one network. This simple math is the central concept of consumer empowerment. Companies capitalizing on group-forming networks will gain the strongest advantage the Internet has to offer.

One of the greatest examples of consumer empowerment is Google's Project 10<sup>100</sup>. In celebration of its 10th birthday in September 2008, Google asked for ideas from consumers on how to help others in eight categories: community, opportunity, energy, environment, health, education, shelter, and everything else. Google sorted out 100 finalists and ask the public to vote for the best 16 ideas, while the 5 best ideas, selected by an advisory board, earned a total of \$10 million dollars for implementation. The winning ideas are: Make educational content available online for free (\$2 million provided to the Khan Academy); Enhance science and engineering education (\$3 million provided to FIRST); Make government more transparent (\$2 million provided to Public.Resource.Org); Drive innovation in public transport (\$1 million provided to Shweeb); Provide quality education to African students (\$2 million provided to the African Institute for Mathematical Sciences).

Through this project, Google took advantage of the power of the network while practicing consumer empowerment and the social media and the internet are the perfect channels to do so. That is why companies must embrace social media for three main reasons. Firstly, the social media networks provide a low-cost platform on which to build a personal *brand*. Secondly, they allow a rapid and simultaneous *engagement* with peers, employees, customers, and the broader public, especially younger generations, who will become the target population. Thirdly, they offer the opportunity to *learn* from instant information and unvarnished feedback. Active participation in social media can be a powerful tool - the difference between leading effectively and ineffectively, and between advancing and faltering in the pursuit of company's goals (4. Dutta, 2010).

## **2. How to create an impact through different types of social media**

Recently, it has been discovered that the most successful digital marketers focus on managing four core sources of value in their marketing strategies, rethinking their priorities and budgets, and substantially reshaping their processes and skills, as they move into the digital era (2. Edelman, 2010).

First, they coordinate their activities to engage the consumer throughout an increasingly digital purchase journey. Second, they harness interest in their brands by affiliating content that empowers the consumer to build his or her own marketing identity and, in the process, to serve as a brand ambassador or a brand advocate. This stage is also described by Kotler as empowering consumers to co-create products and services, as a more advanced collaboration where consumers themselves play the key role in creating value. Third, they begin to recognize the need to think like a large-scale multimedia publisher as they manage a staggering increase in the content they create

to support products, segments, channels, and promotions. Finally, these marketers strategically plot how to gather and use the plethora of digital data now available.

In a new book titled *The Dragonfly Effect*, a Stanford University marketing professor and a marketing strategist seek to answer certain questions about the incredible power of social media (5. Aaker and Smith, 2010).

This book, named after the only insect able to move in any direction as long as its four wings are in concert, offers both big strategies and small tips for companies looking to invigorate the business in this new media channel. In order to do so, four concepts, equivalent to the four wings, need to be taken into account.

The first wing is *focus*, which involves identifying a single, concrete, measurable goal. Although social networking tools are widely used to incite action, the people who have used them most effectively have one thing in common: a laser-like focus. The key is to ensure that that particular goal is personally meaningful such that the thought of achieving the goal would bring a certain level of happiness to the company as a whole (whether from a financial perspective, or from a brand equity dimension), to the employees, customers and other classes of stakeholders.

The second wing is *grabbing attention*, making people look, catching someone's eye. Grabbing attention is more than capturing someone's interest for a moment as he scans a page or screen. It's a deeper, more elaborate hook. Whatever it is, it makes people want to know more. This phase is very similar to the more traditional marketing techniques, involving reaching out to certain self-actualization needs, inspiring curiosity or eye-catching campaigns that trigger more senses – sight, hearing, sense, taste, sound (as music is very powerful and can often tap underlying emotions).

The third wing is *engagement*, creating a personal connection, telling a story while accessing higher emotions, compassion, empathy and happiness. Good stories have three components: a strong beginning, a strong end, and a point of tension. Kotler identified this aspect mentioning Steve Jobs who always starts a presentation of a new product by telling a story. A story is important because it can spread among employees, channel partners, and most importantly consumers, and giving the viral characteristic of digital marketing, strong stories become „infectious” (6. Kotler, Kartajaya and Setiawan, 2010).

As for the last wing, this involves *taking action*. It is about empowering the company's stakeholders to care enough to want to do something themselves, and then, to actually do it. Also, it entails creating, deploying, and continuously tweaking tools and programs designed to take the target population from customers to team members, in other words, furthering the cause beyond themselves.

In their book, Aaker and Smith acknowledge the fact that any organization (a business or an NGO) that executes on these four wings will get amplification or infectious action, which will represent a new stage in the social media world.

Philip Kotler, in his new book entitled *Marketing 3.0.*, in which he and two other authors present a new type of marketing with a human-centricity, or a values-driven marketing, mentions a new wave technology, that enables connectivity and interactivity

of individuals and groups. New wave technology consists of three major forces: cheap computers and mobile phones, low cost Internet, and open source (6. Kotler, Kartajaya and Setiawan, 2010).

Kotler describes a new age, an age of participation and collaborative marketing as people are the ones who create news, ideas, and entertainment as well as consume them. New wave technology enables people to turn from being consumers into prosumers. Also, a major enabler of this new wave technology is the rise and expansion of social media, which is further classified in two categories: *expressive* social media and *collaborative* social media.

*Expressive* social media includes blogs, Twitter, YouTube, Facebook, Flickr, Reddit, Tagged, Digg, Yahoo Buzz and other social networking sites. Blogging and twittering has become a popular event in the corporate world. IBM, for example, encourages its employees to create their own blogs where they can talk freely about their company as long as they adhere to certain guidelines. Another example is General Electric, which established a Tweet Squad, a group of young employees who train older employees to use social media. By comparison, British Airways and Virgin Atlantic are two examples of companies that discovered that such social networks can be a source of bad publicity. On October 31<sup>st</sup> 2008, Virgin fired thirteen of its cabin crew who had posted defamatory comments about its safety standards on a Facebook page. Crew members joked that some Virgin planes were infested with cockroaches and described customers as having bad taste. A few days later, on November 3<sup>rd</sup> 2008, British Airways faced a similar problem when it began investigating the behavior of several employees who had described some passengers as “smelly” and “annoying” in Facebook postings. Attacking the customers online is a public relations disaster that raises the question of whether the two firms have done enough to educate staff about acceptable use of the internet. BA says employees sign a policy that forbids them from posting information about the firm online without specific authorization. But it clearly needs to do more to reinforce that message. Virgin points out that it has several internal channels through which staff can vent frustrations. However, neither measure seemed effective enough to prevent employees from denigrating the companies they work for in such a public way on the Internet (7. The Economist, 2008).

As social media becomes more and more expressive, consumers will be able to increasingly influence other consumers with their opinions and experiences related to certain products, services and brands. Consequently, the influence that corporate advertising has on shaping buying behavior will diminish.

The future of marketing communications will be the social media, due to its low cost and bias-free characteristics. Companies have to figure out how they can leverage from this new communication channel in order to gain insights from the target market.

The expressive social media is also an internal marketing tool with which companies can achieve a better communication with their employees. IBM, Hewlett-Packard, and Microsoft are already mining social networking data to do profiling and design better communication approaches.

*Collaborative* social media, the other type identified by Kotler, involves open sourcing through Wikipedia, Craigslist, Rotten Tomatoes. While, Wikipedia represents an encyclopedia that anyone can edit, Craigslist is a threat to newspapers that sell advertising space as it aggregates and displays millions of classified ads for free. Another example is InnoCentive which broadcasts research and development challenges and solicits the best solutions. It welcomes companies that wish to find solutions to their problems (solution seekers) and also individuals, scientists, and researchers who can propose solutions to the problems (problem solvers) (6. Kotler, Kartajaya and Setiawan, 2010).

Due to the expansion of social media, consumers perceive, absorb and interact with marketing messages in different ways. As the number of digital interactions increases, digital marketers must recognize the power that lies beyond traditional paid media (8. Edelman and Salsberg, 2010) (Table 1).

Media Type	Definition	Examples
<b>Paid</b>	A company pays for media space or for a third party to promote its products	Television commercials, magazine and newspaper ads, billboards product placements, Web banners, search-engine marketing
<b>Owned</b>	A company uses or creates its own new channels to advertise	Catalogs, Web sites, Facebook fan pages, e-mail and customer databases, company-owned retail stores
<b>Earned</b>	Consumers create media and/or share media created by a certain company	Organic search placement (Unpaid search-engine results based on keywords), forwarding a popular commercial to friends, consumer ratings and reviews, rankings on community sites
<b>Sold</b>	A company invites other marketers to place their content on its owned media	An e-commerce retailer selling ad space on its Web site, a consumer marketer creating an online community and selling ad space
<b>Hijacked</b>	A company's asset or campaign is taken hostage by those who oppose it	Consumers rallying opposition to a company on Facebook, consumers creating and distributing their own negative versions of ads

**Table 1:** New communication platforms (Adapted from Edelman and Salsberg, 2010)

*Paid media* comprises traditional advertising, such as television and radio commercials, print advertisements and roadside billboards, but it evolves with the emergence of more targeted cable TV, Search Engine Marketing (with Search Engine

Optimization and Pay-Per-Click Advertising), online-display placement and other channels.

*Owned media* encompasses the channels owned by the company, such as catalogs, Web sites, retail stores, and alert programs that e-mail notifications of special offers.

*Earned media* are generated when the quality or uniqueness of a company's products and content compel consumers to promote the company at no cost to itself through external or their own "media."

However, this strategic-marketing framework – "paid, owned, earned" – needs updating as companies face different challenges in the digital environment.

*Sold media* represents owned media whose traffic is so strong that other organizations place their content or e-commerce engines within that environment. The McKinsey report states that this trend effectively began with retailers and travel providers such as airlines and hotels and will no doubt go further. Besides generating income, the presence of other marketers makes the site seem objective, gives companies opportunities to learn valuable information about the appeal of other companies' marketing, and may help expand user traffic for all companies concerned.

The *hijacked media* is the opposite of earned media, when consumers voice their opinions in quicker, more visible, and much more damaging ways, making negative allegations about a brand or product. Such an example is Microsoft, a company that has long been the subject of a boycott in social media (Facebook - *Boycott Microsoft - the greediest company in the world*) and other forums where consumers try to persuade others to switch to Linux.

In a different McKinsey report, the authors have adopted a new mind-set, considering word-of-mouth generated on social networks as a distinct form of media. (9. Zeisser, 2010). *Word-of-mouth marketing* portrays the people-to-people oral, written or electronic communications that relate to the merits or experiences of purchasing and consuming market offerings. The global nature of the Internet led to a new adaptation of the concept, namely eWOM (electronic word-of-mouth). Some marketers highlight two particular forms of eWOM – buzz and viral marketing. (10. Kotler et al, 2009).

*Buzz marketing* generates excitement, creates publicity and conveys new relevant brand-related information through unexpected or even outrageous means, but also makes talking about the brand entertaining, fascinating and newsworthy. However, this type of marketing relates more to the "offline" environment.

*Viral marketing*, also called "word-of-mouse", is specific to the online environment and it encourages consumers to pass on company-developed impressions of company offers to others online. The success of viral marketing is often based on the concept of being "cool" – if a recipient enjoys the content of an email they will pass it on to their friends or colleagues. Behind this rather simple idea stands a cleverly constructed campaign which is further distributed to a specific and targeted database of Internet users. These can include funny videos, entertaining microsites, games, special offers that are passed around the online community.



Thus, social networks, such as MySpace and Facebook, have become an important force in both the business-to-consumer and business-to-business marketing.

### **3. Challenges regarding social media**

Personalization tools over the internet, that facilitate communication, sharing of photos and information on social networks also present risks, such as managing privacy and intrusiveness.

Privacy is the ability of an individual or group to seclude themselves or information about themselves. But, considering this new era and our digital existence – due to Google searches, e-mail traffic, commercial transactions, cookies and public information on social networking sites – our personal privacy is under threat. Business will have to find ways to address this uneasiness. If companies remain complacent, underestimating the degree to which privacy matters to customers, harsh regulation may be forthcoming. The best way out is for businesses and customers to negotiate directly over where to draw the lines (11. McCreary, 2009).

The rise of consumer-centricity, especially the one-to-one marketing in the last few years, spurs the use of data mining tools. Consumers are dynamically profiled every time they use their loyalty card or credit card. In pursuit of behavioral insights, consumers are ethnographically videotaped with surveillance cameras in retail stores. Social media and Google searches may reveal identities of consumers publicly (6. Kotler, Kartajaya and Setiawan, 2010).

However, IBM is taking a proactive approach. Together with vendors from Eclipse Group, IBM tries to solve this social challenge with the Higgins project. Higgins will allow consumers to browse the Internet without the fear of losing their privacy. It will mask consumers' personal identities while active on their networks (11. McCreary, 2009).

### **4. Conclusion**

Giving the aforementioned rise of digital media and the impact of new marketing channels, consumers are more engaged than ever before in controlling communications and message delivery at a global level. Due to the interactivity characteristic of social media, marketers have to consider the fact that consumers and potential customers are the subject of different triggers beyond conventional paid media. Companies that fully recognize this aspect are changing their marketing strategies, are reconsidering their marketing budget and assigning different proportions of available resources to different types of media.

Traditional marketers spend about 60 percent of their budgets on “working media” (or paid placement), 20 percent on creating content, and the balance on employees and agencies. Digital channels, with their social nature, reverse these



economics, focusing on a smaller core of engaged people who can spread positive impressions, or simply share information, with a broader audience. Active digital marketers tend to devote about 30 percent of their marketing budgets to paid media and 50 percent to content (2. Edelman, 2010).

Due to the emergence of the social web, marketers have a much extensive arsenal of tools with which a higher level of customer engagement and involvement with a brand, in a cost effective way for the company.

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