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Foundations of Social Media Marketing

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Abstract

The Social Media have changed the power structures in the marketplace; evidence points to a major power migration taking place and to emergence of a new breed of powerful and sophisticated customer, difficult to influence, persuade and retain The paper outlines the nature, effects and present status of the Social Media, underlying their role as customer empowerment agents. 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 paper proposes two possible Social Media marketing strategies: a. The passive approach focusing on utilizing the Social Media domain as source of customer voice and market intelligence. b. The active approach i.e. 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 develop them as platforms of co-operation and customer-generated innovation. Finally the paper identifies future research directions around this new element of the marketing landscape

1. Introduction

Marketing as academic discipline and management activity has been the subject of substantial transformations during the last twenty years. Many scholars and practitioners agree that some of the old marketing tenets seem to lose ground while the popular in the 60s and 70's mass marketing approaches become less effective (Brady and Davis, 1993; Sheth and Sisodia; 1995; Bakos, 1998; Chaffey et. al., 2000; Coviello and Brodie, 2001; Constantinides, 2006; Court, 2007). Media proliferation, market globalization and the emergence of a new generation of Information and Communication Technologies – the Internet being the most prominent of them – are changing the marketing rules and market dynamics by weakening the corporate competitive position (Porter, 2001) while presenting individuals with many new opportunities and empowerment (Christopher, 1989; Wind and Mahajan, 1997; Rha et al, 2002; Bush, 2004, Urban, 2005).

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In light of such developments the old debate on the need for a new marketing orientation has gained new momentum. What seems to emerge is a consensus on the need to re-define marketing approaches (Constantinides, 2006; Heaton, 2006; Thomas, 2007). Scholars have argued in the past for a relationship-focused marketing as an alternative marketing approach (Grönroos, 1994, Grönroos, 1997; Kumar, 2004; Gummesson, 2008) while others suggest a customer-focused paradigm based on openness, engagement, cooperation, co-creation and propensity to help customers rather than control them (von Hippel and Katz, 2002; Prahalad and Ramaswamy, 2004; Urban, 2005; Deighton and Konrfeld, 2009).

In the changing marketing context the role of the Internet and especially the developments around the Web 2.0 era as well the role the Social Media[†] become crucial. For marketing strategists, the message is simple: surviving in the age of the empowered customer requires less dependence on traditional mass-marketing tactics; understanding the role of technology in shaping the marketplace and more importantly engaging the Social Media as part of the marketing toolbox becomes a strategic imperative.

This paper addresses the increasing pressure on marketers to adjust their approaches in communicating and interacting with their customers in the evolving marketing ecosystem where technology plays an increasingly important role. It reviews the literature and field experiences on the nature of the Web 2.0 domain, identifies and classifies the possible roles of the Social Media as marketing parameters and explains their contribution to customer empowerment. It argues that while developments in the Social Media domain are often perceived as strategic threats by marketers there are several options for them to turn them into strategic opportunities. The Social Media domain presents businesses with new opportunities of improving their competitive position and creating new forms of customer value that will attract new customers and help building strong relationships with them. The paper proposes a classification of the various Social Media applications and identifies their roles as part of the marketing toolbox of the 21st Century marketer.

2. What is Web 2.0 and Social Media

The terms Web 2.0 and Social Media are new terms in the Internet and Marketing lexicon and there is no general consensus as to their exact meaning. Tim O'Reilly (2005) popularized the term Web 2.0 as the next stage in the Internet evolution by referring to it as a wide 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 somehow fuzzy nature of the terms describing the Web 2.0 lead to a new definition attempt: "Web 2.0 is a set of economic, social and technology trends that collectively form the basis for the next generation of the Internet, a more mature, distinctive medium characterized by user participation, openness, and network effects" (Musser and O'Reilly, 2005). The ambiguity about the exact nature of the Web 2.0, even after the second definition (mainly due to the use of terms like 'trends', 'participation' and 'openness'), did not prevent its endorsement by Silicon Valley circles, followed by the press, businesses and the wider public.

A variety of definitions of the Web 2.0 can be found in academic journals, press articles and white papers; a Google search query of the term produces more than 300 million pages. In the academic literature there is also no agreement as to what the term means. The reason for this is that Web 2.0 is by all means a complex issue: computing technologies and techniques, software applications and social effects are often blended creating confusion and ambiguity. Some definitions attempt to avoid the confusion by oversimplifying the situation. Considering the complex character of the Web 2.0 we argue that providing a clear picture of the domain requires identifying and separating the three main dimensions of it: the main Application Types, the Social Effects and the Enabling Technologies (Figure 1). The nature of these dimensions is defined in more detail in Appendix 1.

The multidimensional character of the Web 2.0 domain underlines the complexity of the issue and the difficulty to define a phenomenon where marketing elements, psychology and information technologies co-exist. From the strategic and marketing perspective the Application Types (Different online applications based on user

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[†] The terms Web 2.0 and Social Media are defined in the next chapter

contributions, the Customer Generated Content) and the Social Effects are the important and relevant topics, something clearly reflected in the following definition (Constantinides and Fountain, 2008):

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, 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 of the Web 2.0 dimensions (Enabling Technologies) refers to software tools employed in the different Application Types. Blending the Application Types and the Enabling Technologies is a common reason for confusion in defining the Web 2.0.

The meaning of the term Social Media is different than the meaning of Web 2.0 although the terms are often used interchangeably. According to the online dictionary WIKIPEDIA‡ the Social Media "are media designed to be disseminated through social interaction, created using highly accessible and scalable publishing techniques. Social media support the human need for social interaction, using Internet- and web-based technologies; unlike the broadcast media monologues (one-to-many)". 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.

For most practitioners the term Social Media is associated with the user-generated content, a view shared by many academics also (Agichtein et al., 2008; Mangold and Faulds, 2009; Lariscy et al. 2009). Therefore for the purposes of this paper the term Social Media is defined 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) are illustrated in Figure 1 as the first of the Web 2.0 dimensions, the Application Types.

3. Social Media: A Strategic Opportunity for Marketers

Social Media made customers more sophisticated and helped them develop new tactics in searching, evaluating, choosing and buying goods and services (Albors et al., 2008). Recent research reveals new customer behavioral trends rooted in Social Media usage. For example the demand for customized products (Kera and Kaynak, 1997) and the willingness of customers to get actively involved in the process of product development are increasing (Prahalad and Ramaswamy, 2004; Piller and Walcher, 2006; Kim and Bae, 2008; Parise and Guinan, 2008; Drury 2008; Eikelman et al., 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 and Sheth, 2004; Thomas, 2007; Winer, 2009). Marketers become open to the idea of offering products that can be customized according to the wishes of the final consumer; they are also often 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 (Prahalad and Ramaswamy, 2004; Piller and 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 Social Media presence (Barwise and Styler 2003) or develop plans to launch marketing activities in this domain in the near future. A 2009 study by Center for Media Research found that over half of businesses surveyed plan to engage social networks as part of their marketing plans in 2010§.

Research on the experiences of marketers adopting 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 and Bae, 2008; Steinfield et al., 2009). Recently published studies from the practitioner's quarters confirm these findings also: 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, in 56% of the cases Social Media marketing resulted in new business partnerships and 45% of the firms reported reduced marketing expenses. A study of Zabin (2009) identified the effects of Social Media Marketing for three types of companies, depending on the degree of their adoption of Social Media. The study found that the experience of the 20% top performance scorers ("Best-in-class") engaging Web 2.0 applications as marketing tools:

- 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 and
- 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 among the top 100 global brands found a correlation between the brand's social engagement and its financial performance. The brands most heavily engaged in Social Media Marketing show 18% revenue growth against 6% revenue decline for not involved brands. 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.

4. The Social Media as part of Marketing Strategy

Effectively engaging the Social Media as part of the corporate marketing strategy requires that the company's "Web 1.0" legacy is in good shape: the corporate web site must be in position to serve as the corporate platform meeting the expectations of the online customer (Constantinides, 2004; Constantinides and Geurts, 2005). This because most of the strategic objectives of Social Media marketing require the presence of an impeccable company web site: 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 web site is a necessity but by no means a guarantee of success; a second important condition is that the marketing organization and the company back office are in perfect shape and up to the job. Customer orientation reflected not only in the online but also in the traditional marketing activities and fulfillment activities is very important. The marketing organization must be geared to offer high value to customers by delivering high quality products and services. Marketers should realize that Social Media users can easily investigate and test the company 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. No hotel marketer should attempt today 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 hotels, vacation destination, restaurant and anything else having to do with the leisure industry on the planet that are viewed by millions of people who want to book a vacation. Web logs and online forums like epinions.com, reviewcenter.com and consumersearch.com publish thousands of customer generated reviews about many categories of products or services allowing customers to very easily compare products and learn about them before they buy.

Therefore engaging the Social Media as a marketing tool 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 web

site. This is illustrated in the E-Marketing Pyramid model (Figure 2) presenting the relationship between the Social Media marketing (Web 2.0 marketing) with the rest of the marketing program. The Social Media marketing is the pinnacle of an integrated marketing effort; failing to properly address the issues arising in lower levels of the pyramid 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 selling proposition, product value, market image and market positioning. Failing to deliver the expected product quality in the era of Social Media is risky since the consumer is able and willing to find the truth (i.e. whether the value promised by the firm is actually delivered) by getting in touch with other users, reading technology blogs or looking for product reviews. Continuous innovation and quality control systems are important strategic foundations of this stage.

Level 2. The Marketing (and E-Marketing) Organization: The second level of the pyramid refers to creating and maintaining 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) deliver high customer value and are flexible enough to support the online firm's activities. There is plenty of evidence that many traditional businesses adopting online marketing face difficulties to adjust their organization and reach 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 proved to be a sustaining technology, for others a disruptive one (Christensen, 1998): while Dell Computers was thriving as an online PC producer in the 90s most of its traditional competitors like Compaq or IBM never reached even remotely the levels of Dell's online efficiency and sales levels mainly due to organizational reasons (Christensen and Raynor, 2003). This 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 to adjust their businesses to the online model since their production and distribution models were based on series production and sales / distribution through intermediaries.

Similar situations have been observed in other industries. It took almost ten years to many incumbent airlines before they managed to transform their organizational infrastructure to support an efficient e-ticketing system The British Airways, Quantas 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, much late than this service was introduced by their low cost competitors EasyJet and Ryanair who were smaller and more flexible organizations. Low cost airlines integrated e ticketing into their business model quickly and efficiently, substantially cutting their costs and improving customer service. The difficulty of industry incumbents to adjust their organization quickly enough to the online model has led to loss of market share to new entrants; online travel services like expedia.com and travelocity.com captured substantial market shares in the tourism industry driving thousands of high-street travel agencies worldwide out of business (Urban, 2005).

Level 3. The Web 1.0 (web presence): Having created a market-oriented organization to support traditional and online marketing activities is essential in order to establish a successful online presence. Online customers have high expectations on the quality of the online experience (Constantinides, 2004); cumbersome, poorly designed or difficult to navigate web sites are perceived as evidence of flawed product and brand quality. Web site 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 the web site performance and underlines the fact that customers become more and more critical. Online marketers should understand the importance of a well-designed and credible web site and identify the role†† (or roles) the web site must play in order to help achieving the company's marketing objectives. Assigning the right roles, creating the proper

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** http://www.akamai.com/dl/whitepapers/ecommerce_website_perf_wp.pdf?campaign_id=AANA-
509UI6&curl=/dl/whitepapers/ecommerce_website_perf_wp.pdf&solcheck=1&
†† Possible roles can be: Informational, promotional, relational, educational or transactional

customer online experience and integrating the corporate web site into the total marketing plan are basic elements of the strategy aiming to create an impeccable online business as value-adding component of the total marketing program and as basis of the Social Media marketing.

Level 4. Web 2.0 (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 resources and capabilities of the organization's back office; corporate strategists must critically appraise the objectives of their Social Media strategy and the internal capabilities. This means analyzing the organizational needs and resources and identifying the mix of objectives of the social Media marketing (Table 1).

5. Social Media as Marketing Tools

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

a. The Passive approach is based on utilizing the Social Media public domain as potential source of customer voice (Anderson, 2007; Parise and Guinan, 2008). The marketing objective is to provide marketers with information about market needs, customer experiences, competitive movements and trends.

b. The Active approach is utilizing the Social Media as tools of communication, direct sales, customer acquisition and customer retention (McKinsey 2007 a,b).

By plotting the various marketing objectives with the earlier identified types of the Social Media applications (Figure 1) we come to a classification model presented in Table 1: on the vertical dimension of the model we identify the five Social Media application types: Web logs, Content Communities, Social Networks, Forums / Bulletin Boards and Content Aggregators. On the horizontal dimension the main marketing objectives that can be attributed to the Social Media as marketing tools are defined. The table presents also an initial assessment of the suitability of each social medium for each approach. The assessment ‡‡is based partly 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): Using the Web 2.0 domain as source of intelligence i.e. as source of customer voice and market information

Most suitable Web 2.0 applications for listening in: Blogs, Content Communities and Forums.

Online individuals are keen to interact with peers, provide information, post product reviews, 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 were often the first to report product problems or malfunctions as well as corporate bad practices. Companies can save a lot of money and prevent reputation damage if action is taken before such news go to mainstream media and become 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 that forced Dell Computers to recall millions of laptops with a faulty battery. The web log "Discover the truth about Discovery" launched by an unsatisfied customer of Land Rover created an large community of Land Rover customers and was pronounced as one of the 50 more influential web logs a few years ago; a recorded conversation – posted online - of a customer with an America On Line (AOL) call-center rep

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‡‡ The novelty of the issue is the reason that no research evidence supporting this assessment can be cited; measuring the relative value of Social Media applications as marketing tools is the subject of future research projects of the author.
§§ http://wiki.beingpeterkim.com/

revealed the company's high-pressure tactics towards subscribers trying to terminate their subscription are some of the well-known examples of online stories that became first page news forcing corporations to recall products or adjust their practices. Experience indicates that if no action is taken by marketers facing negative publicity in the Social Media space (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 therefore not always compatible with the need for "live" information in fast changing and highly competitive markets. Marketers are able today to access and listen to the customer voice on an instant continuous basis by listening-in or even participating in the online conversation as it develops. This requires locating and monitoring what people discuss or publish in the Social Media space (blogs, podcasts, forums and online communities).

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

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

The Active approaches of using the Social Media as Marketing tools can be classified in four sub-categories:

B.1. Using Web 2.0 applications as company public relations and direct marketing tools

Most suitable Web 2.0 applications for online PR: Blogs, Forums, Content Communities and Content Aggregators.

As we mentioned earlier marketers increasingly understand the importance of the online dialog taking place in web logs, online forums and user communities; for all intents and purposes this public dialog takes place outside the company domain and control. Introducing corporate blogs, web site forums and company-sponsored communities as part of the corporate online presence is an option that allows corporate executives to attract the dialog in their own quarters, moderate comments and most importantly directly react to customers' concerns or questions (Singh et al., 2008). At the same time this strategy addresses the growing desire of 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: 20% more firms included in the Inc. 500 index were using corporate blogs in 2008 compared to 2007. Business executives like 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 post regularly in their CEO blogs, encouraging customers to interact and freely express their feelings, ideas, suggestions or remarks. Politicians have also understood 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 case of using the Social Media as an effective marketing instrument for building brand awareness, image and loyalty (Baldoni , 2009; Libert and 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. This approach is deemed risky by many executives; it requires openness from the part of the corporations

and assumes staff responsibility. Many employees make use of this opportunity either in business context or privately. Field experience indicates though that corporations engaged in blogging should draft a code of conduct regarding employee blogging and other Social Media related activities like publishing photos or videos. Organizational guidelines can help avoiding problems and misunderstandings between the firm and employees and protect both parties: A recent incident (2009) involving two employees of Dominos Pizza who posted a number of offending videos in YouTube threatened the brand integrity and resulted in criminal charges against the employees***.

Next to company-sponsored blogs, a simple and low-cost way to engage the Social Media as PR tool is to utilize content communities - like the video sharing sites YouTube, GoogleVideo and others – as advertising channels of corporate promotional material. Commercials uploaded to these sites have the potential to be viewed by thousands or even millions of viewers at practically no cost. It is quite common that this type of free publicity reaches very substantial numbers of viewers. A YouTube commercial of Unilever's Dove Real Beauty campaign was viewed more than ten million times and videos of candidates of the 2007-2008 of the American primaries and elections posted online were downloaded and watched by several millions of viewers.

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

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

Social Media can be also very useful tools of customer retention. Many firms adding RSS (Rich site Summary) capability to the company's web site syndicate their web site content and keep their customers up-to-date about their products or services; a necessary condition is that customers are subscribers to RSS readers like 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 to people sharing interests for the company brand or products to interact. A characteristic example of this trend is the community NIKE+ focusing on running experience of customers of NIKE. The site allows different forms of interaction between customers in online forums, on the social networking site FACEBOOK and the "Distance Club" where the distances every member runs wearing NIKE shoes are added up and presented on a map in real time. The idea of corporate-sponsored on line communities becomes popular even among traditional corporations. The New York Times offers already a mix of Social Media to its public including blogs and special interest communities in social networking sites like FACEBOOK, the micro-blogging site Twitter and the photo exchange community Flickr.

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

Most suitable Web 2.0 applications: Blogs, Forums.

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

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*** http://www.goodasyou.org/good_as_you/2009/04/video-please-think-of-cheesy-bread-not-snot.html

information because these media usually publish information that has not reached the press or other traditional channels. Blogs like techcrunch.com, gizmodo.com, engadget.com and other attract daily millions of readers 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 willing to review, discuss, comment on or even recommend the usage of the firm's new products. Finding the proper channels is possible by using instruments and services already available online: Technorati.com, Nielsen BuzzMetrics and other specialized agencies and online services measure the influence of blogs providing rankings and relevant information for better targeting.

B.3. Using Social Media for personalizing the customer's online experience and allowing product customization

Most suitable Web 2.0 applications: Web 2.0-enabled company web site with sponsored online forums and social networking capabilities.

This approach can boost customer loyalty by offering individuals the possibility to personalize their online experience or customize products they buy. Firms like about.com, MySpace.com, Nike, Disney, Coca Cola and many others have been experimenting with Web 2.0-based tools allowing customers to adapt parts of their web sites to their specific needs or preferences. Next to customizing the web site many firms have introduced interactive online applications known as "Configurators" (Piller and Walcher, 2006)[58] and other tools allowing customers to partly or fully customize physical products they buy online. Pioneers in this area are Kleenex, allowing customers to design the packaging of the product (myklenextissue.com), photostamps.com allowing consumers to create their own US Postal Service approved stamps, Heinz (myheinz.com) inviting customers to create their own personalized labels of their ketchup bottle, M&M (nymms.com) that makes possible for customers to select their favorite candy colors and print a personalized message on it. 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 like 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 in regular intervals. The popular furniture chain IKEA recently launched an online campaign called "Everyone is Designer" encouraging customers to create their ideal living space using IKEA furniture (iedereenisdesigner.nl/) and publish their ideas in the IKEA site.

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

B.4. Harnessing the crowd intelligence and creativity: Engaging the customer as contributor of product reviews, advertising concepts and as part of the innovation process.

Most suitable Web 2.0 applications: Interactive E-Commerce sites allowing customer to provide product reviews and ratings; also corporate social sites allowing customer networking and community forming.

The popular online shop Amazon.com is the most 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 the US consumers read consumer-generated reviews online and 98% of them find these reviews reliable. Furthermore 80% of consumers reading peer reviews and product advices say that this type of information affected their buying intentions. These findings are backed by academic research: Dellarocas (2003), Lee et al. (2008) and Chen and Xie (2008) also found that customer-generated reviews have substantial effect on customer behavior.

The trust of individuals on peer opinion stems from the perception that peer comments reflect sincere feelings and experiences. This sentiment reflects a general feeling of mistrust and increasing suspicion of 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 more trustworthy sources followed by newspapers (22%), television (21%) and radio (15%)†††.

A second option of harnessing the collective intelligence is the customer-generated advertising. Utilizing customer advertising creativity is a new tactic in engaging 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 they are perceived as interesting and attractive by customers. Web sites like current.com match the demand and supply for amateur advertising talent and can be used by corporations for recruiting creative individuals. A variant of the customer created advertising is to encourage customer participation in the choice of commercials to be broadcasted and at the same time create viral buzz around the brand. Nestle applied this approach in one of its "Nespresso, What Else" commercials series‡‡‡.

Another option of actively engaging customers is to get them involved in the innovation process. Opening the innovation process to the final customer (Kim and Bae, 2008) is the next step of the Open Innovation concept (Chesbrough, 2003). This process has been labeled as Crowdsourcing or Distributed Co-Creation (McKinsey, 2008b). The customer as innovator can fulfill a number of different roles; product conceptualizer, product designer, product tester, product support specialist and product marketer (Nambisan and Nambisan, 2008)[55]. Shorter development trajectories, better products, low costs and flexibility are important strategic advantages of this strategy.

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

There are several examples of this type of innovation; a firm in the greeting card and gift business that has been successfully using a customer community to verify and explore ideas under development by their development department. Conversations among community members ranged from discussing colors and designs that should be utilized on a greeting card to selecting what gifts and price ranges were more appropriate for a high school graduation. Community members were also asked to keep a virtual journal where they recorded and ranked marketing materials that they received from the company. Additionally, the company used the online community to learn more about the customers themselves. Community members were asked to upload and share their pictures and provide insights about their lifestyles, hobbies, and needs. This resulted in the company gaining valuable insights into consumer behavior, reactions to new products and ideas, as well as the effectiveness of the company's marketing materials, all at a very low cost and effort. Some more examples:

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

There is no shortage of individuals willing to co-create: According to a McKinsey (2008b) one in ten of the participants in the online community Second Life is already involved in co-creating with companies in different

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ways (testing prototypes or participating in design of new products); 60% of the participants of this community say that they are willing to experiment with co-creation.

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 send online their favorite text or figure and it prints it on T-shirts. If the customers agree their submissions are posted in the site and are evaluated by site visitors; the best ideas become part of the company's assortment while the designer wins 2.500 $US in cash and merchandise as award. 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 has already a customer community of more than 400.000 people worldwide.

Finally a new tactic of outsourcing of product innovation and problem solving is emerging and quickly expanding: a number of specialized portals of crowdsourcing like Innocentive.com, Yet2.com and Innovationexchange.com operate as innovation platforms. Companies looking for solution to various technical or business problems can post a challenge in these sites offering a reward (between $ 5.000 and often over the $ 100.000) for the best solution. The cost advantages of such processes versus the traditional R&D process are obvious. The enthusiastic participation of many corporations in such platforms is probably reflecting positive experiences. The explosive growth of crowdsourcing activities makes this domain especially interesting for scientific research in the future.

6. Future Research Directions

This introductory paper presents some preliminary findings on the Social Media marketing domain helping to identify the dimensions of this phenomenon but also guiding a research agenda; future research should be focused on three main areas:

a. Identification and study of the effects of Social Media on individuals' buying behavior. An issue of primary importance is the impact of the online social networking and online collaboration on customer empowerment and decision making process. Important issue is the adoption process of Social Media by individuals and the motivating factors underpinning the 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 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 and Davis, 2000; Gefen et al., 2003 a,b; Vijayasarathy, 2004; Shih and Fang, 2004; King and He, 2006) and the online technologies in particular (Koufaris, 2002). In the specific area of online collaboration there is already some pioneering work; Willis et al. (2008) applied a TAM (Venkatesh and Davis, 2000) to study the adoption of social networking sites.

b. Empirical verification of the potential of marketing strategies based on Social Media. While measurement of the effects of traditional marketing strategies and actions is notoriously difficult the aptitude of the 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 and Haenlein, 2009).

c. Two areas of specific importance in the Social Media–based marketing domain are the mass-customization and the innovation based on co-creation as these were discussed earlier in this paper. The concept of "crowdsourcing" i.e. harnessing the 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 innovation agent (Boudreau and 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.

ffectively engaging the Social Media as part of the corporate marketing strategy requires that the company's "Web 1.0" legacy is in good shape: the corporate web site must be in position to serve as the corporate platform meeting the expectations of the online customer (Constantinides, 2004; Constantinides and Geurts, 2005). This because most of the strategic objectives of Social Media marketing require the presence of an impeccable company web site: 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.

7. Conclusions

E Marketers are confronted with the fact that their dominance on the marketplace is fading; push marketing based on mass-media communication becomes 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 to marketing and diminishing effectiveness of long-established marketing approaches.

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

While customer empowerment presents marketers with a substantial challenge there are many ways marketers 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 new market realities and adopt new attitudes: instead of looking to 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 here a very important and decisive role; they can be used as substitutes of traditional tools helping marketers to carry out a number of marketing activities effectively and economically, very often with the active participation of customers.

The 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 be also engaged as public relation and promotional tools, as instruments of customer influence, as tools allowing customers to customize their online experience and products they buy. Last but not least the Social Media open a whole range of opportunities to corporations as platforms for harnessing the collective intelligence and creativity; Social Media can be used to encourage customer involvement with the brand in the form of contribution to the production and innovation process.

Strategic re-orientation and often radical change of business and management attitudes is 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 the 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 the paper attempts to contribute a basis for understanding the role of the Social Media in the changing marketing landscape and to outline its effects on marketing strategy and practice. The paper attempts to position the Social Media within the traditional marketing context and define a framework of reference as basis for further analysis and research. In that respect the reliance on literature and practical examples has resulted on a number of concepts of descriptive and normative nature that presents researchers with a number of interesting intellectual challenges and research issues. The intention of the paper is therefore to contribute in the growing debate about the role of the Social Media as Marketing tools and provide a number of bases for further research and experimentation.

The most important message of the paper 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 is an agent of change and a source of opportunities for marketing strategists who will learn to operate in a new business environment that places the customer again on the top of corporate priorities.

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Figures and Tables
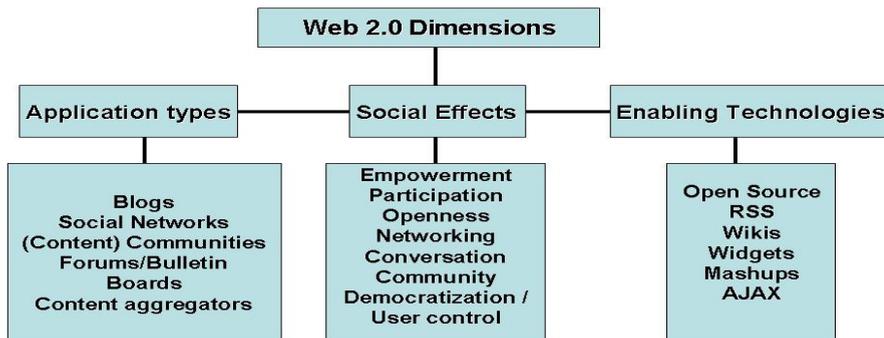
Fig. 1. The Web 2.0 dimensions

The (E-)Marketing Strategy

Fig. 2. The position of Web 2.0 within the (E-) Marketing program

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

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

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		

APPENDIX

Application Types

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

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

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

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

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

Social Effects

The Web 2.0 as a social movement [§§§] has become an internal part of the daily life of many consumers. In this environment several forms of social interaction take place. The almost unlimited possibilities of contacting other users allow the creation of online communities formed around demographics or special interests[****] [††††].

Generating content, copying, sharing, editing, syndicating, reproducing and re-mixing information are common practices in the Web 2.0 domain. Such practices lead to what has been described as democratization of technology, information and knowledge[‡‡‡‡] facilitating the active participation of the user as contributor, reviewer and reporter. Users can easily create or join communities and special interest groups sharing their experiences and knowledge but also engage in a conversation with other users, the industry and politicians. In short social

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networking becomes part of the popular culture, mainly among younger generations. Businesses and politicians (as the latest US primary elections have shown) begin to understand the power of these communities as communication platforms and it is common that businesses support or even create such communities themselves inviting people to become members. An interesting phenomenon worth further research is what is termed as Distributed Co-Creation: Engaging the online user as part of the innovation process[§§§§].

Enabling Technologies
While several technologies involved in the Web 2.0 domain are not necessarily new, there is a basic difference between Web 2.0 and the previous software applications namely the fact that many of these are open source ones. This fact has places the application user in the chair of the application co-developer and has lead to a fast, low cost and efficient application improvement. Next to existing applications the Web 2.0 movement founded on some unique new software applications and development techniques. The purpose of this article is not to examine this aspect of Web 2.0 but bellow there is a short description of the most important new enabling technologies and development tools applied in this domain.
RSS is short for Rich Site Summary / Real Simple Syndication, a way to syndicate and customize online content
Wiki is an application allowing collaborative publishing
Widget is a generic term for the part of a Graphical User Interface that allows users to interface with the application and operating system
Mash-ups are aggregators of content from different online sources to create a new service
AJAX is a web development technique used for creating interactive web applications

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