A Literature Review on the Business Impacts of Social Network Sites

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ABSTRACT

Social network sites (SNSs) such as MySpace, Facebook, and Youtube have attracted millions of users, many of whom have integrated these sites into their daily practices. There are hundreds of SNSs, with various technological affordances, supporting a wide range of interests and practices. However, the impact of SNSs is increasingly pervasive, with activities ranging from economic and marketing to social and educational. Among the wide impacts of social network sites, they are, anecdotally, becoming increasingly important in today’s businesses. Thus, the purpose of this study is to present a literature review of and classification scheme for research works in business impacts of SNSs, with the aim of clarifying the ways SNSs impact businesses. The review covers 28 journal articles published from 2000 to 2011 and a few months of 2012. The 28 articles classified SNS applications in businesses into six distinct categories: the “marketing and advertising,” “knowledge management,” “social capital,” “relationship management,” “e-commerce,” and “economic model.” The findings reveal that “marketing and advertising” were the most frequently category has been considered in the literature. This review provides a source for discovering business impacts of social network sites and will help to simulate further interest in the area.

Keywords: Business Impacts, Marketing, Social Media, Social Network Sites (SNSs), Social Networking

INTRODUCTION

The growing importance and role of web-based technologies in supporting firm operations is widely acknowledged both by practitioners and academics (Hanafizadeh, Hanafizadeh, & Khodabakhshi, 2010). One of the new web bases technologies emerged recently is social media. Social media can be defined as online applications, platforms and media which aim
to facilitate interactions, collaborations and the sharing of content (Palmer & Koenig-Lewis, 2009). The term social media has tended to be used interchangeably with the term “Web 2.0”, and can be identified by the following principal categories (Constantinides & Fountain, 2008):

- Blogs: encompassing individuals’ or enterprises’ online journals often combined with audio or video podcasts.
- Social network: Applications allowing users to build personal web sites accessible to other users for exchanging content.
- Content communities: Web sites organizing and sharing particular types of content.
- Forums: Sites for exchanging ideas usually around special interests.
- Content aggregators: Applications allowing users to fully customize the web content they wish to access.

The social media importance is on the interaction between people and in the facilitation of asynchronous, immediate, interactive, and low-cost communications (Miller, Fabian, & Lin, 2009). Social network sites (SNSs) are considered the core of network resource for organizations that link strategic value and business performance (Zhou, Wu, & Luo, 2007). SNSs allow individuals to construct a public or semi-public profile within a bounded system; to articulate a list of other users with whom they share a connection, and to view and traverse their list of connections and those made by others within the system (Boyd & Ellison, 2007). On larger social network sites, individuals are normally not looking to meet new people but are more interested in managing relationships by maintaining contacts with old friends who are already part of their extended social network (Boyd & Ellison, 2007). To sum up, social network sites can be seen as alternative communication tools which support existing relationships and activities in a fun and colorful way that can deepen the users’ experiences (Palmer & Koenig-Lewis, 2009).

Many social network web sites have emerged; attracting especial groups of users based on their demographics and some tend to communities with specific shared interests (Palmer & Koenig-Lewis, 2009).

There is now a lot of evidence that social network sites have become mainstream and it has been reported that globally, these sites account for one in every 11 minutes spent online (Jones, 2009). 54 percent of internet users between 16 and 24 have set up their own page or profile on a social networking site (Palmer & Koenig-Lewis, 2009). Social network sites have audience more than any other social media tools, today. Facebook reaches 710 million users (Hanafizadeh & Behboudi, 2012). Meanwhile, if Facebook were a country, it would be the third largest nation in the world, lagging behind only China and India. Half of those “citizens” log in every day and using the site on a daily basis (Zarrella & Zarrella, 2011). The average user has 130 friends and is connected to 80 community pages, groups, and events each one spend an average of 46 minutes per day on Facebook (Facebook, 2011). Also, 100 million people take a social action on YouTube every week and 800 million unique users visit this site each month (Youtube.com). Social network sites offer opportunities to connect with these hard-to-reach audiences drifting away from traditional media.

It can be implied that usage of social networking is increasing at a tremendous speed, and it is influencing how people share knowledge across the globe. However, impact of social networks is increasingly pervasive, with activities ranging from the economic (e.g., shopping) and marketing (e.g., brand building) to the social (e.g., cultural and physiological impacts) and educational (e.g., distance education) (e.g., Pookulangara & Koesler, 2011; Teo, Chan, Weib, & Zhang, 2003). Among the wide impacts of social network sites, they are, anecdotally, becoming increasingly important in today businesses. It seems that some factors are driving this trend. First, regarding the rapid rise in the popularity of social media, the number of potential customers engaged on SNSs was previously underestimated by many organizations. Second, in the current economic
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