Chapter 4

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

Efthymios Constantinides
Faculty of Management and Governance, University of Twente, The Netherlands

ABSTRACT

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

INTRODUCTION

Marketing, as an academic discipline and management activity, has been the subject of substantial transformation during the last twenty years. Many scholars and practitioners agree that mass-marketing approaches, while popular in the 60’s and 70’s, have lost ground (Brady & Davis, 1993; Seth & Sisodia; 1995; Bakos, 1998; Chaffey, Mayer, Johnston, & Ellis-Chadwick, 2000; Coviello & Brodie, 2001; Constantinides, 2006; Court, 2007). Media proliferation, market globalization, and
the emergence of a new generation of Information and Communication Technologies (ICT) are changing marketing rules and market dynamics and weakening the corporate competitive position (Porter, 2001), while at the same time, presenting individuals with many new opportunities and empowerment (Christopher, 1989; Wind & Mahajan, 1997; Rha, Widdows, Hooker, & Montalto, 2002; Bush, 2004; Urban, 2005).

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

Looking closely at the emergence of new ICTs, and particularly at the impact of the commercial Internet on businesses and the public, one could argue that the Internet has dominated the development in the marketing domain during the last two decades. One of the key developments was the continuous migration of market power from producers and marketers to consumers/customers, a fact that brought a substantial change to the rules of marketing and marketing communication. The Internet, as a commercial landscape, and particularly, the developments related to its current stage, widely known as Web 2.0 (or Social Media) presents commercial organizations with unique challenges. The Social Media are the main contributors to customer empowerment and, as such, they represent a major strategic threat for marketers. Surviving in a customer-dominated marketplace requires that commercial organizations understand the threats of the Social Media to but also learn how to turn them into a strategic opportunity. This is because the Social Media domain presents businesses with new options for improving their competitive position and exploring new sources of customer value that will attract customers and help to build strong relationships with them. For marketing strategists, the message is simple; surviving in the age of the empowered customer means less dependence on traditional mass-marketing tactics and more attention on one-to-one communication and customized approach. The Social media can be a major enabler of this approach.

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

What is Web 2.0 and Social Media?

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

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