Chapter 4

Analysis of Facts for Companies Going Public through Social Media

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ABSTRACT

Social media is altering interpersonal and social connections, empowering new forms of commitment and contribution. The emergence of social media has a dramatic impact on the current commercial environment. The power of authority has shifted from business to potential consumers. Going wrong in social media can have a huge impact on a business. However, at the same time, the huge potential of the medium cannot be overlooked. In this chapter, the authors compile a review of the cases where companies have undervalued or misused the power of social media. The research is basically a secondary market analysis wherein the failures have been identified and analyzed. Based on the analysis of the cases, the chapter suggests elucidation for companies going public through social media.

INTRODUCTION

Social media has been defined by researchers in many ways. But, in simplest terms Social media can be defined as social instrument of communication. Social media is a platform of communication between multiple participants. It is communication channel between Companies-Customer, Customer-Customer, and Customer-Companies. According to McKinsey survey 39 percent of companies surveyed already use social-media services as their primary digital tool to reach customers, and that percentage is expected to rise to 47 percent within the next four years (http://www.mckinseyquarterly.com/Demystifying_social_media_2958). So which are the sites that are mostly used by companies and consumers as social media tool? According to the data from Hit wise, a company that continuously tracks Website hits...
for a sample of 10 million U.S. users. Facebook market share in terms of visit as in 2012 stands at 63.76%. Youtube is 19.73%, Twitter 1.53%, LinkedIn 0.75%; Pinterest is 0.69%, Google + is 0.43%. Facebook users has grown dramatically across the years. According to Accenture analysis, the rate of adoption of Facebook is breath taking. It took 38 years for radio to have 50 million users while Facebook took only four years (http://mediafunnel.com/social-media/social-media-market-share-2012/).

According to researchers (Mangold & Faulds, 2009) social media is a hybrid element of promotion mix since in a traditional sense it enables companies to talk to their customers, while in nontraditional sense it enables direct customers to customers interaction. Social media is a great marketing tool for business of all sizes. Social media connects people to the business at a very personal level. Social media is a channel for companies to have their message in public without spending lot of money in traditional promotion mix. Example is of Ford Motor Co. that broke the tradition by launching its 2011 explorer crossover vehicle on Facebook.

According to Brook and Wollan (2011), social media creates opportunities for companies to supplement traditional sources of customer’s insight with a wealth of information gathered by listening into community sites such as Facebook, LinkedIn, and Twitter, as well as customer forums and product review and services. According to a survey by Accenture, tracking customer insight is now quicker because of the direct interaction possible with the customers through online market research. For example, Best Buy involves itself with 5,000 customer discussion every week and also interacts with 1.3 million followers regularly (Accenture survey).

Social media ad also helps in converting shoppers into buyers thus helping in sales process. Social media has led to innovation for many companies by understating the customer latent need. Social media has become a platform of recruitment process where companies have social media recruitment team who post and recruit resources form site like LinkedIn and Twitter. Social media is the source of formation of online virtual community. Firms get value when customer gets involved and thus helping in creating content and becoming loyal. Also they negate to any negative statement about the company. Having a social media platform is not only the key factor to success in business. Company has to deliberately get involve so that they are into an emotional relationship with the customers. So company has to be participative in nature. Twitter, Facebook, blogs, and company blog pages are the social media tool that is participative in nature. Unlike YouTube which is their only for video sharing.

Social media is a candid game changer for business. According to Brook and Wollan (2011) companies that invested early to harness the power of social media claim returns as high as 20 to 1, with even greater gains predicted to be on the way. As social media is spreading it wings on propagation it seems, mandate for all emerging leaders or companies to have a social media presence. As noted in an article on “Managing yourself on what is your social media strategy” where a CEO and his company were in toss for favoring a piece of argument on “network neutrality: the idea that Internet service providers should not base their prices on the content their customers’ access.” The CEO did not have a presence in Facebook, Twitter, or LinkedIn where he could justify his stand. On the other hand, Tom Dickson made a social media presence with his series of you tube video’s on “Will it blend” (http://hbr.org/2010/11/managing-yourself-whats-your-personal-social-media-strategy/ar/1). There is also a need of the involvement of CIO and CMO (Deans, 2011), in carry forwarding the social media strategy. Social media can be internal and external. Internal is related to company’s employees and is the ownership of the CIO and external is with the customer and the responsibility is with the CMO. But it is required that there should be a strong ties between CMO and CIO responsibility for social media to run well. The CMO even if take the marketing