Chapter 7
Social Network Marketing: Customer Value, CRM, and Competitive Actions

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ABSTRACT
This chapter reviews the specific character of marketing in Internet social networks from three different perspectives. The first concentrates on creating customer value in social networks. The focus of the second part is on a conceptual model of customer relationship management, which consists of five stages: defining, generating, communicating and delivering values for customer, as well as creating value for a company. The competitive actions taken by social networks are the subject of the third part of the chapter.

INTRODUCTION
Westland (2009) described social networks as structures consisting of members that share one or more specific types of special interests. In this chapter, social networks will be understood Internet-based social networks related to a company (e.g. Facebook), company’s product (e.g. Google Plus) or a non-profit initiative (e.g. Wikipedia).

In recent years, the question of social networks has been the subject of various studies, which focused often on their structure (Ansari et al. 2011, Xinlei et al. 2013) and on the relation between the use of social networks and the development of word of mouth communication (Trusov et al. 2009, Katona et al. 2011). To other researched aspects of social network which are important from the marketing perspective belong: customer behaviour (Park et al. 2009) and influence of social networks on brands (Zaglia 2013).

There is a marked important gap in many areas of social network marketing such customer value creation, CRM in social networks or their competitive actions. Often traditional approach cannot be utilized, which results from the fact that the customer value depends heavily on other customers. Hence, this social network marketing is more dynamic than in the case of traditional companies.

The main aim of this chapter is to present the specificity of social network marketing in the above mentioned areas (customer value, CRM,
competitive actions). The research questions are following. How the customer value is created in social networks? How to manage the customer relationships in social networks? What competitive actions are taken by social networks to achieve an edge over competitors?

In the first part of the chapter, the concept of customer value in social network will be presented. The next will focus on the description of the model of customer relationship management, employed by companies in relations with customers who form a social network. The model attempts at elaborating a consolidated framework, embracing various activities that enter into the scope of CRM and focusing on their independent character. The final chapter consists of an outline of the main competition actions employed by social network-based companies.

This chapter is an attempt to describe the social network marketing with such notions as customer value (value for a customer), value exchange, and CRM. These terms have been used in traditional marketing for many years. In author’s view this approach is in line with the definition of marketing, according to which it is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (American Marketing Association, 2007).

**CUSTOMER VALUE IN SOCIAL NETWORKS**

**Customer Value and Value Exchange in Social Networks**

It should be noticed that customer relationship is generally perceived as a type of value exchange. This way of understanding the notion is characteristic not only for classical studies (Bagozzi 1975, McCarthy and Brogowicz 1981), but it has also been demonstrated by papers from more recent years (Jackson 2007, Cheng 2009). The analysis of value exchange seems very important. On one hand, competition in the modern economy is based on the values offered to customers. On the other hand, the values delivered by customers for companies are used to create values for other stakeholders, such as the company’s employees, suppliers or owners.

The process of value exchange involves an interchange of values between a company and a customer. As a result of furnishing a customer with a set of values, a company receives from a customer other values of various types. The main goal of the delivery of values to customers, however, is to meet their needs, keep them satisfied and encourage them to continue the cooperation with the company. Perceived from the most general perspective, values for customers can be divided into functional and symbolic ones. The model of e-commerce values elaborated by Xu and Cai includes three elements: the outcome value, the process value, and the shopping enjoyment (2004). Cheng et al. while researching perceived customer values in e-commerce used a modified categorization of Sheth et al. (1991), which included functional, social, emotional and epistemic values (2008).

Viewing the traditional value exchange (i.e. companies which do not utilise social networks) from the perspective of values delivered to a company by customers, the author distinguished the values in the following dimensions: revenues; data, information and knowledge; contribution to co-creating a value process; word of mouth; company’s image; economies of scale (see Figure 1).

When it comes to websites employing social networks, an important role is played by the network effect, i.e. a situation in which values for a customer become dependent on the number of users of the given product (Wang, Chen, Xie, 2010). An analysis of a social network should not neglect the difference between one-sided and two-sided (many-sided) network effect. A one-sided network effect takes place when the users of a given network perform similar functions. In
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