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Title

Marketing Opportunities with Social Networks

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Abstract

Social networks are websites which allow users to communicate, share knowledge about similar interests, discuss favorite topics, review and rate products/services, etc. Even though social network marketing is still in its infancy, it holds a potential success for businesses if it is carefully integrated in the marketing mix. This paper discusses the advantages and risks that social network marketing holds. Future opportunities for social networks, particularly mobile social networking, are also discussed

Keywords: Social Networks, marketing, Internet

Introduction

In recent years, the expansion of Web 2.0 and the ever-increasing advancement and popularity of online social networks have had a tremendous impact on the way companies conduct marketing. The basic marketing principles still apply; however, companies must now be creative in order to target specific audiences and make a profit. As Olson (2009) points out, through use of certain technologies, companies are attracting new clients, servicing current clients, and making money, as well as promoting brand image, providing helpful services, and gearing up targeted advertising campaigns.

Social networking is rapidly expanding; Williamson (2009a) estimates that there was an 11 percent increase of people visiting social networking sites between 2007 and 2008, with "79.5 million people—41% of the U.S. Internet user population" visiting the sites in 2008. Furthermore, the trend will continue, and, by 2013, the number will increase to 52 percent. According to an eMarketer (2008) study, nearly six out of ten United States users now communicate with businesses and believe that the businesses must "interact with their consumers" and "deepen the brand relationship" via online social networking.

This paper will attempt to understand the workings behind social network advertising, determine whether it is profitable for businesses to promote their products and services via the social network platforms, and determine the opportunities and pitfalls of social network marketing.

Social Networking Sites - Brief Description and Characteristics

Social networking sites are instruments for building virtual communities, or social networks, for individuals with similar education, lifestyles, interests, or activities. Burke (2006) defines social networking sites as: "… a loose affiliation of people who interact through websites. The web enables any

person to build a vast number of relationships with others, regardless of geographical distance." These sites are further broken down into sub networks, based on demographic or geographical preferences. Popular with the student body, certain social networking sites establish networks within networks for particular schools and universities in order for students to sign up, interact with schoolmates, and participate in online events.

Most social networking sites also provide other means of online communications, such as email, instant messaging, chat, blogs, discussion group, and others. Dwyer, Hiltz, and Passerini (2007) advise that the main motivation for social networking is communication and maintaining relationships.

Two major social networking sites are MySpace.com and Facebook.com. According to QuantCast (2009), MySpace.com is the tenth most visited site with 58M+ unique monthly U.S. visitors, while Facebook.com is the third most visited site with 95M+ unique monthly U.S. visitors. These sites have become synonymous with social networking, have established solid user bases, and, in turn, have created concerns regarding the user privacy and protection.

Furthermore, in order to attract visitors to their sites, social networks use a different marketing mix to attract visitors to their websites. The 4Ps that are used on such websites are (Clemons, 2009):

Personal: They are personally relevant. The information in social websites resonates to the personal interest of users.

Participatory: Social networking websites allow participation.

Physical: Many social networking websites allow users to meet online and outside the cyberspace.

Plausible: Participation and performance in some social networking websites require some rules which allow all users to function.

Additionally, social networking sites are expanding themselves in new areas. For example, Facebook is pursuing a strategy to become an operating system for the Internet (Shafer, 2008). By using Application Programming Interface, Facebook allows users to create and deploy different custom-made applications and features, which can be business-related ads, promotions, or coupons or non-business applications such as games, quizzes, meetings, groups, fan clubs, etc.

Social Network Marketing Advantages

Social network marketing can be very advantageous for businesses. According to Weston (2008), social networking, if approached correctly, can help find talent, build brand awareness, find new customers, and help conduct brand intelligence and market research. The two main ways of advertising in a social network are through wish list features and tell-a-friend applications. The communication in social network gets shoppers to listen to one another, review ratings for products and services, and provide product knowledge and personal information. Social networks protect users from interaction with the outside world, and keep information and interaction away from strangers (Burke, 2006).

In addition, Skul (2008a) sees social network marketing as “the wave of the future,” estimating that by 2011, online social media advertising in the United States will be around $2.5 billion. He also states that the websites are just starting to understand all the possibilities that social network advertising offers and they are now offering improved advertising opportunities for businesses. He further believes that all businesses can benefit from social network advertising and clarifies that "as the effectiveness of traditional advertising and marketing techniques fade , Web 2.0 marketing is the future."

Brand Intelligence

First, businesses have an advantage of brand intelligence conducted on social networks. According to Pettey (2008), businesses cannot dismiss the amount of traffic generated by social networks. She continues to say that social networks used to appeal more to the young audience. However, they are now gearing to other demographic groups, such as "career-based social networks, shopping-based social networks, and employee groups." Thus, businesses can collect consumer feedback, establish a brand presence, or, perhaps, just observe the way their brands are discussed and perceived.

Moreover, it gives a business capability to develop a trusting relationship with a customer by direct interaction via Web 2.0 features, address their needs and concerns, or even conduct market research. In fact, according to Sachoff (2008), the main advantage of having a social network presence is "the amount of information an organization can gain about its customer base." He continues, saying that information can be mined regarding all sorts of trends, including product development, customer feedback, loyalty management, and customer segmentation, among others.

A New Marketing Channel

Furthermore, since social networks provide a wealth of word of mouth information regarding the brands and products, Pettey (2008) debates that the businesses must approach social networks the same way they might approach search engines, review sites, and price comparison sites. In addition, she clarifies that there are other strong online marketing strategies that can be employed by retailers, such as viral propagation via friends communicating among each other and user engagement by building application.

Web 2.0 is a marketing channel that needs to be integrated with other traditional marketing channels, and considered as part of the marketing mix. New media is not a replacement of traditional marketing tools such as local newspaper, TV, or radio station, but another tool that is able to reach the community which prefers electronic media. Unlike other traditional marketing tools, the advantage of this new electronic channel is that it is able to communicate globally and enrich the marketing to the personal level (Brandt, 2008).

Cost Saving

Moreover, as Skul (2008b) points out, social marketing can be an inexpensive way to promote a company rather than putting together a huge marketing team or a prohibitive budget. For example, MySpace (2009) charges $25 minimum to start advertising on MySpace, plus $0.25 per advertisement. Facebook (2009) charges $5 minimum daily budget, plus either $0.01 or $0.15 cents depending on the advertising campaign purchased. LinkedIn (2009) charges a $25 rate per thousand clicks.

Connections

In addition, Weston (2008) also explains that there are other ways businesses can benefit from online social network marketing. First of all, social network databases of prospects give businesses opportunities to mine social network information and contacts identified through social networks. Furthermore, social networks may be a great way to find suppliers or employees; for example, the sites like LinkedIn, where people gather to exchange professional information.

Brand Awareness

Weston (2008) further argues that brand awareness is important when it comes to social network marketing, and widgets are a good way to establish a presence in social networks. He says that through the use of widgets, businesses have a lot of opportunities to market [themselves], company, and add value in the overall business ecosystem..

Moreover, Weston (2008) explains that in order to raise brand awareness, employers should encourage their employees to participate in social network marketing and stay connected to the community. However, these activities should also be monitored in order to discourage abuse.

Finally, although some companies do not seriously approach building brand awareness on social networks, it is a good approach to build that into the business model. He suggests businesses start with small steps. If they find the method profitable, then they should consider introducing their own social network.

Social Network Marketing Pitfalls

Along with the strengths, there are a few weaknesses, when it comes to online social network advertising. Issues such as aggressive advertising, lack of e-commerce abilities, invasion of user privacy, and certain legal pitfalls, among others, can be major disruptions to social network advertising.

Aggressive Advertising

First, it is thought that if businesses target the consumers too aggressively with advertisements and product promotion and selling, the consumers will not choose to stay in the network. As Pettey (2008) explains, businesses should establish their networking presence on content produced by members, and then develop strong applications in order to encourage users to engage members in supplying the feedback in areas such as product design.

Lack of e-Commerce Abilities

Moreover, it is widely thought that social network sites are not yet ready to conduct direct e-commerce. Pettey (2008)

advises that businesses should not become early adopters of commerce capabilities on social networks.

She further clarifies that the users will not return or stay with the network if there is too much pressure to buy or if the network is viewed as too commercialized.

Legal Issues

In addition, there are also certain legal downfalls when it comes to advertising on social networks. As Skul (2008c) suggests, there are a number of existing media laws, since social network marketing involves the publishing or broadcast of online content. Thus, businesses have to be especially careful in market research and advertising laws in order not to cross legal boundaries.

Lack of Brand Control

Advertising in a social network brings risk to product brands. Social networks are user-generated content where end users write about their experiences with products, services, customer service, etc. The content in such networks may be critical to the product and companies have very little control in what end users share in their social network (Slavin, 2009). Special social networks, such as those dealing with the medical field, have a massive amount of unfiltered discussions between patients, caregivers, and physicians (Ellerin, 2009). Monitoring general perceptions of brands

from the online community and addressing issues discussed online that had not been previously considered, is extremely important for product/service brands.

Data mining

Finally, as explained by Pettey (2008), social networking is an opportunity to collect consumer data; however, these data pools cannot just be tapped into. She continues to say that, as the time goes by, social network users are more wary regarding sharing their private data. In order to have access to the consumer information, businesses must build widgets and applications that will require that a user share at least some personal data. However, the topic is always

controversial, and, it is projected that the privacy issues will not allow easy access to consumer private data.

Data mining companies are collecting free information from personal posts and applications. A company called "Colligent" collects such free information, mines it and sells statistical data to record label companies (Data Mining, 2009). For example, Disney's Hollywood Records label used Colligent's data to reach out to the Latin American community to advertise Jonas Brothers newest album.

Social Network Marketing Opportunities

There are numerous opportunities for a business to advertise in the social network situation, including raising

public awareness regarding the business and community involvement, as well as the next step in social network advertising, such as advertising on mobile handsets.

Public Awareness

First, as Skul (2008d) advises, there are ways that social network marketing can be advantageous in business. Although some businesses may find it unnecessary to position themselves on social networking sites, it is a good way to advertise their products/services and know what consumers think and want. He continues to say that social network marketing may play a very important role when it comes to the online success of a business. He further goes

on to explain social network marketing allows the business to get connected to the public and build their brand.

Involvement

In addition, as Javitch (2008) points out, in today's economic downfall, free social marketing may be a good alternative to the costly traditional marketing campaigns. He points out that in order to establish an online presence, there is an emerging trend of businesses going as far as hiring dedicated persons who manage social networking interface of the organization and communicate and interact with the users and the communities. He further comments that small businesses should be involved with many Web 2.0 content creation tools such as social networks, forums, and blogs. Furthermore, he explains

that getting involved on social networks will also mean protecting business name, so that no third parties can use it.

Klein (2008) tells that in order to be successful at social network marketing, companies should first incorporate online ads into their business model, set concrete business goals, and then start experimenting. Furthermore, with the ever-growing social networking presence, online social presence must be approached as an opportunity to expand the business by product and service promotion rather just consumer interaction.

Mobile Handset Advertisements

Another useful idea is to use mobile handsets as a means of social network advertising. As Kharif (2008) points out, social network platforms such as Facebook and MySpace have given new meaning to handheld devices. Thus, businesses may see this as an opportunity to promote their services and products via the mobile devices.

Social Network Marketing Threats

As with any advertising campaigns, social network marketing comes with its share of risks. Recent events, such as a tremendous fall in the economy as well as notorious ethics investigations into the invasion of customer privacy and data,

have impacted the popularity as well as economic feasibility of social network advertising.

Economic Downfall

With the economy in shambles both domestically and globally, social network marketing has suffered its share. Furthermore, there was a downturn in advertising spending numbers, as well as in the predictions for future years. Williamson (2008) now estimates that the advertising spending will drop from the projected $1.8 billion for 2009 to $1.3 billion. Furthermore, Williamson (2009b) clarifies that it has been shown that "tapping into consumers' conversations and spreading brand awareness virally has proven more challenging than companies originally thought."

Ethics

Finally, according to Skull (2008e), ethics has been a major problem when it comes to social networking sites. He explains that although businesses have earned their seat in social networking sites, they need to be very cautious regarding invasion of user privacy. Furthermore, lack of social online marketing plans as well as aggressive harvesting of personal user data can backfire on the business.

Third Party Advertisement Platforms

As pointed out in the privacy policies, social networking sites have been legally sharing user data with third party advertisers. In an effort to increase the profit margin base,

social networks have stepped into the next generation of the custom-tailored ad campaign, further incriminating user privacy.

Perez (2007) says that Facebook's Beacon online ad system acted behind the scenes, with the user unable to block or opt out of sending data feeds from third party sites to Facebook. This had brought angry protests from the MoveOn.org organization, as well as from users affected by the application.

This development raises issues of how far the sites are allowing third party advertisers to intrude into the company's customer base and perform commercial data mining in order to run a custom tailored advertising campaign. According to Story and Stone (2007), the sole purpose of Beacon was "to

allow advertisers to run ads next to these purchase messages". In other words, social networking sites are now developing software with the specific intention of letting the advertisers collect user data in order to sell their product.

In her article, Holahan (2007) explains the significance of third-party platforms, where a social networking site such as Facebook and MySpace are trying to get users' attention on the ads that support their sites. This application puts the site user in a direct relationship with the advertisers by forcing the user to include direct feeds from the third party participating websites in the profile.

Thus, although third party advertisement platforms can be of powerful monetary benefits for the social networking sites, they come with a number of user privacy issues that are often bypassed.

Conclusion

Social networks are popular places for people of all different backgrounds and experiences to meet. Furthermore, they can be powerful tools for businesses to establish brand presence, build brand awareness, as well as save advertising costs in economically dismal times. There are opportunities for businesses to grow public awareness and get involved in the communities, as well as continue to research for other ways to advertise on social platforms, such as incorporate mobile handset devices into the marketing model.

However, businesses must also be wary of ethical issues such as intruding user privacy, aggressive advertising, and spamming, in addition to legal pitfalls and data mining issues. Moreover, the businesses must have a strategic e-commerce plan, as social networks are not quite up to par on e-commerce transactions. Protecting user privacy and securing the user's personal data has become one of the most imperative goals of today's society. It is particularly important in the age of rapid expansion and tremendous popularity of social networking sites.

In conclusion, social network advertising is flourishing in the era of Web 2.0 end-user interaction. Therefore, it is advisable that businesses not ignore the opportunities to jump in and expand their customer base.

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