

Social networking phenomenon in e- business



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Abstract

Nowadays the social networking with its gradual growth has affected the image that we have about the web dramatically. In the following paper some issues about social networking are discussed. In particular, a critical exploration of the social networking phenomenon is presented and an evaluation of the impact on e-commerce and e-business is discussed. Furthermore some possible applications that concern opportunities, benefits and risks are given. A synthesis of the above provides a summary of conclusions that can be drawn and recommendations that can be made as well.

Introduction

Everyday practice shows that Social Networks popularity is increased day by day. If facebook were country it would be the world's 4th largest after China, India and USA having over 250. 000 users. Many companies have realized this phenomenon and have already started to reform their marketing policy in order to benefit from the Social Networking growth. Many professionals from music artists to business enterprises advertise themselves in social networking web sites via uploading some of their new songs, images or videos.

It is obvious that Social networking has a direct impact in e-business. In order to provide an evaluation of the social networking impact on e-business, we are starting our attempt from word-of-mouth marketplaces or overstock auctions or reputation systems. Reputation Systems like Amazon or e-bay is an online marketplace that augments traditional auctions with a social networking component (Christo Wilson 2008).

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Furthermore some social networks applications have several critical factors that we should consider (benefits, risks, opportunities). Our research demonstrates that the gradual growth of social networking has several benefits and several risks. In particular recent surveys have shown high levels of fraud in online markets (Bhattacharjee, Goe 2005).

Some of the most important malicious aspect of social networking is ballot stuffing, bad mouthing and data theft which will be described in detail in the third sector of this paper. On the other side as it was previously mentioned social networking has several benefits. Customers have lost trust in traditional sales, marketing and service or Customer Relationship Management and this plays a pivotal role in increasing of positive impact of social networking in e-business. Many people have changed their buying culture and have orientated in online reputation systems such as e-bay and Amazon that have direct relation with social networking aspects. In a few words this paper provides an overview of the social networking phenomenon evaluates its direct impact in e-business and e-commerce and presents some opportunities benefits and risks that are included.

Social networking as phenomenon

Social Networking is a phenomenon that has affected the whole Web and many aspects of our lives dramatically. Social networking web sites such as Facebook, MySpace, Hi5, Friendster etc. provide the ability to their member/users to create their personal profiles where they can share some information, brief CVs or personal photos. Thus they have the ability to search for their old acquaintances or familiars. Furthermore they can upload

or trade with other users photos, comments or videos. In fig. 1 a profile sample is provided.

Human beings used to create groups that consisted of people with whom they shared common interests. It was therefore expected that these networks will quickly transported to the online world. Social networks are created for many reasons and for different publics. Despite their differences the social networks are concerned with the following concepts:

Profiles - Each member creates and maintains an online profile that contains information regarding individual interests, skills or any part of his personal status. For example some people provide their CV in order to find a (new/better) job

Connections -Social networks enable their members to keep connections with each other chat trade images, comments and in general keep in touch via the Web (Boyd, Ellison 2007).

Even though the gradual growth of social networking is something recent it is not something new as a concept. Forums, chat rooms, blogs and creations of personal web sites (even though are not something new) are also functions regarding by social networking aspects. Several sites that contained the social networking element appeared in the start of new millennium.

The gradual social networking expansion is a part of a wider online phenomenon named Web 2. 0. Web 2. 0 is a dynamic " wide web" platform

in which several users are enabled to interact with each other without having specialized knowledge in computer systems or network issues.

Evaluation of Social Networking impact on e-commerce and e-business

The social networking phenomenon has undoubtedly a direct impact on e-business. Several benefits and risks could affect (negatively or positively) e-business.

Some benefits could derive from contacts between professionals, ranging from finding the right expertise to identifying cross-organization sales opportunities. What's more many professionals are eager to create an internal reputation, and to explore career prospects. Personal contacts between the workers could help job satisfaction and the maintenance and development of the local community could help in rapidly professional's resolution. Sharing of information and communication, a priority and challenge for many companies, could improve (Blackwell 2009).

One more Social Networking aspect that should be considered in order to provide a deeper evaluation of the Social Networking impact in e-business is the one introduced Overstock in Auctions.

Overstock Auctions is an e-commerce website that combines traditional auctions with a social networking component. However, samplings of user feedback shows that transactions between partners connected on the social network result in significantly higher user satisfaction. Official research also shows that Overstock's business ratings have big degree of accuracy, in that they have a strong correlation with user satisfaction after their transaction. According with official research it has investigated that a big percentage

users of Overstock Auctions have friends common to both their business as well as personal networks. That means that we have the trust element that plays a pivotal role in marketing. Unfortunately, traditional marketing users are often unable to locate their desired merchandise in their social network. Edelman Trust Barometer mentioned that the most reliable information source about an enterprise is 'a person like me'. The survey relates that in the U. S., trust in " a person like me" increased from 20% in 2003 to 68% today. That's why they prefer to buy any suggested product from a friend over a perfect stranger. Academic researchers have observed that 6% of users have 100% of their personal contacts involved in the business networks, which demonstrate that users have either only dealing with their social acquaintances, business partners or guests to participate in the personal network their friends (Wilson, Boe 2008).

The next topic that we will discuss concern Word-of-mouth marketing. The companies that have only traditional marketing methods and not Social Network element are in crisis with low productivity and benefits as a result of TV and Radio advertisement saturation. On the other side companies like Amazon, Google and Hotmail succeed with virtually no marketing based solely on word of mouth. Word-of- mouth is the best predictor of business growth because it contains the " trust" element that plays pivotal role in e-business (Pedro Domingos 2005).

Possible applications, opportunities, benefits and risks

The following section provides some possible applications focusing on opportunities benefits and risks.

Opportunities

There are several opportunities of using social network applications such as sharing information and media with peers, finding an audience for creative works, helping young people keep in contact with peers or allowing young people to develop new contacts and friendships with each other.

In businesses the importance of internal social software use is increased daily. Given that the next generation of employees will use the social software as the main medium of communication, the companies must bridge generation gaps and boundaries via the supporting of this communication method with its use in workplaces. Despite the difficulties the benefits are still huge.

At first a high user percentage is directors or company representatives indicating that Social Networking Software has a wide range of potential customers or active users. Secondly by bringing this social software tool in the company, the relevant elements regarding the contacts, interests and activities of the workers are available and archive-able from the company by providing new resources and new abilities for human resources comprehension. In case these tools are not provided by the company the employees have the right to seek social software tools such as facebook etc.

Benefits

There are undoubtedly several possible business benefits of the gradual growth of social networking applications.

At first within social network sites the employees are able to keep in touch with their colleagues. Unfortunately the percentage of distant colleagues and

in general distant working relationships is increasing day by day. So it is obvious that we draw attention to the necessity of awareness increasing and contact between distant partners via the social network tools. Within several companies keeping touch and maintaining relationship in an organization is a critical factor for an successful career. Thus the social network tools help the companies to maintain or improve their productivity independently from their employee's distance.

Another beneficial social network application is the user support regarding the exploring and learning about the new employees and the team members. This endeavor makes the searching of colleagues with special skills or discovering of past experiences in activities that could be useful for new projects easier. Organization-based social networks could also help the professionals to approach work (or non work) issues of common interest something that improves the communication between people who interact for the first time (Joan Morris DiMicco 2007).

Risks

Social networking has several risks except from benefits such as bullying, abuse and exploitation of young people, too much time (distraction) spend on the computer / internet addiction, ballot stuffing or bad mouthing

Ballot Stuffing

A seller manages to make fake transactions via the positive ratings after collusion with other buyers. So Ballot Stuffing has as a result the inflating a seller's reputation.(Bhattacharjee, Goel, 2005)

Bad Mouthing

On the other hand a group of buyers may be conspiring (it could be after a collusion with a rival vendor) to deliberately give negative feedback to a particular vendor and hence less reputation. This is known as bad mouthing. (Bhattacharjee, Goel, 2005)

Malicious goals

Some people tend to create fake profiles to bully, lie cheat and steal. Even though there are several benefits in communication via social network applications such as keeping touch and relationship management there is also always the potential to receive negative, insulting or unsuitable comments.

In several interviews several social networking users mentioned that the rude culture of some users was a common disadvantage. There was only a small percentage that disagreed with the term disadvantage. Unlike in the real world according to the new user's opinion the social network sites have not social limitations or boundaries. This means that users could behave in whatever way they want without limitations via posting rude or abusive messages. However in worst cases the rude culture of some users transact into malicious culture indicating that many users use fake profiles in order to insidiously steal data or money. I. e. A user might give his credit card password in order to buy something from an " advantageous market". Thus a malicious user having the credit card password is enabled to steal money. (Davies, Cranston 2008).

Distraction

In an organization a social networking software installation should undoubtedly offer several benefits and tremendous power to factors regarding the productivity and profits. However Surveys have found that social networking may be a distraction to workers. In particular it was found that 8% of the work time (30 minutes in 8-hour work-time) concern with social non-working activities. I. e. even though sending of personal photos among employees could provide some indirect benefit to a company, it could also be a distracter for the employees with bad impacts to productivity and profits.

Synthesis

As it was mentioned Social Networking as concept is not something new. It is exist from the internet creation since 20 years. In fact Social networking is part of a wider Internet phenomenon named Web 2. 0 indicating the recent Social Network event is its gradual growth due to Web 2. 0 creation.

Although companies are aware of the marketing and PR opportunities, using social networking software in a given company or organization is still in relatively early stage . Our main concern in this research paper is the emphasis on the need for transaction costs for a word-of-mouth system to work well and in order to avoid phenomenon such as ballot stuffing or bad mouthing . Not only is the transaction costs important for an word of mouth system to function well, the reputation of earned premiums to the seller should be associated with the transaction costs

It should also be reported that not only enterprises but all of us have to protect ourselves from malicious users via permanent information.

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Conclusion

Our study provided an overview regarding the Social Networking Phenomenon. It has also provided an evaluation of the impact of social Networking on e-business. In the stage of our evaluation we discuss about overstock Auctions. Overstock Auctions is a kind of an e-commerce website that makes a strong combination between traditional auctions and the social networking component. We have also discussed about reputation systems. The research has shown that Social Networking has both benefits and risks. Some of the risks that could be lurking are the excessive use of social network applications in workplaces, i. e the use of facebook in workplace from an employee for non business reasons. Other risks that are involved are ballot stuffing and bad mouthing in reputation systems. Ballot stuffing is the creation of fake fame after collusion between the reputation System company and fake buyers. Unlike bad mouthing is the defamation of the reputation system company via fake unhappy customers . Some benefits that could be shown are the improvement of customer support in a company. A complicated problem for a company could be solved by finding an expert or locate implicit knowledge via a social network application. In particular a questioner could contact via a Social Network Site with an expert who has solved a similar problem in the past and find a solution to their problem. This paper also provides the " trust" component that plays pivotal role in e-commerce. Customers have lost their trust to the traditional marketing methods. The social networks enables the customer to interact with a person " like him" in order to get the appropriate information for any product. Thus even though the majority of users perform few transactions with their " virtual" friends on social network, many sampling feedbacks

showed that transactions between companies representatives and customers have increased the user satisfaction degree.

Also a conclusion has been drawn that Overstock's business ratings are accurate, in that they have a strong correlation with user satisfaction after their transaction. Thus a valid conclusion would be that there exists a necessity of transaction costs for a well functioning reputation system

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