

Marketing – through the invention of social media

[Business](#), [Marketing](#)



Through the invention of social media, where millions of people can connect to each other at the same time addressing masses, the word-of-mouth (WOM) or more precisely the electronic word-of-mouth (eWOM) has become one of the most interesting fields for organizations and marketers. In 2007, Ed Keller, the president of the Word of Mouth Marketing Association, points out that the "word of mouth conversation is retaking the throne in the social order" and "word-of-mouth (WOM) has now become the most important and effective communications channel" (Keller, 2007, p. 448). Seeing the traditional view of WOM as too narrow Godes et al.(2005) refers to them as "social interactions" (Godes et al., 2005, p. 416).

The importance of the WOM cannot be neglected: Already in 2003 a McKinsey & Company study found that 67% of to consumer sold goods were on personal information sources (Taylor 2003). The eWOM, which definition differentiates to the WOM only through the electronic media, is a hybrid "from mixed technologies and media origins that enable instantaneous, real-time communication, and utilizes multi-media formats (audio and visual presentations) and numerous delivery platforms (Facebook, Youtube, and blogs, to name a few), with global reach capabilities"(Mangold & Faulds, 2009, p. 359). It is crucial and fundamental to understand the difference between WOM and eWOM, and its global capabilities are the challenges and opportunities for future marketing directions.

1. 2. The eWOM Face-to-Face conversations have always been a major factor for customers' buying decisions (Richins & Root-Shaffer, 1988, cited in Henning-Thurau, 2004, p. 39), but nowadays the eWOM has made it even easier for customers to review products. Underlining the importance of this

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new marketing field researches illustrate the growing impact of word-of-mouth as the primary source for customer purchase decisions (Advertising Age, 2008). Moreover " user-generated content has [even] become a mass phenomenon, with Facebook, MySpace, YouTube, Wikipedia, and Twitter all being listed among the Top 15 websites, accounting for more than 11 percent of global internet traffic, as of April 2010" (Henning-Thurau et al. 2010; Alexa 2010).

In retrospect to the rising internet participation analyzing unique characteristics and aftereffects of eWOM has become an interesting field for marketers. To clearly define eWOM Henning-Thurau et al.(2004) determines electronic word-of-mouth as " any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet" (Henning-Thurau et al., 2004, p. 39). My further investigations will concentrate on eWOM in social media especially in networking sites (e. g. Facebook), product review websites (e. g. ciao. com), retailers websites (e. g. amazon. com) and generally on eWOM in crowdsourcing systems, which will be seized on later.

1. 3. Characteristics and impacts of social media The last decade has seen a rapid growth of social media's popularity among internet users. According to Chaney (2009), 73% of Americans are online, and 35% of adults are using social networks (85% of 18-34 year-olds). In the case of joining social networks, reading blogs, or contributing reviews on shopping sites Kaplan &

Haenlein state a growth from 56% in 2007 to 75% in 2008 of internet users using social media..

This growth, they claim, represents " a revolutionary new trend that should be interest to companies operating in online space - or any space for that matter" (Kaplan & Haenlein, 2010, p. 59). Defining social media Mangold & Faulds (2009) take a consumer focused view of social media, equating the term with 'consumer-generated media' and providing the following definition, taken from Blackshaw & Nazarro (2004): social media are " a variety of new sources of online information that are created, initiated, circulated and used by consumers intent on educating each other about products, brands, services, personalities and issues" (Blackshaw & Nazzaro, 2004, cited in Mangold & Faulds, 2009, p. 357).

Interestingly this definition completely ignores the use of social media mainly for social purposes. Kaplan & Haehnlein sees social media as " a group of internet-based applications that build on the ideological and technological foundations of Web 2. 0, and that allow the creation and exchange of User Generated Content" (Kaplan & Haehnlein, 2010, p. 61). This means the two terms are not the same, rather than social media is being used to produce user-generated content. Social media encompasses a huge selection of online word-of-mouth, as illustrated by Table 1. To show the importance of this new emergence for marketers Mangold & Faulds (2009) describes the phenomenon of social media as " de facto modus operandi for consumers who are disseminating information on products and services" (Mangold & Faulds, 2009, p. 359).

1. 4. What is my work about? " The advent of the Internet has extended consumers' options for gathering unbiased product information from other consumers and provides the opportunity for consumers to offer their own consumption-related advice by engaging in electronic word-of-mouth (eWOM). Given the distinct characteristics of Internet communication (e. g., directed to multiple individuals, available to other consumers for an indefinite period of time, and anonymous), eWOM deserves the serious attention of marketing researchers and managers.

However, only limited research on consumers' eWOM communication has been published to date" (Henning-Thurau et al., 2004). Now, seven years later, a lot of new researches, studies, field test, and investigations have been published to make the new phenomena of eWOM in social media more tangible. Therefore this study tries to identify upcoming challenges, problems and opportunities for organizations to cope with the new phenomenon of online mass communication.

2. The new marketing directions 2. 1. The early studies Until 2004 only little research had been done on the new aspects, opportunities and aftereffects for organizations and marketers through the invention of online social media communities. Phelps et al. (2004) made the first attempt to understand the uniqueness of networks by examining customer responses and motivations to pass along email. Obviously this study did not concentrate on communities, however they do have similarities to viral marketing strategies nowadays. Concerning viral marketing Kaplan & Haenlein (2011) define it as electronic word-of-mouth in some kind of marketing message form related

to a company, brand, or product transmitted often through the use of social media applications. The outcomes of this research are interesting, because " only by understanding these motivations and behaviors can advertisers hope to tap effectively into this rich vein of communication and advocacy" (Phelps et al., 2004, p. 333).

The motivations to pass along email were mainly the desire to share the included information with others, but also altruistic and superstitious. Interestingly receiving pass along emails can end up in negative feelings, but sending has positive motivations. Another crucial point is that pass-along emails did also stimulate face-to-face and telephone conversations. The highest viral potential have had messages containing naked pictures, jokes, crime warnings and games. In this research the major amount of emails have been text messages (almost 50% jokes). Phelps et al. (2004) did not investigate any viral marketing strategies (Phelps et al., 2004, p. 333-342). Chevalier and Mayzlin (2006) focused on the effect of word of moth on sales concerning online book reviews on Amazon. com and Barnesandnoble. com.

This has been the first literature " documenting that community content plays any role in consumer decision making" (Chevalier and Mayzlin, 2006, p. 345). Their major goal was to find out whether positive or negative book reviews have an impact on book sales over time and their results are almost as ex ante suspected. Chevalier and Mayzlin's results are as follows: First, an increase in the average star rating on Amazon. com over time results in higher relative sales of the book on Amazon. com over time. Second, they identify that one-star reviews have a greater effect than five-star reviews on

the same site. Finally, concluding all results " evidence suggests that customer [electronic] word of mouth affects consumer purchasing behavior at two Internet retail sites" (Chevalier & Mayzlin, 2006, p. 354).