Investigating the Role of Online Social Media in Consumer-Firm Relationships

Janna Cole
Coastal Carolina University

Follow this and additional works at: https://digitalcommons.coastal.edu/honors-theses

Part of the Marketing Commons

Recommended Citation
https://digitalcommons.coastal.edu/honors-theses/89

This Thesis is brought to you for free and open access by the Honors College at CCU Digital Commons. It has been accepted for inclusion in Honors Theses by an authorized administrator of CCU Digital Commons. For more information, please contact commons@coastal.edu.
INVESTIGATING THE ROLE OF ONLINE
SOCIAL MEDIA IN CONSUMER-FIRM RELATIONSHIPS
2011

BY

JANNA COLE

MARKETING

Submitted in Partial Fulfillment of the
Requirements for the Degree of Bachelor of Science
In the Honors Program at
Coastal Carolina University

December 2011
Table of Contents

I. INTRODUCTION .................................................. 3

II. LITERATURE REVIEW ........................................... 4

III. METHOD ......................................................... 12

IV. RESULTS .......................................................... 12

V. CONCLUSIONS ................................................... 15

REFERENCES ......................................................... 17

APPENDIX ............................................................ 20
I. Introduction

The online media landscape is rapidly changing upon the development of web technologies that enable internet users to interact and share information with each other. More connected than ever before, people from around the world are able to converse through media such as social networking websites, blogs, wikis, video sharing websites, forums, and online communities. These online social media platforms, collectively referred to as “Web 2.0 tools,” have been growing in popularity in terms of usage since about 2003. More recently, companies have recognized the value in communicating with their stakeholders through Web 2.0 social media applications, though how they should use the technologies is debated.

Regarding the role of Web 2.0 in business activities, three primary areas of interest are under discussion: (1) how Web 2.0 tools should be integrated into firms' marketing strategies, (2) how Web 2.0 tools should be used to build or retain brand equity and create value with consumers, and (3) how the participation of brands in Web 2.0 influences consumers' attitudes and behaviors, if at all. There are some overlaps between these subjects, particularly involving the role of consumers in appreciating or diminishing brands' reputations, as well as information gaps to be filled by further research as these technologies continue to develop.

As firms integrate Web 2.0 technologies into their business plans, some questions arise. Are consumers’ demands of these firms changing consequently? If yes, then how? User interaction is the essence of Web 2.0; when consumers interact with firms via online social media, it is likely that some kind of feedback or acknowledgement will be expected. Consumers might also anticipate engaging with the firm to meet their customer service needs and receiving communications from the firm about upcoming promotions or other pertinent information.
Secondly, which Web 2.0 tools best promote consumer engagement with a firm? Social networking services, such as Facebook and Twitter, provide media that allow for balanced communications between firms and consumers, whereas corporate blogs are perceived to be more firm-dominant, and online forums tend to be more consumer-dominant. Small business-to-consumer companies that are just starting up can obviously benefit from social media participation to increase their client bases and gain insights about their customers, whereas larger companies may find extensive consumer engagement too cumbersome to be worthwhile. Business-to-business companies might not gain as much from social media platforms as business-to-consumer companies, but should still consider using them to establish an online identity and connect with company stakeholders. These considerations are especially significant for companies seeking to effectively use social media in their marketing strategies.

II. Literature Review

Various authors contribute to the existing scholarship on the usage of Web 2.0 tools in marketing strategies. Moran and Gossieaux (2010) analyze the results of “The Tribalization of Business Study,” to examine the establishment of organization-sponsored online communities, how the success of those are measured, and how the interaction improves marketing and other business processes. They suggest that marketers segment by group behaviors as opposed to demographics, focus on the consumer instead of the company, and keep corporate policies regarding social media usage somewhat flexible. They also argue that social media should be leveraged by focusing on human traits, as opposed to its technological aspects (Moran & Gossieaux, 2010).

David Edelman (2007) agrees with Moran and Gossieaux (2010), stressing that marketers must understand their customers psychologically in order to cater to their needs by
enhancing the “brand experience,” instead of targeting them with specific advertisements. Edelman also adds that firms must strategize on two levels: “the microlevel of specific programs” and “the higher-level reshaping of their fundamental brand management approach” (Edelman, 2007, p.130).

Jun and Chang-Hoan (2009) contribute to the marketing strategy discussion in their article, “A New Approach to Target Segmentation: Media-usage Segmentation in the Multi-media Environment.” Like Moran and Gossieaux, these authors also believe that marketers should segment based on media usage behaviors instead of demographics and other methods. Jun and Chang-Hoan conduct a study to profile market segments by media usage (type and frequency), social interpersonal interaction, opinion leadership, motivations for media, usage, and attitudes toward advertising. In doing so, they identify the prime segments of “print-oriented/surveillance users,” “mediocre passive users,” and “sensual video-audio combined fun-seekers,” and suggest strategies for businesses to interact with each (Jun & Chang-Hoan, 2009, p.145). By assessing which media platforms are most appropriate for reaching different segments, Jun and Chang-Hoan contribute to the ways that marketers can enhance the “brand experience” for consumers, a strategy highly suggested by fellow researcher Edelman.

Subramani and Rajagopalan (2003) explain what viral marketing entails, how it is used, and a framework of the components that influence it. The authors provide examples of companies that have used viral marketing initiatives in their business strategies and cite references from various academic journals and reviews to support their evidence. They advocate the use of viral marketing and reliance on natural “influencers” of a brand's goods and services for promotion, but draw the line at “co-opt[ing] users to promote products and services,” which has a strong potential to backfire (Subramani & Rajagopalan, 2003, p.306). This is congruent
with the perspectives of the other authors who stress the importance of brand engagement with consumers.

Instead of considering the importance of brand engagement like the authors of the previous articles, the authors of “Location, Location, Location: The Relative Roles of Virtual Location, Online Word-of-Mouth (eWOM) and Advertising in the New-Product Adoption Process” examine the benefits of consumer-to-consumer communications through traditional word-of-mouth (WOM) over those of modern internet advertising. Sussan, Gould, and Weisfeld-Spolter (2006) ask, “[H]ow does this new combination [of marketing and interpersonal communications] affect the persuasion process within new-product adoption? Are the combined advertising and word-of-mouth messages effective in all websites?” To answer their questions, the authors conducted a study to determine the effectiveness of strictly advertisements versus eWOM on both company-sponsored websites and third-party sponsored unaffiliated websites, finding that eWOM on the latter was most effective. They conclude that including positive consumer feedback on a corporate-sponsored webpage may be perceived by consumers as false marketing ploys; instead, allowing favorable WOM to accumulate in unbiased third-party consumer forums, without manipulation, would be a wiser strategy (Sussan et al., 2006, p.649).

Like Gossieaux and Moran (2010), and Edelman (2007), these authors acknowledge the importance of marketers to have deep understanding of consumer psychology and to maintain a positive corporate image.

Tim Hipperson (2010) analyzes the evolving trends of marketing communications and concludes that companies must adapt with them by focusing their strategies on “insight-based analysis” and integration into online consumer communities. He specifically states that “traditional account manager-led strategy” and “hard data-based analytics” are becoming
obsolete with the changing media landscape, and predicts that “insight-based analysis backed by data and informed by creative principles” will be the optimal replacement (Hipperson, 2010, p.262). This position fits with other authors’ argument that firms must collaborate with consumers more closely than ever before, particularly through e-communities.

Alan Lew (2008) presents the concept of the “Long Tail Tourism Niche,” a difficult to reach but profitable market segment, in his article, “Long Tail Tourism: New Geographies for Marketing Niche Tourism Products.” He points out that online communications, including social networking, has enabled the survival and even growth of specialized businesses that would otherwise been too obscure and geographically inaccessible to attract customers. This extreme case of firm dependence on the online market supports his argument that a strategy of intensive Web 2.0 participation is essential for firms with higher transaction costs of meeting the demand for their unique goods and services (Lew, 2008). Like most of the previously mentioned authors, Lew underlines the need for firms to participate in e-communities as a means fostering good relations with their customers.

Like Sussan et al. (2006), Trusov, Bucklin, and Pauwels (2009) focus on eWOM between consumers as opposed to communications between firms and consumers. In “Effects of Word-of-Mouth versus Traditional Marketing: Findings from an Internet Social Networking Site,” the authors analyze the diminishing credibility of corporate advertisements in the perspective of consumers and the subsequent increasing reliance on learning about new products and services through word-of-mouth. They argue that using online social networking communities and other online tools may be ideal for marketers looking to cut advertising costs, while still doing their jobs efficiently and effectively (Trusov et al., 2009). Most of these authors agree on the
importance of brand engagement and using ethical marketing practices, but they envision using specific parts of Web 2.0 more intensively than others in different circumstances.

Other scholars and professionals recommend that companies participate in online communities to build brand equity or create value for their goods and/or services by interacting with consumers through this new marketing channel. In “Winning the Internet Confidence Game,” authors Gorry and Westbrook (2009) discuss how firms should implement Web 2.0 tools as a form of damage control against anti-branding, since any negative criticisms or rumors floating around on the internet will continuously diminish a company's public image if left unacknowledged. The pair suggest that firms establish and maintain an online presence to engage with customers genuinely and act in their interests, in order to “foster loyalty and commitment” amongst their fans and to minimize the “erosion of brand equity and corporate reputation” from their critics (Gorry & Westbrook, 2009, p.202).

Bhaskar Chakravorti (2010), author of “Stakeholder Marketing 2.0,” shares Gorry and Westbrook's (2009) sentiments, and encourages firms to involve customers in the value-creation process via idea-sharing and open-innovation forums. To do so effectively, he stresses that firms should “ensure competitiveness or prevent manipulation,” use “an open and fairly democratic decision process,” and refrain from offering tangible incentives or prizes (Chakravorti, 2010, p.101).

Like the other authors, K. L. Keller (2009) views online marketing communications as a valuable, flexible brand-building tool which companies should use to grow their loyal customer bases. In his article, “Building Strong Brands in a Modern Marketing Communications Environment,” he advises that marketers review his “customer-based brand equity model” which “emphasizes the importance of understanding consumer brand knowledge structures to build and
manage their brands in a dramatically changing marketing communications environment” (Keller, 2009, p.139). Unlike the other authors, Keller has developed his own decision-making model and cites more facts and numbers to strengthen his argument.

In the article, “Negative Double Jeopardy Revisited: A Longitudinal Analysis,” Kucuk (2010) explores the effects of consumer-generated web content on brand equity through a detailed investigation of websites and blogs exclusively intended for anti-branding activities. Like Gorry and Westbrook, he believes that companies must strive to understand how today's consumers interact through social media and establish a clear brand identity online to mitigate the effects of consumer anti-branding practices to maintain their reputations (Kucuk, 2010).

Marandi, Little, and Hughes present a case that “underlines the need for organizations to take account of the role of customers as proactive partners in creating value” in their article, “Innovation and the Children of the Revolution: Facebook and Value Co-Creation” (2010, p.179). These authors claim that the roles of consumers are changing with the rapid evolution of technology; they are becoming more active by creating value and innovation in products marketed by businesses. Instead of conducting an experiment of their own, the authors cite the unprecedented use of Facebook by politicians, activists, and other citizens of Iran during the presidential election controversy of 2009 to support their argument that there is less need for marketers to stress the specific value attached to the goods they advertise. Like the innovative activists in Iran, practical consumers are sure to discover creative uses for products on their own, creating additional product value (Marandi et al., 2010). Unlike the other authors, Marandi et al. highlight the power of customer-led innovation with a unique example, giving firms more reason to “listen” to their customers and cooperate with them to create value and goodwill. Overall, most of these authors agree that the rise of consumer-generated web content has detracted from
the control of marketers over their company's public images, but specify different aspects of Web 2.0 for them to focus on in controlling damage from anti-branding activities or reinstating brand equity.

Most of the scholarship regarding consumer attitudes and behaviors relates to the motivators and incentives for consumers to interact favorably with firms via Web 2.0 and to influence others to do the same. In their article, “Reconsidering Models of Influence: The Relationship Between Consumer Social Networks and Word-of-Mouth Effectiveness,” Smith, Coyle, Lightfoot, and Scott write that consumers will relay marketing messages based on their motivation to be helpful by giving advice, to share with others, and to gain recognition by doing so. After conducting several research studies, they have decided that the “influence pyramid” isn't particularly relevant in the spreading of eWOM, consumers tend to trust each other more than advertising professionals, and they offer other insights that may help businesses more effectively use social media to run viral marketing campaigns (Smith et al., 2007).

Contrary to the works of other authors, Zeisser's article, “Unlocking the Elusive Potential of Social Networks,” is rooted in psychological theory and consumer behavioral observations rather than in marketing theory and hard data from research experiments, adding a deeper perspective to consider when studying the social media interactions and relationships between firms and consumers. Zeisser agrees with Smith, Coyle, Lightfoot, and Scott's (2007) hypothesis of web notoriety and social recognition as “influencer” motivators, and adds that companies should offer intangible incentives to consumers to generate positive word-of-mouth (WOM) messages through e-communications (2010, p.28). Subramani and Rajagopalan (2003) also believe that influencers are not only driven to act by these potential benefits, but also by a “desire
to comply,” and agree that marketers should not bribe these users to promote their goods and services (Subramani & Rajagopalan, 2003, p.305).

Sussan, Gould, and Weisfeld-Spolter (2006) focus on consumer skepticism towards positive eWOM positioned on company websites versus the perceived credibility of unbiased third-party consumer forums. This is also consistent with the views of Smith et al. (2007). The authors’ opinions don't seem to conflict much in this area, but rather build on each other’s arguments through deep investigations of various dimensions of social media.

Several elements are missing from the existing scholarship. How is the development of social media changing consumers' demands of a firm? From the sources provided, it is clear that consumers are quicker to believe each other before marketers, and that they are more empowered than ever before. In addition, when used optimally, which of the social media platforms are the most effective in strengthening the relationships between firms and consumers? How should companies balance the different Web 2.0 applications based on their relative sizes? How should Web 2.0 marketing communications differ amongst business-to-business (B2B) companies as opposed to business-to-consumer (B2C) companies? These are important questions that marketers must consider before integrating these tools into their campaigns.

Scholars have reached a consensus regarding how companies should approach Web 2.0 technologies when interacting with consumers. They constantly restate the need for marketers to get inside the consumers' heads and understand their psychological needs, while using Web 2.0 tools like social networking services to establish a clear corporate identity and communicate favorably with them. In their writings, the authors never really consider what the consumers expect of these relationships. They consider possible incentives that companies may offer to win customer loyalty, but concentrate more on the firm's push than the consumer's pull. Also, aside
from large “brands,” the ideal use of Web 2.0 platforms as a marketing channel for smaller organizations and business-to-business (B2B) companies is never clearly addressed, or at least not in much detail. One would logically assume that there would be some differences in the marketing strategies of each different kind of company given the variances in their sizes and types of buyers, but in many cases this is left somewhat vague.

III. Method

To determine how social media applications have affected relationships between customers, an extensive review of the existing scholarship and a survey of consumer behaviors and attitudes toward businesses participating in social media were conducted. The survey was administered to a sample of 75 Coastal Carolina University students between 18 and 30 years old, with a mean age of 20 years old. The sample consisted of 41 females and 34 males. Respondents were asked which social media websites they visited, how they interacted with businesses through social media, if they held certain expectations of firms that they interacted with via social media, and if they relied on social media for updates or pertinent information from businesses. The survey was self-administered to voluntary participants whose identities were kept anonymous.

IV. Results

Analysis of the survey responses yielded much insight into students’ social media usage and how they interact with businesses through online social media. Students using online social media platforms composed 98.7 percent of the sample. Most respondents claimed to use social networking websites (94.7 percent) and/or video sharing websites (93.3 percent). Of those types of Web 2.0 applications, Facebook and YouTube were the most popular platforms with user rates within the sample of 92 percent and 93 percent respectively. For businesses attempting to reach
this market segment, placing advertisements or maintaining an online presence in these social media channels should be a significant component of their marketing strategy.

Of the 75 respondents in the sample, 53 (70.7 percent) claimed to interact with businesses through online social media. Some of the ways students interacted included opting into the business’s communications on a social networking website, reading the company’s blogs, an watching videos generated by the business on a video sharing website. Social networking websites were the most popular social medium for interaction with businesses (56 percent of respondents), followed by video sharing websites (45.3 percent). Only 13.3 percent of respondents claimed to read company blogs. Again, for businesses seeking to interact with consumers within this market segment, maintaining an online presence on social media platforms such as Facebook and YouTube will be beneficial. To encourage more consumers to interact with businesses, offering discounts, chances to win prizes, or other incentives may be necessary.

Forty-two respondents (56 percent of the sample) claimed to provide businesses with feedback through online social media in the form of comments posted on the company-generated content. Twelve of the respondents (16 percent of the sample) answered that they expected some kind of response or stated acknowledgement from businesses they provided feedback to, while the other 30 (40 percent of the sample) respondents responded that they did not expect any response or acknowledgement. This finding may indicate that consumer expectations of firms in social media communications are not as high as the researcher anticipated or at least are not very high among this market segment.

Social networking websites and video sharing websites were undoubtedly the most popular social media platforms in terms of personal usage and interactions with businesses among the respondents. More than half of the respondents claimed to interact with businesses
through Facebook, Twitter, and/or YouTube. For companies establishing an online presence, this finding implies that it may be more beneficial to focus resources on these mainstream social media websites instead of less popular forms of social media, such as blogs. In addition, 36 respondents (48 percent of the sample) answered that they relied on social media to receive updates or other pertinent information from businesses, such as hours of operation, promotions, and recalls. Companies who do not use online social media to communicate this information sought by their customers may be putting themselves at a competitive disadvantage.

The scholarship on social media and businesses offers some insight. According to Tom Funk (2009), consumers have more power over firms in social media communications. In the past consumers were overwhelmed by advertising messages in the form of junk mail or television commercials, whereas in the present, consumers are “opting in for custom messages and the content they want—and turning an increasing deaf ear to what they do not” (Funk, 2009, p.21). When interacting with businesses through social media, it is possible that consumers might be seeking recognition from other users, rather than from the actual business. Just like consumer reviews on independent websites, these communications could serve to either encourage or deter other consumers from doing business with a firm, thus negating the need for a firm’s response. Thackeray, Neiger, Hanson, and McKenzie (2008) agree that consumers dominate the messages spread through social media, citing the following in their study:

The consumer is in control of how information is generated, created, organized, and shared. In the case of social marketing promotion, this information is about products such as behaviors (physical activity), ideas (recycling), tangible items (bicycle helmets), services (mammography screening), or causes (energy conservation) (McKenzie, Neiger & Thackeray, 2009, p. 339)
Thackeray, et al. (2008, 2009) also claim that before formulating a social media marketing strategy, each business must consider their target market. Instead of following a universal social media best practice for companies of all sizes, structures, and industries, a firm must assess its customer base in terms of social media usage to determine what Web 2.0 platforms to integrate into its marketing strategy, if any.

In an e-book published by two marketing consulting firms, Eloqua and Jess3, titled *Eloqua Social Media ProBook*, writers Joe Chernov and Leslie Poston agree with Thackeray, et al.. Chernov states that a company must “determine which operational model is most consistent with [its] objectives and culture” and consider the departments of the company that will maintain the social media communications with consumers (2011). These factors will vary by company, underlining the importance of developing a unique Web 2.0 marketing strategy. In her list of ten steps to devise and implement such a strategy, Poston stresses that researching target customers’ social media usage is the first step in a company’s integration into social media. Failure to do so, she warns, may result in a waste of time and money (Rubel, et al., 2011).

IV. Conclusions

The findings of this study indicate that consumers want some degree of engagement with firms, but not one that is overbearing. Some consumers may choose to engage with firms more than others, so it is up to each firm to identify and meet the needs of its target market. Familiarity with the target market is also critical to developing a social marketing strategy and establishing an online presence in social media platforms appropriate for the business’s culture and its customers.

This study was conducted to expand the knowledge on the consumers’ demands of businesses during the rise of online social media. The college student segment was used due to
convenience on behalf of the researcher. The findings of this research may be used by businesses that are seeking to integrate social media web applications into their marketing strategies and are targeting college students.

One limitation of this study is its broad coverage of companies without considerations for various firm structures and lines of work, as opposed to an in-depth view of just one industry. It is also important to note that Web 2.0 technologies are less than a decade old, so there is limited scholarship on the subject. Rumors of emerging Web 3.0 technologies may further complicate the online media landscape. Results from the survey may not be generalizable to all consumers because they only account for college-age consumers; non-response error is present because of the lack of representation of older consumers and less-educated consumers. Future research projects may benefit from conducting a more in-depth assessment of consumers’ expectations with a larger sample size and from a more thorough review of the still-growing scholarship on the engagement between firms and consumers in social media. Researchers may also watch for future developments in the evolution of Web 2.0 tools into Web 3.0 and businesses’ usage of game design techniques to engage consumers.
References


Appendix

Figure 1: Survey

CCU Students’ Behaviors and Attitudes toward Businesses Participating in Social Media

INFORMED CONSENT: The purpose of this survey is to study CCU students’ behaviors and attitudes toward businesses participating in social media as part of Honors Thesis research, supervised by Dr. Carol Megehee and Dr. Keira Williams, as approved by CU’s Institutional Review Board. As a CCU student who is between the ages of 18 and 25 years old, you have been chosen as a possible participant in this study because of its purpose to examine CCU students’ behaviors and attitudes on this subject. There are no known risks to your participation in this study. This survey is anonymous and voluntary. Do not write your name on this survey. You may decline to answer any of the questions below. If you have any questions or concerns about your participation in this study, feel free to contact me (Janna Cole, the student researcher) at jlcole@g.coastal.edu

Age: __________ Gender: MALE FEMALE (Circle one)

1. What websites do you browse online? Check any that apply. Please describe if necessary.
   - Facebook
   - Twitter
   - Myspace
   - Other social networking site _________________
   - Blogspot
   - Wordpress
   - Livejournal
   - Other blog ________________________________
   - YouTube
   - Other video sharing website that shows/enables user feedback __________________________
   - None of the above

2. Which of the following describes how you interact with businesses online? Check any that apply.
   - “Liking” or “following” a business on a social networking site
   - Reading a company’s blog
   - Watching a company’s video or commercial advertisement
   - None of the above

3. Do you provide feedback (comments, product reviews, etc.) through any of the following media? Check any that apply.
   - Facebook
   - Twitter
   - Myspace
   - Other social networking site _________________
   - Blogspot
   - Wordpress
   - Livejournal
   - Other blog ________________________________
   - YouTube
   - Other video sharing website that shows/enables user feedback __________________________
   - N/A

If you provide feedback, do you expect a response or stated acknowledgment from the business? Check one.
   - Yes
   - No
   - N/A

Do you rely on social media to receive updates or other pertinent information from businesses? (For example, hours of operation, promotions, recalls, etc.) Check one.
   - Yes
   - No
   - N/A