

# Chapter 3

## Effects of Consumers' Social Media Participation on Consumer Behavior: A Marketing Perspective

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### ABSTRACT

*Technological advancements have shaped and reshaped the marketing landscape from time to time. The digital revolution in particular has given rise to a new digital era that has changed this marketing landscape, perhaps permanently. One of the core technologies involved in defining this digital era is the Internet. The Internet has not only empowered the people by creating and disseminating information like never before but also has affected the way we conduct our businesses. Various business usages of the Internet in search engines, email, mobile, and social media have given rise to new ways of conducting marketing activities such as affiliate marketing, display advertisement, email marketing, search marketing, and social media marketing among others. The significance and the relevance of online social media marketing have made this particular digital channel a topical subject of the digital era. The effects of social media have been felt in influencing both seller and buyer behaviors. However, the focus of this chapter is to address two important aspects of consumer behaviors in an online digital social media environment. First, the authors propose a conceptual framework of consumers' social media participation. Second, the chapter discusses how this participation affects consumers' behaviors including their purchases. Finally, the authors present a few econometric challenges associated with modeling consumers' social media participation and quantifying its impact on their behaviors.*

DOI: 10.4018/978-1-4666-5194-4.ch003

## INTRODUCTION

Technological advancements have shaped and reshaped the marketing landscape from time to time. Especially the digital revolution has given rise to new digital era that has changed this marketing landscape perhaps permanently (Wind and Mahajan, 2001). One of the core technology involved in defining this digital era is the Internet (Kiani, 1998). The Internet has not only empowered people by creating and disseminating the knowledge like never before but also has affected the way we conduct our businesses. Different digital outlets such as online search engine, mobile, and online social networks have given rise to new ways of conducting marketing such as affiliate marketing, display advertising, email marketing, search engine marketing, social media marketing among others. Among all these given the significance and the relevance of social media marketing, this particular digital channel has become very pertinent topic of this digital era (Carpenter and Shankar, 2012). The effects of social media have been felt in influencing both buyer and seller behaviors.

Social media provides its own opportunities and challenges. It is interactive, engaging, convenient, flexible, immediate, and global. The interaction takes place in an open online environment without any physical boundaries with relevant measure of control. It has become one of the powerful marketing tools for consumer relationship management. On the other hand there are several challenges that firms face when it comes to implementing social media marketing. Some of these top social media marketing challenges are: measuring return on investment, managing, growing, monitoring and analyzing the social media presence, integrating consumers' social media behaviors with lead generation, sales, and other organizational marketing activities, and lack of adequate resources to initiate the social media marketing. At the heart of these challenges lies lack of better understanding of effects of consum-

ers' social media participation on their behaviors including their purchases. This requires not only measuring the impact of consumers' social media participation on their actual purchase behaviors but also a better understanding of online social behaviors of these digitally wired consumers.

With over 900 and 500 million users worldwide (Wasserman, 2012) and generating annual ad revenues of \$3.8 billion (*eMarketer*, 2011) and \$259.9 million (*eMarketer*, 2012) respectively by two giant social networking sites namely Facebook and Twitter, it is evident that social media have affected consumers' lives as well as their behaviors. However, every now and then firms raise this question (Hoffman and Fodor, 2010), "Is social media marketing effective?" The traditional cycle of consumer purchase decision consisting of need arousal, information processing, alternative evaluation, purchase, and post-purchase behavior has been augmented with bonding and advocating on social media (Edelman, 2010). Thus, understanding of consumer purchase behaviors in this new environment of digitally wired consumers over social media necessitates conceptualizing their online social behaviors first before measuring the impact of their social media participation on their actual behaviors.

In this chapter we address two important aspects of consumer behaviors in an online social media environment. First, we propose a conceptual framework of consumers' social media participation. Second, we address the issue of how this participation affects their behaviors including purchases. Finally, we present the econometric challenges associated with modeling consumers' social media participation and quantifying its impact on their behaviors.

In Section 2 of this chapter we propose a conceptual framework of consumers' social media participation. The context we use is consumer participation in a firm hosted social media site. We look at consumers' social media participation through two dimensions namely, engagement and interaction. Engagement is joining firm's social

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