

# Social Media and Business Practices

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## INTRODUCTION

In today's competitive environment, businesses are continuously exploring ways by which customers can be better engaged to sustain long-term growth (Aral, Dellarocas, & Godes, 2013). Because of the unpredictable and wide dispersion of social media (SM) platforms, businesses today face many challenges that did not exist a few years ago (Dong & Wu, 2015). SM platforms are economical and user-friendly and facilitate the consumption, generation, and sharing of user-generated content by the consumers (Sigala & Marinidis, 2009). As most of their targeted customers are present on various SM platforms, businesses are aligning their strategies and tactics to incorporate these platforms at all levels. This shift toward SM platforms can be determined by several factors including declining response rates vis-a-vis traditional customer engagement methods, technology development through customer participation, open communication of customer preferences, low cost of information dissemination, and the demographic shifts toward use of new technologies (Gillin, 2007).

SM platforms offer an easier and more cost-effective way for businesses to reach customers, and consequently strengthen brand awareness through numerous applications and tools (Rodriguez-Donaire, 2012). Using SM platforms, businesses can define or re-define relationships with both new and old users, respectively, and develop communities that interactively collaborate to identify issues and solutions for both themselves and businesses (Meredith & O'Donnell, 2011). Businesses appear to believe that such SM initiatives are justified

because of their potential to generate profits, for instance, through advertising (Aral et al., 2013). Businesses can improve branding and direct more traffic to its web site utilizing SM advertising.

Furthermore, customers can add value by generating their own content to influence the purchase decisions of others through peer-to-peer communications. SM platforms enhance the communication power of individuals by providing different avenues without demanding much effort of the users (Curran & Lennon, 2011). Apart from creating and sharing knowledge, users can create or join various communities with other like-minded individuals based on their similarities of interest and purpose. Also referred to as virtual communities, they help users create personal relationships in an enabling environment through emotion-laden discussions (Rheingold, 2000). These communities have resulted in new opportunities for businesses (Brodie, Hollebeek, Juri, & Ili, 2011). Some of the activities undertaken by businesses include sharing of content, interaction with customers, gathering customer feedback, provision of customer services, and effective collaboration with employees or business partners, and so on. (Bowden, 2009). Furthermore, SM has not only strengthened the existing relationship between businesses and users but also resulted in innovative changes in traditional communication methods, thereby enhancing the capability of businesses to better interact and dialog with users.

In light of above, this chapter attempts to explain SM in greater detail and as delineated by various business practices. This understanding of the use of SM by businesses is preceded by

a discussion on the definition of SM platforms, their different types, and the associated business models.

## BACKGROUND

### Social Media

The definition of SM has been evolving over a period of time. According to Terry (2009), it refers to “digital technologies emphasizing user-generated content or interaction” (p. 508). User-generated content supported through SM is “a mixture of fact and opinion, impression and sentiment, founded and unfounded tidbits, experiences, and even rumor” (Blackshaw & Nazzaro, 2006: 4). The content available on these SM platforms consists of various pieces of online information which are generated and shared by users about brands, products, and services. Often SM is referred to by its channel characteristics, either identifying directionality of messages (Kent, 2013) or using particular tools such as Facebook or Twitter for engagement and communication (Howard & Parks, 2012).

Although there is a lack of a formal and concise definition, SM is often defined as Internet-based applications that transmit user-generated content. Some definitions are simply based on the nature of communication in SM. For instance, Russo, Watkins, Kelly, and Chan (2008: 22) explain SM as “those that facilitate online communication, networking, and/or collaboration.” Kaplan and Haenlein (2010: 61) offer a similarly definition of SM 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.” In the same manner, Lewis (2009: 2) noted that SM simply serves as a “label for digital technologies that allow people to connect, interact, produce, and share content.”

In addition, Aula (2010: 43) defines SM as a place where customers can communicate directly

with their favorite organizations and gather more information about the organizations’ products instead of simply providing a platform for individuals to stay in touch with their family and friends.

These definitions could easily be applied to other communication technologies, such as e-mail, thereby missing the unique technological character that distinguishes SM.

Furthermore, a more extended and complex definition of SM is as follows:

*(a) the information infrastructure and tools used to produce and distribute content; (b) the content that takes the digital form of personal messages, news, ideas, and cultural products; and (c) the people, organizations, and industries that produce and consume digital content (Howard and Parks, 2012: 362).*

Kent (2010: 645) broadly defined SM as

*any interactive communication channel that allows for two-way interaction and feedback, further by their potential for real-time interaction, reduced anonymity, a sense of propinquity, short response times, and the ability to “time shift,” or engage the social network whenever it suits each particular member.*

The definitions become broader by combining SM and social network sites (SNSs). Boyd and Ellison (2007: 211) seminally defined SNSs as

*web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system.*

The social network is “one of the most typical features of social media in addition to the content aspect” (Enders, Hungenberg, Denker, & Mauch, 2008: 200).

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