

Chapter 27

Connecting Small and Medium Enterprises to the New Consumer: The Web 2.0 as Marketing Tool

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ABSTRACT

This chapter explains the nature, effects and current standing of the new generation of Internet applications, commonly known as Social Media or Web 2.0, reviews their role as marketing instruments and identifies opportunities for SMEs for engaging them as part of their marketing strategy. The chapter defines and analyses the Social Media phenomenon, identifying the main approaches corporations follow in engaging Web 2.0-based applications in order to that support, complement or improve their traditional and online marketing activities. These approaches aim at using the social Internet as source of market intelligence, communicating with customers, efficiently develop-, market- and distribute products and also improve customer relations and retention. The chapter proposes a classification of the main Social Media -based applications and their roles as passive or active marketing instruments. Based on the experience of pioneering firms the chapter identifies the main conditions and options for SMEs willing to utilize the Web 2.0 as commercial tool in order to advance their marketing operations and connect to the new consumer in the virtual and physical marketplace. While field experience so far indicates that large corporations rather than SMEs are more likely to engage in Social Media marketing the low cost, potential and apparent popularity of Social Media among customers make the domain extremely attractive for SMEs.

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INTRODUCTION

Information and Communication Technologies and the Internet in particular have opened new frontiers of opportunity to corporations and consumers by revolutionizing business practices and social relationships. Having gone through the dot.com boom of the 90s and the economic debacle at the beginning of the 20th century, the Internet is viewed today as a mainstream business platform, as integral part of the commercial and social landscape (Birdsall, 2007; Beer and Burrows, 2007). There is plenty of evidence about the increasing importance of the Internet as communication and promotion medium at the cost of traditional mass media (TV, Radio, press); at the same time the declining power and effectiveness of traditional marketing approaches has been extensively debated in the academic circles (Dixon and Blois 1983; Kotler, 1989; Peppers and Rogers, 1995; Coviello and Brodie, 2001; Bakos, 1998; Chaffey et al., 2000; Constantinides, 2006; Karin and Eiferman, 2006; Thomas, 2007; Eikermann et al., 2008).

Next to becoming a major information and communication channel the Web is widely seen as a mainstream element of the marketing strategy and the corporate communication mix. It has been suggested that by 2011 the Internet will become the US leading advertising medium surpassing newspaper advertising (Gillin, 2009), a development that will mark major shift of advertising budgets from traditional to online channels worldwide; some predictions even suggest that “television advertising in 2010 will be only 35% as effective as it was in 1990”¹.

The public has adopted the Internet as a valuable business asset: according to a Zogby 2008 survey² the web is already the main - if often not the only - source of information for a large portion of its approximately 1.5 billion Internet users. A Newsweek article³ emphasizes that “the web has replaced phone books, and is in the process of replacing phones. It’s the place that answers our

questions in four tenths of a second.it’s the main news source ... a megaphone for those who make their own media...”. The Web is also a popular channel for commercial transactions: 85% of the online consumers shop online⁴.

During the first half of the present decade the Internet entered a new evolutionary stage commonly referred to as Web 2.0 (this term will be used interchangeably with the term Social Media in this chapter). This stage is characterized by the emergence and fast expansion of online Peer-to-Peer applications (Blogs, online forums, social networks, online communities and other types of User Generated Media) allowing the direct connectivity and interaction between individuals and the easy publication and editing of online content. Such applications have contributed to an unprecedented growth of information volume, new forms of networking, many new shopping alternatives and customer empowerment (Rogers et al., 1997 [47]; Wind and Mahajan, 2001 [55]; Varadarajan and Yadav, 2002 [54], Rha et al, 2002; Urban, 2005; Constantinides and Fountain, 2008). Allowing customers to talk online about shopping and product experiences, publish product reviews and exchange shopping advices the Social Media harness the collective knowledge and further undercut the impact of traditional media. Interestingly product reviews and recommendations contributed by consumers are perceived as more credible than company communication or even product reviews written by industry experts⁵; the trust on peer opinion rather than expert opinion is based on the perception that peer-created content reflects genuine feelings and unbiased product experiences.

The Social Media and the increasing customer empowerment have been for some time a source of concern for marketers, advertisers and recently subject of academic research. Fading customer trust in corporate messages, declining customer loyalty and growing doubts about the role of contemporary marketing⁶ are worryingly followed by marketers.

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