

Chapter 10

Identifying Opinion Leaders for Marketing by Analyzing Online Social Networks

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ABSTRACT

Recently, the impact of social networks in customer buying decision is rapidly increasing due to effectiveness in shaping public opinion. This paper helps marketers analyze social network's members based on different characteristics and choose the best method for identifying influential people among them. Then, marketers can use these influential people as seeds to market products/services. Considering the importance of opinion leadership in social networks a comprehensive overview of existing literature has been done. Studies show, different titles (such as opinion leaders, influential people, market mavens and key players) are used to refer to the influential group in social networks whom we know as opinion leaders. The study shows all the properties presented for opinion leaders in the form of different titles are classified into three general categories including structural, relational and personal characteristics and based on studying opinion leader identification methods; appropriate parameters are extracted in a comprehensive chart to evaluate and compare these methods accurately.

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INTRODUCTION

Marketing based on social networks refers to a collection of marketing activities that take advantage of social relationships between consumers to increase sales. There are different kinds of marketing using social networks like *word-of-mouth marketing*, *diffusion of innovation*, *buzz marketing* and *viral marketing* (Hill *et al.*, 2006). Between these instances of network-based marketing, word-of-mouth marketing has more creditability (Li & Du, 2011), because there is no direct link between the sender and the merchant. As a result, information is considered independent and subjective. In recent years, many researches in word-of-mouth marketing investigate discovering influential nodes in a social network. These influential people are called opinion leaders in the literature. Organizations interested in e-commerce need to identify opinion leaders among their customers, also the place (web site) which they are going online. This is the place they can market their products.

Social Network Analysis

Regarding the importance of interpersonal relationship, studies are looking for formal methods to measures *who talks to whom* in a community. These methods are known as social network analysis (Scott, 1991; Wasserman & Faust, 1994; Rogers & Kincaid, 1981; Valente & Davis, 1999). Social network analysis includes the study of the interpersonal relationships. It usually is more focused on the network itself, rather than on the attributes of the members (Li & Du, 2011). Valente and Rogers (1995) have described social network analysis from the point of view of interpersonal communication by “formal methods of measuring who talks to whom within a community.” Social network analysis enables researchers to identify people who are more central in the network and so more influential. By using these central people or

opinion leaders as seeds diffusion of a new product or service can be accelerated (Katz & Lazarsfeld, 1955; Valente & Davis, 1999).

Importance of Social Networks for Marketing

The importance of social networks as a marketing tool is increasing, and it includes diverse areas (Even-Dar & Shapirab, 2011). Analysis of interdependencies between customers can improve targeted marketing as well as help organization in acquisition of new customers who are not detectable by traditional techniques. By recent technological developments social networks are not limited in face-to-face and physical relationships. Furthermore, online social networks have become a new medium for word-of-mouth marketing. Although the face-to-face word-of-mouth has a greater impact on consumer purchasing decisions over printed information because of its vividness and credibility, in recent years with the growth of the Internet and virtual communities the written word-of-mouth (word-of-mouse) has been created in the online channels (Mak, 2008). Consider a company that wants to launch a new product. This company can benefit from popular social networks like Facebook and Myspace rather than using classical advertising channels. Then, convincing several key persons in each network to adopt the new product, can help a company to exploit an effective diffusion in the network through word-of-mouth.

According to Nielsen's survey of more than 26,000 internet uses, 78% of respondents exhibited recommendations from others are the most trusted source when considering a product or service (Nielsen, 2007). Based on another study conducted by *Deloitte's Consumer Products group*, almost 62% of consumers who read consumer-written product reviews online declare their purchase decisions have been directly influenced by the user reviews (Delottie, 2007). Empirical studies

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