

Social networks and marketing



Carolin Kaiser

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Responsible: Prof. Dr. Raimund Wildner

Author: Carolin Kaiser

GfK Verein

Nordwestring 101, 90419 Nuremberg, Germany

Tel.: +49 (0)911 395-2231 and 2368 – Fax: +49 (0)911 395-2715

Email: info@gfk-verein.org

Website: <http://www.gfk-verein.org>

Abstract

Internet users are spending increasing amounts of time on social networking sites, cultivating and expanding their online relationships. They are creating profiles, communicating and interacting with other network members. The information and opinion exchanges on social networking sites influence consumer decisions, making social networks an interesting platform for companies. By monitoring social networks, companies are able to gain knowledge about network members which is relevant for marketing purposes, so that by introducing the appropriate marketing measures, they can influence the market environment. The multiplicity and versatility of the information in tandem with the complexity of human behavior exhibited on social networks is posing new challenges for marketing. The present contribution illustrates how market research can assist marketing on social networks. In the first instance, it describes the potential benefits inherent in analyzing the information obtained from social networks, such as profiles, friendships and networking, for identifying and forecasting product preferences, advertising effectiveness, purchasing behavior and opinion dissemination. In the second instance, it discusses the opportunities and risks of marketing measures such as advertising, word-of-mouth marketing and direct marketing, on social networks. In each part, insights obtained from literature are summarized and research questions of relevance to consumer research are derived.

Dr. Carolin Kaiser, Fundamental Research at the GfK Verein, carolin.kaiser@gfk-verein.org

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1 Significance of social networks for companies

Increasing use of social online media is leading to changes in the flow of information and communications between companies and consumers. Not only do consumers have direct access to information from manufacturers, but they are also in a position of being able to exchange information and opinions amongst themselves. Classic one-to-many communication has been superseded by many-to-many communication (Hettler 2010). Companies now see themselves confronted with the growing power of the consumer.

Consumers should be regarded as communication partners. On the one hand, this demands continuous observation of communication between consumers to identify trends and assess the inherent opportunities and risks, and on the other hand, it requires active interaction with consumers, if the market environment is to be influenced. This is particularly important, since consumers are now tending to ignore traditional advertising (Hettler 2010), with digital word-of-mouth propaganda now regarded as the second most trustworthy form of advertising after recommendations from family and friends (Burmester et al. 2009).

Social media allow people to establish their own content in online communities and to interact with each other (Lindner 2009). Social media platforms fall into two categories (Maschke 2009): Content-led platforms focus on posting, using and exchanging content and include rating platforms, forums, wikis, weblogs and media sharing pages. Relationship-oriented platforms focus on the contact with other users. Social networks are the most important representative.

Social networks make it possible to form and maintain social relationships. Members of a network are able to create profiles and communicate and interact with other members (Hettler 2010). Profiles may include a wealth of information, such as gender, age, hobbies, interests and occupation. The key reasons for subscribing are self-expression and a feeling of belonging (Nadkarni and Hofmann 2012). A huge number of social networks exist, all of which are directed at a variety of different target groups. A distinction can be made between private and business networks (Cyganski und Hass 2008). Private networks are there to cultivate personal relationships and include Facebook, Google+, MySpace and StudiVZ, while business networks serve the purposes of professional networking. The best known representatives here are LinkedIn and XING. While private networks are mainly used to cultivate existing relationships, the core focus of business networks is on making new contacts.

With 901 million active users and 125 billion 'friends' involved, Facebook is currently the largest social network (Facebook 2012). Of its members, 58% are active on a daily basis, posting an average of 300 million photos and 3.3 billion 'likes' and comments per day (Facebook 2012).

In many Western countries, internet users spend the majority of their online time on social networking platforms (Nielsen 2011). The predominant user group is female, aged between 18 and 34, well educated, but earning a relatively low income (Nielsen 2011). At the present time, access to social networks is mainly by computer, although mobile use is growing fast and currently represents 37% (Nielsen 2011). Compared to the average internet user, social network members are more actively involved in sports, give their opinions more freely and spend more money on music and fashion (Nielsen 2011).

Alongside private individuals, many social networks also allow companies and brands to be members and make contact with the individuals (Hettler 2010). According to a recent Nielsen survey (2011), 53% of social network members follow brands on the online platforms (Nielsen 2011). They are motivated by interest on the one hand, and by the hope of gaining a discount or a promotional item on the other (Constant Contact and Chadwick Martin Bailey 2011). Following a brand seems to be a predominantly passive occupation, which takes the form of reading articles (Constant Contact and Chadwick Martin Bailey 2011), with only a few individuals actively posting contributions on brands. Contact with a brand presence on a social networking site also influences recommendations and buying probability. More than 50% of the respondents in the Constant Contact and Chadwick Martin Bailey (2011) survey said they were more likely to recommend or buy a brand if they had followed it on a social network.

Social networks consequently form a rich source of knowledge and a wide-ranging sphere of activity for companies. The insights for marketing to be gained from social networks and the opportunities they offer for marketing measures are described below and from these, questions are raised and market research tasks are derived.

2 Gaining knowledge from social networks

2.1 Profiles

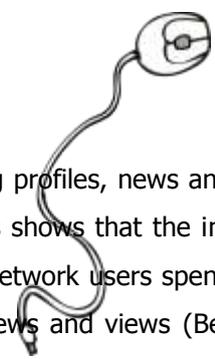
User profiles posted on social networks give access to information of interest to companies. Surveys have shown that social network users tend to give an average of around 25% of all possible information in the profiles they post (Nosko et al. 2010). The volume of information given is contingent in the main on age and relationship status (Nosko et al. 2010). Most frequently, it is younger people on the look-out for a relationship, who reveal the most information. Along with profile features such as age and gender, countless nuggets of private information are disclosed in contributions and pictures. A number of the younger members upload pictures and videos showing themselves drinking, smoking and/or taking drugs (Morgan et al. 2010). However, over the course of time, the willingness to give information tends to decline (Patchin and Hinduja 2010).

Members of social networks also generate a great deal of information in which brands play a major role. In the case of most brand-related user generated content posted on social networks, the spotlight is not on the individual, but on the brand (Smith et al. 2012). The majority of contributions reflect reactions to marketing campaigns and they address the marketers directly (Smith et al. 2012). Contributions tend not to contain many facts, but are mainly opinions on brands (Smith et al. 2012). Consequently, analyzing user generated content is highly significant. The process not only delivers opinions on particular products, but also reveals the potential for improvements and may even identify new product ideas. Beyond this, the feedback acquired can contribute to monitoring existing marketing measures and planning future campaigns. Based on profile information and networking structure, experts can be identified and their opinions given more weight. However, user generated content is not just found on social networks, but on a variety of other platforms which constitute the social web. This begs the question as to how to assess the information contained in user generated content compared with other platforms, for example, discussion forums.

2.2 User behavior

Clickstream analysis confirms that social network users spend most time browsing profiles, news and photographs (Benevenuto et al. 2012). Closer scrutiny of social behavior patterns shows that the interaction between network members is primarily passive. In other words, social network users spend more time checking friends' profiles and updates, than on actively exchanging news and views (Benevenuto et al. 2012). User behavior varies, depending on length of membership of the social network and cultural circle (Vasalou et al. 2010).

Examining user behavior not only allows conclusions to be drawn on majority use, but also permits a segmentation of network members. Alarcón-del-Amo et al. 2011 have identified four user segments:



passive users, communicative users, active occasional users and experts. Passive and communicative users mainly use social networks to chat to friends, while passive users generally prefer to concentrate on reading contributions and communicative readers mainly focus on writing contributions. Active occasional users are involved in a variety of social networking activities, but only from time to time. Conversely, experts are far more frequently engaged in a variety of activities, many of which are relevant in some form for marketing, for example, collecting information on products and brands, and commenting on advertising.

From the corporate perspective, what is of particular interest is the exchange of information and opinions on products and brands taking place within the different segments (Alarcón-del-Amo et al. 2011). Experts can be important advisors for a company, as they are opinion makers who influence the environment (Alarcón-del-Amo et al. 2011). The issue here is how to address these experts. In addition, advertising measures for use on social networking sites can be adapted to suit the different user segments (Alarcón-del-Amo et al. 2011). How different user segments react to different advertising measures is which area must be examined.

2.3 Personality

To a considerable extent, the profiles and user behavior of network members depend on their personality (Amichai-Hamburger and Vinitzky 2010, Hughes et al. 2012). While, members of social networks tend to be more extrovert and narcissistic, at the same time, they are less conscientious and less sociable than non-users (Ryan and Xenos 2011). Frequency of use and preference for different network functions can be explained in terms of factors such as neuroticism, loneliness, shyness and narcissism (Ryan and Xenos 2011). Even the type of news which are exchanged and the degree of openness when it comes to sharing information are dictated by personality (Moore and McElroy 2012). The number of friends and position within the network may vary according to the level of extrovertness, self-esteem and self awareness (Zywica and Danowski 2008). Extroverts are more closely networked and tend to occupy a more central position in the network (Wehrli 2008). Individuals with higher level of self awareness but low self-esteem also tend to have a large number of friends (Lee et al. 2012a), as they are attempting to compensate for their low self-esteem in this way.

The personality of members of social networks is of interest to companies, because of the close links which exist between personality as well as advertising effectiveness, brand preferences and purchasing habits (Grubb and Grathwohl 1967, Haugtvedt et al. 1992, Hong and Zinkhan 1995, Mooij 2010). Individuals tend to prefer the brands and buy more of the products which reflect their personality (Hong and Zinkhan 1995, Mooij 2010). Studies have shown that extroverts prefer the more exciting brands (Mulyanegara 2009, Lin 2010), more serious individuals favor proficient brands (Lin 2010) and

prudent consumers the more trustworthy brands (Mulyanegara 2009). In addition, open, altruistic individuals tend to be particularly loyal customers (Lin 2010).

Assessing the personality of social network members on the basis of profile data and user behavior makes it possible to target advertising more precisely and to address network members appropriately. The question in this case is how well the personality of a social network member can be assessed on the basis of the individual's profile and user data. Another requirement is an investigation of which brands address which personalities on the social networks and how content and presentation of advertising might be designed to appeal to the particular personalities concerned.

2.4 Emotions

The emotions also play an important role in social networking. They are closely bound up with friendships. Individuals experience greater joy when browsing friends' profiles than they do when they read the news posted on social networks (Wise et al. 2010). Terminating online relationships triggers negative emotions (Bevan et al. 2012), where-
by the intensity of emotion is contingent on the type of relationship and use of the social network.



Emotional analysis in the context of social networks is of interest to companies, since it is the emotions which influence consumer reactions to advertising (Holbrock and Barta 1987). Stimuli are more effective if they take into account the emotional state of the recipient (Niedenthal and Setterlund 1994). The study carried out by Goldberg and Gom (1987) shows, for instance, that advertising spots resonate better when they are shown in the commercial breaks between comedic, rather than sad TV programs. Even the recall facility of the survey participants was higher when ads were shown in the breaks between comedy programs.

As well as influencing advertising effectiveness, emotions are also able to stimulate purchasing interest and decisions, for example, where impulse buying is concerned (O'Shaughnessy und O'Shaughnessy 2002). According to Hirschmann and Stern (1999), upbeat consumers are typified by better cognitive skills in the form of a greater recall facility and faster information processing capabilities. They actively seek out new experiences and products which promise fun, and they also come up with new areas of application for products (Hirschman and Stern 1999). Downbeat consumers, on the other hand, are generally more passive and try to avoid disappointment as far as possible (Hirschman and Stern 1999). They tend to buy tried and tested products, and only rarely complain if they are unhappy with an item (Hirschman und Stern 1999).

By identifying emotions on the basis of user behavior of social network members, it becomes possible to adapt advertising measures accordingly. For instance, showing advertising when network members

are checking out their friends' profiles and enjoying the experience might be recommended. This raises a number of issues: how can the emotions be identified in the context of the social networks? How might advertising be adapted to suit the emotions identified on social networks? What effect does emotion-related advertising have on social networks?

2.5 Friendships

In the main, individuals use private social networks to cultivate personal relationships with people they also know offline (Lampe et al. 2006). The number of best online and offline friends is often hugely disparate (Subrahmanyam et al. 2008). Network members cultivate a particularly high number of online relationships with people they see less frequently (Subrahmanyam et al. 2008, Ellison et al. 2008). In fact, belonging to the same group and common interests in real life are an indicator for online relationships (Traud et al. 2012). New online relationships with unknown contacts are predominantly established with people of the opposite sex who have posted an attractive photograph on their profile (Wang et al. 2010).

Knowing a consumer's circle of friends is very important, since this is what determines purchasing behavior. Recommendations from friends are regarded as the most trustworthy source of advertising (Burmester et al. 2009). They have been identified by a number of studies as a major influential factor for purchasing decisions in the real world (Katz and Lazarsfeld 1955, Brown and Reingen 1987, Sinha and Swearingen 2001). The survey conducted by Iyengar et al. (2009) shows that online purchases in the social network Cyberworld are influenced by online friendships. However, it is not just 'me too' purchases, but also dissociative effect purchases which have been identified. The task is to work out not only the extent, but also the type of influence exerted. Also of interest is closer scrutiny of the connections between friendships and purchasing behavior in the virtual and the real world. What should be investigated is which friendships influence which purchasing decisions.

2.6 Relationships

Dating plays a particularly important role in social networking. Individuals looking for a relationship on the online network are generally far more likely to give their status and interests in order to draw the attention of the right people (Young et al. 2009). Dating partners exhibit similar user behavior on social online networks and record their relationships in similar ways (Papp et al. 2012). The online behavior of couples also affects their relationships in real life. Recording a relationship on a social network is a positive signal of an individual's satisfaction and that of their partner with the relationship (Papp et al. 2012). Intervening in the online life of a partner, because of jealousy, for example, leads to dissatisfaction with the relationship (Elphinston und Noller 2011).

Analyzing partnerships is also of interest to companies. Changes in the lifestyle situations of consumers, such as entering into a new relationship, may lead to changes in brand preferences and consumer habits (Mathur et al. 2003, Mathur et al. 2008). Partners influence each other mutually in their purchasing decisions (Carl 2006), and they also make joint purchasing decisions (Su et al. 2003). In such cases, past interactions, the type of partnership and satisfaction with it determine the influence a partner will have on joint purchasing decisions (Kirchler 1988, Kirchler 1995, Su et al. 2003). Social networks offer the possibility of monitoring partnerships online and analyzing the mutual influential effects on consumer behavior. In this regard, the primary issue is the type of information on partnerships and purchasing behavior that can be gained from social networks. When this has been resolved, the effect partnerships have on purchasing behavior in social networks can be investigated.

2.7 Interests

Homophily, or the tendency for similar individuals to network is not only observable in networks in the real world, but also in those of the virtual world (Lewis et al. 2008). A study of MySpace social network, for example, shows homophilic trends in ethnicity, religion, age, country, status, attitude to children and user motivation. Homophily exerts a considerable influence on exchanges of information, opinion forming (McPherson 2001) and emotions (Thelwall 2010). There is even a correlation in the product preferences expressed by friends on a social network (Hogg 2010). This facilitates predictions of attitudes to products on the basis of online relationships (Hogg 2010), identification of interest groups and recommendation of products (Wang et al. 2012).

The dissemination of information and development of trends can be predicted (Choudhury et al. 2010). Also of interest is an investigation of the actual links between product preferences and relationships. The extent to which individuals with similar product preferences network and the degree to which network relationships influence product preferences are subjects which should be examined.

2.8 Networking

There is a link between the network structure and social network behavior. Network characteristics such as density, proximity and heterogeneity are concomitant with certain patterns of use, for example, time spent on the network, number of contributions and photos posted (Park et al. 2012). The strength of relationships correlates with the number of common activities and the profile data (Zhao et al. 2012).

The evolution of a social network is determined by its fundamental network structure. For example, the probability of an individual joining a network not only depends on the number of friends in this particular network, but also on the networking structure of these friends (Backstrom et al. 2006). The growth of a network is not only determined by its popularity among members, but also on their open-

ness to new relationships (Backstrom et al. 2006). The movement of members within networks is strongly influenced by the subjects and interests which predominate (Backstrom et al. 2006). The evolution of information dissemination on social networks is as contingent on member behavior as it is on the type of content (Cha et al. 2012).

The development of the networking structure and consequently, the associated flow of information in social networks are important for companies since the establishment of social networks determines the collective assessment of products (Deroian 2002). Numerous studies confirm the influence of network effects on word-of-mouth advertising and consumer purchasing behavior (Bulte 2010, Bell und Song 2007). Network analyses are targeted at explaining how opinions are disseminated and how purchasing decisions are made, as well as at generating forecasts on the basis of this information (Valente 1996). The challenges this poses is how to determine and demarcate the influence of opinion leadership and density effects, and the implications of identity and status of network members for diffusion purposes (Bulte 2010). Assessing networks and network members in monetary terms is another important remit.

3 Marketing measures on social networks

3.1 Advertising



Social networks facilitate target-group specific advertising. Different ads can be shown to different people, according to age, education, gender, language, location, interests and preferences (Dunay 2010). Beyond this, friends of individuals with particular distinctive features, for example, brand preferences, can also be addressed (Dunay 2010). By applying text mining to user-generated contributions, in principle, there is also the potential for showing contextually-determined advertising (Fan and Chang 2011). The important aspect here is protecting privacy in order not to jeopardize user acceptance (Kahl et al. 2011).

A number of companies make use of target-group specific advertising on social networks. However, at the moment, the effectiveness of this is open to doubt. According to a study by Maurer and Wiegmann (2011), advertising on social networks does not influence purchasing decisions, since social networks are used less as sources of information and more for cultivating contacts. Members of social networks either ignore advertising or feel irritated by it. Increased advertising on social networks can also have the effect of reducing word-of-mouth advertising (Feng und Papatla 2011). A study carried out by social media agency TBG Digital shows that although the demand for advertising on Facebook rose in the first quarter of 2012 compared with the prior quarter, its effectiveness had declined (Internet World Business 2012). According to recent press releases, General Motors, one of the major advertisers in the USA, is currently planning to terminate its Facebook advertising due to its low level of effectiveness (Terlep et al. 2012). In light of this, it is essential to carry out further analyses on the

effectiveness of advertising on social networking sites. Aspects to be investigated are which advertisements for which products have an impact on which individuals and in which situations.

3.2 Word-of-mouth marketing

Word-of-mouth marketing is an important aspect of online social networking. Word-of-mouth is understood to mean personal communication between consumers, where communicating partners are regarded as independent. In the digital era, the transition to advertising in the form of paid, non-personal promotion of sales where the principal is identified is fluid since companies are attempting to influence word-of-mouth advertising in various ways (Schmidt 2009). There are four different types of word-of-mouth marketing which should be differentiated: viral marketing, influencer marketing, evangelist marketing and stealth marketing (Schmidt 2009).



Viral marketing is targeted at drawing consumer attention by means of entertaining contributions, which are sent to a few consumers, who are then encouraged to send them on to everyone in their social network. Activating social relationships is aimed at achieving epidemic-style diffusion (Hinz et al. 2009), which is contingent on four factors: the content of the message, the general technical conditions, the incentivization for onward recommendation and the selection of initial contacts (Hinz et al. 2009, Langner 2005).

The content of the message must attract the attention of consumers in order to motivate them to send it on (Hinz et al. 2009). In this respect, the recommendation is to design the message in such a way that it stimulates the imagination, is fun and fascinating (Dobele et al. 2005). The message should also promise to serve a useful purpose for both the sender and the recipient, and no costs should be incurred (Hinz et al. 2009). Another essential factor is that the message addresses both sender and recipient at an emotional level. According to a study by Dobele et al. 2007, the probability of onward transmission depends on emotions recalling surprise, disgust or fear. Survey respondents are most likely to forward messages which trigger surprise. Men are more likely to forward messages conjuring up disgust or fear than women. To be effective, the emotions released should be concomitant with the content of the message (Dobele et al. 2007).

Alongside the content of the message, the general technical conditions also play an important role (Hinz et al. 2009). The message must be easy to transmit in order to encourage its onward journey (Dobele et al. 2005). In addition, the technical infrastructure must support a high volume of hits, since technical problems cause disappointment and prevent messages from being forwarded on (Klinger 2006).

Motivating individuals to pass on information is also important (Hinz et al. 2009). Individualistic and altruistic individuals are intrinsically more motivated to forward messages (Ho und Dempsey 2010).

Also, further recommendation incentives, for instance in the form of vouchers, bonus points, discounts, special offers and money gifts, can also be used to increase extrinsic motivation (Guo 2012).

Beyond this, the initial recipients of the message must be selected on the basis of achieving the greatest possible diffusion (Hinz et al. 2009). Major criteria for selecting the individuals in question are their social relationships with fellow social networkers and their attitudes to viral messages (Camarero and José 2011).

If the right message is sent to the right people in the right environment, then viral marketing can address a large number of individuals in the most cost effective way (Kaplan und Haenlein 2011, Yang et al. 2010). However, what remains unclear is the interplay between the individual factors involved in the design of viral campaigns. While there are many studies investigating individual success factors like the content of messages, the general technical conditions, the incentives to forward messages and the selection of initial contacts, as yet, there are very few insights into the optimum combination of all these factors. However, this knowledge is necessary for viral marketing to succeed.

Influencer marketing is aimed at winning over opinion makers and influential groups, for instance, through intensive contact cultivation or giving away test products, and in this way exerting an influence on the network (Kaiser 2012, Schmidt 2009). Here, the central position and its high level of influence on the network are used to convince a large number of people of the advantages of a product or brand. The particular challenge lies in identifying and addressing the opinion leaders. A great number of methods for identifying opinion leaders (Li und Du 2011, Canali et al. 2010) and influential groups (Pedroche et al. 2011, Xu et al. 2012) are described in the existing literature. In addition, numerous researchers have investigated the question of how to maximize influence. They used simulations to examine which of the individuals in a network should be addressed to achieve the maximum reach (Richardson and Domingos 2002, Kempe et al. 2003). However, very few studies deal with this issue on an empirical basis. Simulations can give an idea of how influence can be diffused under certain framework conditions, but they take no account of the many other influencing factors existing in the real world. Studies based on real research are needed to provide companies with recommendations on how to extend their influence. Beyond this, there is a lack of knowledge as to which of the many methods to identify opinion leaders in particular networks are best suited to particular products.

Evangelist marketing is also aimed at disseminating word-of-mouth propaganda through consumers (Kaiser 2012, Schmidt 2009). However, unlike influencer marketing, instead of targeting influential individuals, evangelist marketing is directed at loyal, long-term customers. This method makes use of the close connection which exists with the company to disseminate word-of-mouth advertising. In their study, Hill et al. 2006 illustrated that the network neighbors of loyal customers are far more likely to buy a particular product than other customers. The task to be mastered by marketing in this case is

skillfully selecting and addressing customers. The issue here is which data to use to select suitable customers and how they can be most effectively addressed.

Stealth marketing uses paid individuals of companies to disseminate positive word-of-mouth propaganda, but without making their financial remuneration public (Kaiser 2012, Schmidt 2009). Consumers find the recommendations particularly trustworthy since they believe that a private individual has sent the message. However, if the financial involvement is revealed, the company risks jeopardizing its image (Burmam und Arnhold 2008). Stealth marketing is used by many well-known companies (Spratt 2008). From an ethical standpoint, however, stealth marketing measures have proved so controversial that they have been the subject of much debate (Martin and Smith 2008). Their effectiveness is disputed, since many consumers are aware of the measures taken to increase influence (Spratt 2008, Kaiser 2012). Marketing literature has just a few individual case studies, and there is a lack of systematic studies analyzing the effectiveness of the method. The specific brands which have a positive opportunities/risk ratio in terms of particular stealth marketing measures need to be identified. According to a study conducted by Wie et al. (2008), the popularity of the brand and the appropriateness of the measures can relativize any potential damage caused if a stealth marketing measure comes to light. However, further studies to assess the opportunities and risks are needed.

3.3 Public Relations

Social networks also allow companies to create profiles for presenting themselves and in this way, communicate with consumers. Accordingly, content in the form of text and images can be posted, with discussion forums and applications linked in. This puts interested network members in a position to browse the company profile in order to obtain regular news about the company, or to interact with the organization. Motivation factors to incentivize network members include social interaction, a set of common values and trust (Lin und Lu 2011).

A popular marketing measure taken by companies is to maintain a presence on social networks. Successful companies can gain a huge number of supporters in this way. Key success factors for this are to keep news current by updating frequently, to make the site user-friendly and open it to social interaction (Vries et al. 2012, Cvijikj and Michahelles 2011). Fans are extremely valuable to a company, since they not only exhibit a greater willingness to click on the company website (Carrera et al. 2008), but are also far more likely to buy and recommend (Trusheim 2012). According to the study carried out by social media agency Syncapse, Facebook fans spend an average of US\$ 71 more than non-fans (Britsch 2011). However, in monetary terms, the sums vary greatly between different brands, so that the influential factors impacting on this variation should be examined. The issue in this instance is the degree to which the increased willingness to purchase depends on the interaction on the Facebook fan page on the one hand, and on conventional marketing measures on the other.



Alongside obtaining information and communicating, network members are also very interested in entertainment (Park et al. 2009). Brand-related entertainment in the form of games or applications offers the potential for attracting attention, generating traffic on the company profile, establishing relationships with network members and involving them in the brand (Zhang et al. 2010). The more network members identify with the brand, the stronger their commitment to it (Lee and Kim 2011, Trusheim 2012). The social brand value which is created by users participating and interacting with the brand will impact on brand loyalty and willingness to pay (Fueller et al. 2012). However, there are no insights as to how brand-related entertainment should be designed to increase the social value of the brand.

3.4 Event marketing

Social networks are also important for event marketing. Real events can be advertised, and so can virtual events, such as chatting with stars or experts (Singh und Diamond 2012). Pre as well as post-event promotions can generate attention with the aid of reports, photos and videos. Networking will mean that friends of event participants will also be made aware of the event. The emotions, trust and relationship with the organizer on the social network which are triggered by an event page on the social network will influence an individual's attitude to the event and the likelihood of participation (Lee et al. 2012b, Paris 2010). However, no systematic studies have taken place to measure the success of such events from which recommendations for their design can be derived.

3.5 Interactive value creation

Social networks can deliver new potential for interactive value creation (Potts et al. 2008). A great number of network members can be involved in idea development and product design. In the first instance, this may provide a new perspective on the product in question and in the second, the process of integrating participants can raise their level of commitment and loyalty (Shih 2010).

Interactive value creation can also take the form of discussion rounds or competitions. Competitions have the advantage in that they achieve a higher level of participation and build on the loyalty of participants (Shih 2010). Success factors here are the intensity of interaction between participants, the reaction of the company to the interim results and the involvement of the right participants (Shih 2010). The most highly desirable participants are the intrinsically motivated individuals with a broad spectrum of knowledge (Frey et al. 2011).

Many companies, for example Ben & Jerry's, vitaminwater and Dunkin' Donuts, involve Facebook users in the design of their new products (Ceboa Business Services 2011). The study conducted by

Fagerstrøm and Ghinea (2011) demonstrates that interactive value creation on social networks can not only raise awareness, but also increase the conversion rate. While the vitaminwater Facebook campaign managed to achieve a sharp increase in the number of Facebook fans, its subsequent sales success was negligible (Herkert 2011). The question is how campaigns to generate interactive value creation should be designed, and for which products, so that they not only draw attention, but increase sales.

Companies may also involve network members in the design of their advertising. Consumer-generated advertising is characterized by a particularly high level of credibility (Ertimur and Gilly 2011). However, by contrast with conventional advertising, this type of advertising generates fewer brand associations (Ertimur and Gilly 2011). More research is needed to determine the criteria for the success of consumer-generated advertising.

3.6 Direct marketing

On the basis of the wealth of available profile, behavioral and above all, friendship data, social networks offer an invaluable platform for direct marketing (Liu and Lee 2010). Network members can obtain individually customized recommendations. Social networks give their users friendship recommendations, e.g., based on friends in common on the friendship graph (Papadimitriou et al. 2012) or on the common presence of individuals on photos (Kim et al. 2012, Choi et al. 2012). Information services can supply messages specifically tailored to suit particular user habits (Meo et al. 2011), and interest groups can be suggested on the basis of the user profiles (Baatjarjav et al. 2008). Products (Esparza et al. 2012) and social activities, such as concerts (Zanda et al. 2012) can be recommended in line with user habits, and in addition to individual recommendations, people can also receive gift ideas for friends, which are based on information derived from their profile and buying information (Neumann and Megerle 2012).

Continuous data analysis which reveals changes in user preferences over time is needed to generate useful information (Kim et al. 2011). The long-term study carried out by Pechpeyrou (2009) shows that personal recommendations result in a higher click rate than random recommendations. Acceptance of recommendations can be increased if they are well explained and clearly represented (Jones and Pu 2007). The greater the involvement of the user in the recommendation system, the greater the resultant satisfaction, trust and buying probability (Dabholkar and Sheng 2011).

The effectiveness of recommendations does, however, raise some issues. It is unclear how well automated recommendations fare compared with those made by human beings. According to Krishnan et al. (2008), under certain circumstances, recommendation systems are in a position to generate better recommendations than human beings. Research is needed into the specific conditions concerned. Particularly in light of the growing number of recommendation approaches on social networks, which

enable network members to collect bonus points if they recommend products to friends, further research is crucial (Neumann and Megerle 2012).

In addition, the question of whether recommendations lead to additional purchases or substitution buying is still open. Hinz and Eckert (2010) show that in the video recommendation segment, recommendations only result in substitute purchases, whereas, top lists, for example, achieve additional sales. How recommendations in other segments fare compared with alternative marketing measures should be investigated. A further aspect for research is how the success of recommendations can be rated. Should recommendations be regarded as successful if they generate a high level of probability of purchasing, profitability or customer satisfaction after the purchase (Jiang et al. 2010, Hennig-Thurau et al. 2010)?



4 Conclusion



The amount of time internet users spend on social networks is steadily growing. Communication and interaction on social networks not only affects the private lives of network members, but also their buying decisions. Against this background, social networks are becoming increasingly important from the perspective of marketing. Social networks make it possible to obtain marketing-relevant insights on network members and also allow the introduction of marketing measures aimed at addressing network members. Market research activities can be most helpful in this respect.

Social networks contain a plethora of information on profile characteristics, user habits, personalities, emotions, interests, friendships, relationships and networking. Analyzing this information makes it possible to gain marketing-relevant insights. Product preferences, advertising effectiveness, buying habits and opinion diffusion can be identified and predicted. Beyond this, product preferences can be derived from social relationships. The phenomenon of homophily enables an estimate of a network member's preferences to be made on the basis of friends' preferences. From the user habits observed, conclusions can be drawn about personality and emotions, allowing certain statements on the effectiveness of advertising to be made. Friendships and relationships can be monitored and their influence on buying decisions analyzed. Out of the knowledge of individual network members and their social relationships with each other, the diffusion of product opinions on the network and the future success of the product can be forecast.

Obtaining product preferences from user contributions and social relationships should be regarded as the most promising aspect in terms of feasibility and usefulness. Forecasting the diffusion rates for product preferences also promises to be highly useful to companies, although this is more complex and presupposes a higher rate of data availability (i.e., across the entire network). Analyzing the influence of relationships on buying decisions and the link between personality, emotion and advertising

effectiveness also appears to have a bright future. However, the results to be obtained are still a matter of conjecture.

A variety of measures aimed at increasing sales can be deployed on social networks. These include advertising, word-of-mouth marketing, public relations, event marketing, interactive value creation and direct marketing. Social networks can enable companies to directly address network members, to encourage them to participate in word-of-mouth advertising and interaction, to involve them in product development and supply them with individualized recommendations. If designed correctly, target group-specific communications with a feedback channel promise great potential. Market research is needed to measure the effectiveness of measures and to derive recommendations on their design.

Research is particularly of interest in the fields of advertising, word-of-mouth marketing and direct marketing. In the light of rising demand for advertising and growing doubts concerning its effectiveness, more extensive analysis of the effectiveness of advertising on social networks is needed. Since social networks are mainly used to cultivate contacts, they offer an excellent platform for word-of-mouth marketing. Further insights into the design of viral campaigns and those measures which can influence mouth-to-mouth advertising are critical to success. The wealth of data on profiles, behavior and above all, friendships also make social networks a major theatre of operation for direct marketing. The design and effect of individual recommendations still gives rise to questions which are unresolved as yet, but market research can make a contribution to finding the answers.

In general, market research on social networks constitutes an invaluable tool to support marketing. Social networks contain a huge volume of personal and current information. Network members can be observed in their natural communication environment, without any potential distortions caused by the influence of interviewers, or the effects of social unacceptability. Social networks permit a flexible investigation design, so that data collection, analysis and interpretation can be carried out on an iterative basis. However, the massive volume of data alone, does not, in itself, ensure the representative nature of the information. The findings of analyzing social networks only apply to the users of social networks and so are only capable of general extrapolation to limited degree. Data quality is also variable. For instance, some profile information is not given, or is given incorrectly for the purposes of protecting privacy, or for image reasons. Beyond this, data protection must be considered. Particularly in Germany, the collecting and analysis of personal data on social networks is a sensitive subject. Obtaining the consent of network members is consequently of considerable importance as a trust-building measure. If the informative value of the findings is realistically assessed, and precautions are taken to protect privacy, market research activities on social networks may constitute an important aid to obtaining market-relevant knowledge and implementing marketing measures. As the present article explains, a number of valuable market research approaches which support marketing on social networks already exist. However, the identified questions offer great potential for more extensive research.

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