

BUSINESS AND SOCIAL MEDIA TECHNOLOGY

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ABSTRACT

It is remarkable that social media technology has become such a major force in the business world in such a short time. Americans are now spending nearly twenty-five percent of their time online on social networking sites and blogs, up from about sixteen percent in July 2009, which is an amazing 43 percent increase in just 1 year. Twitter, the other social media company, is not far behind. Businesses and advertisers are beginning to realize the importance of this new kind of technology, and the great potential that it offers. The purpose of this paper is to briefly describe the history and background of social media technologies; study the business impacts of this relatively new field, and finally identify important future research issues in social media technology that pertain to businesses.

INTRODUCTION

It is remarkable that social media technology has become such a major force in the business world in such a short time. Words such as Facebook, Twitter, FourSquare, LinkedIn and MySpace have only been around for a few years, but have now become part of our everyday lexicon. While the search engine gorilla Google still rules much of the Internet, the social networking company Facebook quietly reached an important milestone in the week ending March 13, 2010 – it became the most visited website that week. Since then, Facebook has grown by leaps and bounds, and according to a recent Nielson survey [11] Americans are now spending nearly twenty-five percent of their time online on social networking sites and blogs, up from about sixteen percent in July 2009, which is an amazing 43 percent increase in just 1 year. Twitter, the other social media company, is not far behind.

Businesses and advertisers are beginning to realize the importance of this new kind of technology, and the great potential that it offers. Traditional technology titans such as Google and Microsoft are also nervously watching, and trying to adapt to this new landscape as they are starting to feel the heat from social media technology companies.

The purpose of this paper is to briefly describe the history and background of social media technologies; study the business impacts of this relatively new field, and finally identify important future research issues in social media technology that pertain to businesses.

HISTORY AND BACKGROUND

Due to the relative infancy of social media technology, there are very few formal studies published in the traditional MIS academic journals. As is common in most emerging technology fields, most existing articles are published as consulting firm reports, trade publications, web reports and conference publications. Research in this area can be traced back to communications research which model how social influence processes affect individuals' attitudes toward communication media and media use behavior. With the frequent use of electronic media, many studies began to assess the impact of electronic media on social behavior [6] [10].

It was not until very recently, however, that organizations realized that many of their younger and future customers have grown up in a very different environment in which electronic social networking has become the norm. The millennial generation expects an “always on” world of interactive media, and has very different ways to learn and consume – social media tools immensely affects their behavior and learning styles [2]. Organizations quickly took notice that they had to address, and books such as “The New Influencers [8] began to address the need to acknowledge the importance of Social Media. Boyd and Ellison [5] define social media and summarize the history. It was around this time that businesses started getting interested in social media, and reports such as “Web 2.0 Moves from Social Networking to Business World [1], and IT consultant Mark Gibbs article in Network World [7] suggested that businesses need a strategy for social media technology.

While there are many blog sites and trade publications singing praises of social media and their potential effects on business, there is clearly a need for scholarly research on the impact of social media technology on the way organizations communicate with their customers, formulate new strategies for building brands, and develop new products and services that the customer needs. This research is a step in this direction.

BUSINESS IMPACTS

With the advent of the Internet and the Worldwide Web, organizations are always trying to find new ways to connect to their customers. For the past few years, internet based tools such as email, web sites, search engine optimization have been successfully deployed by many organizations. As many organizations have already adopted the aforesaid methods, the best and most innovative organizations, in order to gain a competitive advantage, have to now find newer, more engaging methods to reach out to their customers, educate them, find out their needs, and eventually market and sell to them. Social Media technologies such as Twitter and Facebook have recently become very popular among consumers, and it now behooves organizations to find cost-effective and efficient ways to use them to stay competitive.

Social media technologies such as Facebook, Twitter, Foursquare, Twine, Wikis, Google’s YouTube and Buzz, and the various Blogging and Podcasting sites all over the World Wide Web (the “Web”) have endured the initial skepticism, and are rapidly drawing corporate America’s attention. This is reflected in Figure 1 below, which shows that budgets for social media technologies are projected to rise sharply over the next few years [3]. It might be surprising to know that in March of 2010, Facebook had even more unique visitors than the very popular Google search web site.

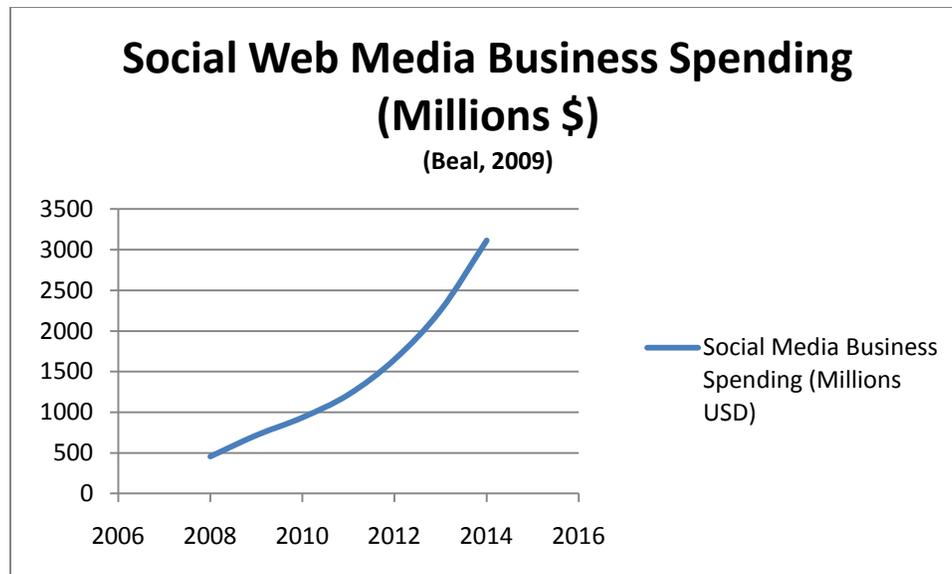


Figure 1: Social Media Budget Trend

On Aug 12, 2010, Delta Airlines, for example, became the first airline to allow their Facebook fans to book and purchase airline tickets using the “Delta Ticket Window” right in the Facebook website. Foursquare, a relatively “new kid” on the social networking block, adds another interesting twist by mashing up geo-location data with social networking and smart-phones to additionally allow friends and contacts to know their locations in real-time. Consumer behavior can now be tracked in real-time as the data not only reflects what they are doing, but also when they are doing it, how they feel about it, and also “where” they are doing. This is a treasure-trove of relevant data for businesses that are competing for new ways to attract consumers [7].

A new service called Foursquare Perspectives allows organizations to search Foursquare venues to identify trends and explore user behavior. Many restaurant chains are partnering with Foursquare, which has been adding more than 100,000 users a week and has passed the 2 million-user mark in mid-July. Foursquare allow users to become "mayors" of sites if they have the most check-ins, and then offers "badges" as a reward based on check-ins from numerous locations.

Restaurant chains such as Starbucks, PizzaHut, Red Robin, Chili’s Grill and Bar, and Kona Grill are exploring and partnering with these so-called “location-based” social networking sites. Based on a FourSquare user’s location, the business offers some kind of incentive to “check-in.” Chili’s, for example, offers a free item just for checking in to Foursquare, while less generous offer such as Starbucks’ \$1-off and discount offers and Red Robin’s discounted burgers also can be used to entice customers.

The merger of social-networking and geo-location is now deemed so important that Facebook, with its 500 million users, started Facebook “Places” in August 2010 to compete with FourSquare. Facebook Places certainly validates the concept pioneered by FourSquare, but whether it will wipe out FourSquare completely remains to be seen. Google, too, is getting more anxious as Facebook has given businesses yet another reason to defect from Google and place more online advertisements in Facebook.

FUTURE RESEARCH AND BUSINESS ISSUES

Social media technology actively engages customers, and presents tremendous opportunities for research, brand building and even product improvement and development. It is a relatively inexpensive information technology tools that can quickly get marketing messages out through interactive discussion and rapid word of mouth. Despite the economic downturn, online marketers are moving beyond experimentation by making social media a permanent component of their marketing strategy. It is therefore important to study how social media technology is affecting organizations, and more importantly, how it can be used effectively by businesses. Is social media delivering results that are measurable and advantageous to organizations?

SUMMARY AND CONCLUSION

The effect of social media technology on organizations is a relatively new area of study, and is potentially a very fertile one for current and future research. The growing trend of using social media technology is not a fad because an entire generation of consumers and individuals use it regularly and depend on it for many aspects of their lives. Businesses have little option but to find ways to leverage this new technology, and use to gain competitive advantages.

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