Fundamentals of Social Computing in Business

Social computing in business, or social commerce, refers to the delivery of electronic commerce activities and transactions through social computing. Social commerce also supports social interactions and user contributions, allowing customers to participate actively in the marketing and selling of products and services in online marketplaces and communities. With social commerce, individuals can collaborate online, obtain advice from trusted individuals, and find and purchase goods and services. Below we list a few examples of social commerce:

• Disney allows people to book tickets on Facebook without leaving the social network.
• PepsiCo gives a live notification when its customers are close to physical stores (grocery, restaurants, gas stations) that sell Pepsi products. The company then uses Foursquare to send them coupons and discount information.
Mountain Dew attracts video game lovers and sports enthusiasts via Dewmocracy contests (discussed later in the chapter). The company also encourages the most dedicated community members to contribute ideas on company products.

Levi’s advertises on Facebook by enabling consumers to populate a “shopping cart” based on what their friends think they would like.

Wendy’s uses Facebook and Twitter to award $50 gift cards to people who submit the funniest and quirkiest responses to various challenges.

Social commerce offers numerous benefits to both customers and vendors, as described in Table 9.2.

Despite all of its benefits, social computing does involve risks. It is problematic, for example, to advertise a product, brand, or company on social computing Web sites where content is user generated and is not edited or filtered. Companies that employ this strategy must be willing to accept negative reviews and feedback. Of course, negative feedback can be some of the most valuable information that a company receives, if it utilizes this information properly.

Companies that engage in social computing are always concerned with negative posts. For example, when a company creates a Facebook business page, by default the site allows other members of the Web site—potentially including disgruntled customers or unethical competitors—to post notes on the firm’s Facebook Wall and to comment on what the firm has posted.

Going further, if the company turns off the feature that lets other users write on its Wall, people may wonder what the company is afraid of. The company will also be eliminating its opportunity to engage in great customer conversations, particularly conversations that could market the firm’s products and services better than the company could do itself. Similarly, the company could delete posts. However, that policy only encourages the post author to scream even louder about being censored.

Another risk is the 20–80 rule of thumb, which posits that a minority of individuals (20 percent) contribute most of the content (80 percent) to blogs, wikis, social computing Web sites, etc. For example, in an analysis of thousands of submissions to the news voting site Digg over a three-week time frame, the Wall Street Journal reported that roughly 33 percent of the stories that made it to Digg’s homepage were submitted by 30 contributors (out of 900,000 registered members).

Other risks of social computing include the following:

- Information security concerns
- Invasion of privacy

### Table

#### Potential Benefits of Social Commerce

<table>
<thead>
<tr>
<th>Benefits to Customers</th>
<th>Benefits to Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better and faster vendor responses to complaints, because customers can air their complaints in public (on Twitter, Facebook, and YouTube)</td>
<td>Can test new products and ideas quickly and inexpensively</td>
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<tr>
<td>Customers can assist other customers (e.g., in online forums)</td>
<td>Learn a lot about their customers</td>
</tr>
<tr>
<td>Customers’ expectations can be met more fully and quickly</td>
<td>Identify problems quickly and alleviate customer anger</td>
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<tr>
<td>Customers can easily search, link, chat, and buy while staying on a social network’s page</td>
<td>Learn about customers’ experiences via rapid feedback</td>
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<td></td>
<td>Increase sales when customers discuss products positively on social networking site</td>
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<tr>
<td></td>
<td>Create better marketing campaigns and brand awareness</td>
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<td></td>
<td>Use low-cost user-generated content, for example, in marketing campaigns</td>
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<tr>
<td></td>
<td>Get free advertising through viral marketing</td>
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<tr>
<td></td>
<td>Identify influential brand advocates and reward them</td>
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• Violation of intellectual property and copyright
• Employees’ reluctance to participate
• Data leakage of personal information or corporate strategic information
• Poor or biased quality of users’ generated content
• Cyberbullying/cyberstalking and employee harassment

Consider Rosetta Stone (www.rosettastone.com), which produces software for language translation. To obtain the maximum possible mileage out of social computing, Rosetta Stone implemented a strategy to control its customer interaction on Facebook. The strategy involves both human intervention and software to help monitor the firm’s Facebook presence. Specifically, the software helps to monitor Wall posts and respond to them constructively.

Fans of facebook.com/Rosetta Stone who post questions on its Wall are likely to receive a prompt answer because the Facebook page is integrated with customer service software from Parature (www.parature.com). The software scans Wall posts and flags those posts that require a company response, as opposed to those in which fans of the company are talking among themselves. Rosetta Stone customer service representatives are also able to post responses to the Wall that are logged in the Parature issue tracking database.

Companies are engaged in many types of social commerce activities, including shopping, advertising, market research, customer relationship management, and human resource management. In the next sections of this chapter, you will learn about each social commerce activity.

before you go on...

1. Briefly describe the benefits of social commerce to customers.
2. Briefly describe the risks of social commerce to businesses.

Social Computing in Business: Shopping

Social shopping is a method of electronic commerce that takes all of the key aspects of social networks—friends, groups, voting, comments, discussions, reviews, etc.—and focuses them on shopping. Social shopping helps shoppers connect with one another based on tastes, location, age, gender, and other selected attributes.

The nature of shopping is changing, especially shopping for brand-name clothes and related items. For example, popular brands such as Gap, Shopbop, InStyle, and Lisa Klein are joining communities on Stylehive (www.stylehive.com) to help promote the season’s latest fashion collections. Shoppers are using sites like ThisNext (www.thisnext.com) to create profiles and blogs about their favorite products in social communities. Shoppers can tag each item, so that all items become searchable. Moreover, searching within these Web sites can yield results targeted specifically to individual customers.

There are several methods to shop socially. You will learn about each of them in the next section.

Ratings, Reviews, and Recommendations

Prior to making a purchase, customers typically collect information such as what brand to buy, from which vendor, and at what price. Online customers do this by using shopping aids such as comparison agents and by visiting Web sites such as Epinions (www.epinions.com). Today, customers also use social networking to guide their purchase decisions. They are increasingly utilizing ratings, reviews, and recommendations from friends, fans, followers, and experienced customers.

Ratings, reviews, and recommendations are usually available in social shopping. In addition to seeing what is already posted, shoppers have an opportunity to contribute their own ratings
and reviews and to discuss rating and reviews posted by other shoppers (see Figure 9.4). The ratings and reviews come from the following sources:

- **Customer ratings and reviews**: integrated into the vendor’s Web page, a social network page, a customer review site, or in customer feeds (e.g., Amazon, iTunes, Buzzillions, Epinions).
- **Expert ratings and reviews**: views from an independent authority (e.g., see Metacritic).
- **Sponsored reviews**: paid-for reviews (e.g., SponsoredReviews, PayPerPost).
- **Conversational marketing**: individuals converse via e-mail, blog, live chat, discussion groups, and tweets. Monitoring these conversations yields rich data for market research and customer service.

For example, Maui Jim (www.mauijim.com), the sunglass company, used favorable word-of-mouth marketing as a key sales driver. The company uses Bazaarvoice’s Ratings & Reviews to allow customers to contribute 5-point ratings and authentic product reviews on the company’s entire line of sunglasses and accessories. In effect, Maui Jim extended customers’ word-of-mouth reviews across the Web.

Maui Jim encourages its customers to share their candid opinions on the style, fit, and performance of all of its sunglass models. To accomplish this goal, the company integrates customer reviews into its Web site search function to ensure that shoppers who are interested in a particular product will see that product’s rating in the search results. Customer response to this rating system has been overwhelmingly positive.

Social recommendation Web sites such as ShopSocially (www.shopsocially.com), Blippy (www.blippy.com), and Swipely (www.swipely.com) encourage conversations about purchases. The product recommendations are submitted by users’ friends and acquaintances and arguably are more trustworthy than reviews posted by strangers.

ThisNext (www.thisnext.com) is a Web site where people recommend their favorite products to others. The site blends two powerful elements of real-world shopping: word-of-mouth recommendations from trusted sources and the ability to browse products in a way that naturally leads to discovery. IT’s About Business 9.3 discusses a similar Web site, Pinterest (www.pinterest.com), in detail.
Social networks originated with blogging tools such as Blogger and WordPress, where users had to write an entire blog post to express themselves. Then Twitter and Facebook emerged, and a simple status update was all that was required to share a thought on the Web. These Web sites subsequently discovered even simpler ways to share opinions—for example, retweeting the updates of other users and “liking” Web pages on Facebook. Tumblr, now one of the largest blogging platforms, also fits this trend. Tumblr allows users to share images and to realign other people’s posts.

Today, social sharing involves less effort, and it is more visual: “People-centric” recommendations are being augmented by “topic-centric” networks. Whereas Facebook lets users explore the Web through information shared by friends, newer social networks organize content by topics of interest.

Flipboard (http://flipboard.com) is an example of these trends. This network organizes content both by topics and by the “stuff” your friends enjoy. Flipboard turns the news into a more visual experience on your iPad, personalizing your experience by highlighting links shared by your online connections as well as topics that you find interesting.

Pinterest (www.pinterest.com) is a visual social network that organizes images by topic and allows users to reshare images with just one click. It also enables users to create online scrapbooks to share images of projects or products. The site is a kind of visual bulletin—or inspiration—board. Users, who currently must request an invitation to join Pinterest, create pinboards with categories like “Books I Love” or “Beautiful Places” or “Products That Save Me Time.” Users can then link images from Web sites (using a Pinterest browser bookmark) or upload images from their computers and “pin” the images to the boards. As with Twitter, users can follow other users, and Pinterest images can be repinned and shared.

Pinterest has a devoted base of users—most of them female—who enjoy “pinning” items they find around the Web. Although clothing, home decor, and recipes dominate the site, inspirational quotes and humor are also popular topics.

According to comScore, unique visitors to Pinterest increased 400 percent from September 2011 to December 2011. In January 2013, Pinterest attracted more than 12 million visitors. Further, the following month Pinterest drove more visitors to third-party Web sites than Google, YouTube, and LinkedIn combined.

Despite its popularity, however, Pinterest is experiencing one major problem: namely, the site has no clearly defined strategy to make money. This situation is not unusual for an Internet startup.

After watching the growth of Facebook and Twitter—both of which grew quickly at first without employing a traditional business model—Pinterest cofounder Ben Silbermann is following the same path, and he plans to worry about “make-money” details later.

Historically, generating revenue from social networking sites, which are usually free to users, has been a challenge. Two options for Pinterest to consider are selling targeted advertising and selling data on users’ interests. Neither option is original, and both run the risk of alienating Pinterest users.

Meanwhile, retailers are looking to piggyback off the popularity of Pinterest. For example, Bergdorf Goodman, a unit of the Neiman Marcus Group, is striving to develop a following for its high-end clothing and accessories on Pinterest. Similarly, Lands’ End Canvas added a gadget to its product pages, making it easier for users to view the chair’s title and a banner displaying the price.

Pinterest has also been helpful to small businesses. Consider The Wedding Chicks (www.weddingchicks.com), a relatively new online retailer of wedding-party gifts. The company claims that Pinterest has brought more than double the traffic to its Web site than Facebook and Twitter do, combined.


Questions
1. Describe two other ways in which Pinterest could generate revenue without alienating its users.

Group Shopping
Group shopping Web sites such as Groupon (www.groupon.com) and LivingSocial (www.livingsocial.com, see Figure 9.5) offer major discounts or special deals during a short time frame. Group buying is closely associated with special deals (flash sales).
People who sign up with LivingSocial receive e-mails that offer deals at, for example, a restaurant, a spa, or an event in a given city. They can click on either “today’s deal” or “past deal” (some past deals can still be active). They can also click on an icon and receive the deal the next day. Customers who purchase a deal receive a unique link to share with their friends. If a customer convinces three or more people to buy that specific deal using his or her link, then the customer’s deal is free.

Vinobest is a French wine merchant that uses Facebook for group-buying and flash deals. The company offers opinions by oenologists (wine experts) and selections by sommeliers (wine stewards) for group-buying deals. Vinobest offers active pricing—the more people who buy, the cheaper the wine.

Individuals can also shop together virtually in real time. In this process, shoppers log on to a Web site and then contact their friends and family. Everyone then shops online at the same time. Some real-time shopping providers, such as DoTogether (www.dotogether.com) and Wet Seal (www.wetseal.com), have integrated their shopping service directly into Facebook. Customers log in to Facebook, install the firm’s app, and invite their friends to join them on a virtual retail shopping experience.

Shopping Communities and Clubs
Shopping clubs host sales for their members that last just a few days and usually feature luxury brands at heavily discounted prices. Club organizers host three to seven sales per day, usually via e-mail messages that entice club members to shop at more than 70 percent off retail—but quickly, before supplies run out.

Luxury brands effectively partner with online shopping clubs to dispose of special-run, sample, overstock, or liquidation goods. These clubs are rather exclusive, which prevents the brands’ images from being diminished. Examples are Beyond the Rack (www.beyondtherack.com), Gilt Groupe (www.gilt.com), Rue La La (www.ruelala.com), and One King’s Lane (www.okeingslane.com).

Kaboodle (www.kaboodle.com) is another example of a shopping community. Kaboodle is a free service that lets users collect information from the Web and store it on a Kaboodle list that they can share with other shoppers. Kaboodle simplifies shopping by making it easier for people to find items they want in a catalog and by allowing users to share recommendations.
with one another using Kaboodle lists and groups. People can also use Kaboodle lists for planning vacations, sharing research for work and school, sharing favorite bands with friends, and basically everything else they might want to collect and share information about.

Social Marketplaces and Direct Sales

Social marketplaces act as online intermediaries that harness the power of social networks for introducing, buying, and selling products and services. A social marketplace helps members market their own creations (see Etsy in Figure 9.6). Other examples include the following:

- Craigslist (www.craigslist.com) provides online classifieds in addition to supporting social activities such as meetings and events.
- Fotolia (www.fotolia.com) is a social marketplace for the community of creative people who enjoy sharing, learning, and expressing themselves through images, forums, and blogs; members provide royalty-free stock images that other individuals and professionals can legally buy and share.
- Flipsy (www.flipsy.com) can be used by anyone to list, buy, and sell books, music, movies, and games.

Peer-to-Peer Shopping Models

Peer-to-peer shopping models are the high-tech version of old-fashioned bazaars and bartering systems. Individuals use these models to sell, buy, rent, or barter online with other individuals. For example, many Web sites have emerged to facilitate online sharing. SnapGoods created a community of people who rent goods to people in need, usually for the short term. SnapGoods helps these people connect over the Internet.

All of these peer-to-peer sites encourage collaborative consumption—that is, peer-to-peer sharing or renting. This trend is the result of the recession, because people had less money to spend and turned to sharing and renting. However, it has an environmentally “green” aspect as well. One of the most surprising benefits of collaborative consumption, however, turns out to be social. In an era when we may not know our neighbors that well, sharing things—even with strangers we have just met online—allows us to make meaningful connections. Some people share cars, and others invite travelers to stay in their homes for free. The following example illustrates the benefits of collaborative consumption.
Example

Collaborative Consumption

An entirely new generation of businesses is emerging, created by the intersection of the economic crisis, environmental concerns, and the maturation of social computing. These firms help interested parties share cars, clothing, couches, apartments, tools, meals, and even skills. The basic characteristic of these sharing marketplaces is that they extract value out of the “stuff” we already have.

The premise of collaborative consumption is simple: Having access to goods and skills is more important than owning them. There are three types of collaborative consumption:

- Product-service systems that enable people to share or rent a product (e.g., car sharing)
- Redistribution markets, which enable the reownership of a product (e.g., Craigslist)
- Collaborative lifestyles in which participants can share assets and skills (e.g., coworking spaces)

Consider our second-most expensive asset, our cars. (Our homes are the most expensive.) Across the United States, Canada, and Western Europe, the average person uses his or her car only 8 percent of the time. In fact, cars are the ultimate expensive, underutilized commodity.

In 2000, Zipcar started convincing city dwellers that they could enjoy the perks of access without the expense of actually owning a car.

Zipcar is a U.S. membership-based car-sharing company providing automobile reservations to its members, billable by the hour or day. Members can reserve Zipcars online or by phone at any time. To access a car, members use an access card that works with the car’s technology to unlock the door, where the keys are already located inside. Zipcar also offers an iPhone and Android application that allows members to honk the horn to locate a Zipcar, and unlock the doors. Zipcar charges a one-time application fee, an annual fee, and a reservation charge. Gas, parking, insurance, and maintenance are included in the price.

Competitors are emerging for Zipcar. Companies like RelayRides, Zimride, Spride, and Getaround do not own any cars—they simply enable individuals to share them. For example, the average person who allows his or her car to be rented at RelayRides makes $250 per month. In fact, some users are making enough money on RelayRides to cover their entire car payment. Moreover, because RelayRides includes a $1 million insurance policy that covers both owners and renters during each reservation, renting from RelayRides is a low-risk arrangement.

In addition to its financial benefits, car sharing offers environmental benefits as well. When people’s mobility costs shift from being fixed (ownership) to variable (renting), they make more efficient decisions about when and how frequently they actually need to drive. Research has demonstrated that the average car sharer drives 40 percent less than the average owner.

German car manufacturer Daimler is taking car sharing seriously. Its Car2Go service is similar to Zipcar’s, except that it does not require a reservation or a two-way trip. Car2Go’s mobile app allows a person walking down a city street to locate a car on that block, access it immediately via a windshield card reader and PIN number, drive it anywhere locally, and leave it there for someone else to use. The fuel-efficient Smart car has a 100-watt solar roof, which powers the car’s telematics (discussed in Chapter 8) and its battery.

Daimler is also developing an app called Car2Gether, which matches local drivers with people who are looking for a ride. Riders submit a request to a driver of any type of car, and both profiles are linked to their Facebook pages and Twitter feeds. After the ride, both the driver and the rider rate each other.

Perhaps the greatest concern associated with car sharing is trust. Sharing works well only when the participants’ reputations are involved. Most sharing platforms try to address this issue by creating a self-policing community. Almost all platforms require profiles of both parties, and they feature community rating systems.

Startups like TrustCloud are endeavoring to become the portable reputation system for the Web. The company has built an algorithm that collects (if you choose to opt in) your online “data exhaust”—the trail you leave as you engage with others on Facebook,
LinkedIn, Twitter, commentary-filled sites like TripAdvisor, and others. It then calculates your reliability, consistency, and responsiveness. The result is a contextual badge that you carry to any Web site, a trust rating similar to the credit rating you have in the “offline” world.

Of course, Facebook is already collecting a huge amount of your data exhaust on its own site. Thus, Facebook could become the arbiter of online trust.

Collaborative consumption has the potential to become extremely disruptive to existing organizations. For example, if the people formerly known as “consumers” began consuming 10 percent less and sharing 10 percent more, traditional corporations would certainly see their profits decline.


Questions

1. What are some potential disadvantages of car sharing?
2. Describe how collaborative consumption can be disruptive to traditional organizations. How might the organizations respond to this challenge?

Social Computing in Business: Marketing

Marketing can be defined as the process of building profitable customer relationships by creating value for customers and capturing value in return. There are many components to a marketing campaign, including (1) define your target audience; (2) develop your message (i.e., how you will solve their problem); (3) decide on how you will deliver your message (e.g., e-mail, snail mail, Web advertising, and/or social networks); and (4) follow up. Social computing is particularly useful for two marketing processes: advertising and market research.

Advertising

Social advertising refers to advertising formats that make use of the social context of the user viewing the ad. Social advertising is the first form of advertising to leverage user dynamics such as peer pressure, friend recommendations and likes, and other forms of social influence.

Many experts consider advertising to be the solution to the challenge of making money from social networking sites and social commerce sites. Advertisers have long noted the large number of visitors on social networks and the amount of time they spend there. As a result, they are willing to pay to place ads and run promotions on social networks. Advertisers now post ads on all major social networking Web sites.

Most ads in social commerce consist of branded content paid by advertisers. These ads belong to two major categories: social advertisements (or social ads) and social apps. Social advertisements are ads placed in paid-for media space on social media networks. Social apps are branded online applications that support social interactions and user contributions (e.g., Nike+).

Viral marketing—that is, word-of-mouth advertising—lends itself especially well to social networking. For example, Stormhoek Vineyards (www.stormhoek.com) initiated a marketing campaign by offering bloggers a free bottle of wine. Within six months, about 100 of these
bloggers subsequently had posted voluntary comments—the majority of them positive—about the winery on their blogs. In turn, these comments were read by other bloggers.

There are other innovative ways to advertise in social media. Consider the following:

- Use a company Facebook page, including a store that attracts fans and lets them “meet” other customers. Then, advertise in your Facebook store.
- Tweet business success stories to your customers.
- Integrate ads into YouTube videos.
- Add a Facebook “Like” button with its sponsored story (advertisement) to your product. For example, Gatorade scored 1.2 million conversations in six months using their “Mission Control” campaign.
- Mercedes-Benz launched a “Tweet Race,” which challenged four teams to drive across the country in Mercedes automobiles to Dallas, Texas, where the 2011 Super Bowl was being played. Each team collected Twitter followers with the help of a celebrity coach. Each tweet or retweet earned the team points, as did other activities, such as photographing other Mercedes cars during the road trip. The team that accumulated the most points by the end of the trip was declared the winner.
- Facebook has introduced a feature called the “sponsored story.” When a member chats with friends and one of them indicates that he or she “checked into” a place or “liked it,” say at Starbucks, a boxed “sponsored story” (an advertisement) will appear with the Starbucks logo (fee paid to Facebook). Furthermore, the name “Starbucks” will also appear in the user’s news feed (another fee paid to Facebook). The users have the option to delete the boxed advertisement.

For an interesting example of aggressive social advertising, you need look no further than YouTube. IT’s About Business 9.4 illustrates how YouTube is increasing its ad revenue in an incredible number of areas.

### IT’s [about business] MKT

#### 9.4 YouTube Is Redefining the Entertainment Business

When new cable channels such as CNN and ESPN emerged, they were underestimated by the traditional television networks. The question is: Can YouTube be as successful as CNN and ESPN?

YouTube (www.youtube.com) is utilizing its vast customer base (some 500 million viewers per month) to help define a new avenue for content creators to reach an audience. The concept is intriguing, but actually implementing the idea proved to be challenging for YouTube.

When YouTube was first created, it suffered from a reputation problem. Advertisers worried that their brands might end up next to a low-quality home video. Therefore, YouTube needed to create a business model that was unique to video. The site built a multitude of ad products that were crafted around the way people actually used the company’s Web site. With the help of these new ad products, many of the activities regularly performed by YouTube users—specifically, starting their experience at the home page, searching for a video, visiting a channel, watching a movie trailer, or watching a music video—were translated into appropriate advertising opportunities. Google has predicted that by 2015 roughly 50 percent of display ads on YouTube will include video and 75 percent will have a social component.

The new ad products have begun to attract major brand advertisers to the Web site. Consider Philadelphia Cream Cheese, produced by Kraft Foods. The brand manager learned that YouTube is a haven for how-to videos about cooking. So, he came up with the “Real Women of Philadelphia” competition. On the launch day of the eight-month campaign, Kraft bought all of the advertising space on YouTube’s home page, which cost more than $375,000. The ad invited women to invent Philly cream cheese recipes and cast themselves in their own videos as TV professionals. The goal was to drive viewers to Philly’s Real Women community, which included Kraft’s YouTube channel. More than 50 million people viewed the launch video. Ten million of them watched the entire video, and almost 100,000 clicked through to the Philly cream cheese Web site (an impressive number). In addition to the recipe views, Real Women helped boost Philly’s revenue by 5 percent, the first increase in five years.

**Promoted videos**, which are video ads featured prominently on YouTube’s search-results page, share prime space with the types of content that a particular user has searched for in the past. Research studies have indicated that these ads triple brand awareness, even without further action or follow-up on the part of the viewer.

YouTube has also devised a method to overhaul the way ads are consumed and sold on its site. This process, called TrueView,
offers viewers the option to skip an ad entirely, but it charges advertisers a premium if viewers choose their content and watch it the entire way through.

In 2007, YouTube launched another marketing effort, known as the Partner program, to encourage audience-attracting producers to create more and better content. Under this program, YouTube sells ads next to its videos and gives audience-attracting producers more than half the revenue. By mid-2013, YouTube had recruited more than 10,000 partners to the program. Analysts estimate that the top 300 to 400 partners earned their living from content they produced for YouTube.

In December 2011, YouTube released Personalized Channels, which tries to replicate for video the predictive experience that Pandora creates for music.

YouTube has also enjoyed great success with globally broadcast live concerts that sites such as Hulu and Netflix, which are restricted to North America, cannot match. In November 2010, just before the release of Bon Jovi’s greatest-hits album and international tour, the band gave an intimate concert in a 2,100-person venue in New York’s Times Square, and they streamed it live via YouTube around the world. The YouTube team globally marketed the show, and they allowed Bon Jovi to use YouTube’s new moderator tool to give fans an opportunity to interact by helping to pick the concert’s song list. Following this campaign, Bon Jovi’s greatest-hits album debuted in the top five in more than 20 markets around the world.

In 2006, less than 20 months after YouTube was founded, Google acquired the site for $1.65 billion. Since that time, YouTube has often been referred to as “Google’s folly.” Despite this moniker, by mid-2012 Google had evolved into the world’s largest video platform. YouTube’s success is largely a product of its strategy of cultivating its vibrant community.

Google believes that YouTube is emerging as the first global TV station. Video delivered via the Internet is creating a world with hundreds of thousands of “TV channels,” and YouTube is helping people build these next-generation networks. Not only has YouTube created the largest online video community in the world, it is shaping the way video is produced, distributed, and monetized.

Not surprisingly, YouTube is also realizing increasing amounts of revenue. Google does not break out specific numbers for YouTube, but financial analysts who cover the company estimate that YouTube’s revenue increased from somewhere between $100 million and $250 million in 2008 to approximately $4 billion in 2013.

Despite YouTube’s phenomenal growth, many critics remain skeptical of the site’s business model. They contend that YouTube still needs Hollywood content if it is to compete with Hulu and Netflix. Hollywood producers, however, still view YouTube primarily as a great promotion platform rather than a home for their content.

Take a look at YouTube’s initiatives to expand programming and ad formats.

**YouTube Content**

Original Content: YouTube shares ad revenue with top content creators.

Examples: *The Annoying Orange*, Next New Networks, Machinma, Nigahiga, *The Young Turks*

Concerts: Live streaming concerts have drawn between 5 and 10 million live views. YouTube teamed up with Vevo and American Express in 2010 for its Unstaged series.

Examples: Bon Jovi, U2, The National, Alicia Keys, Arcade Fire, John Legend & The Roots

Sports: IPL, a cricket league in India, pulled in 55 million views during its first season on YouTube.

Examples: IPL and Major League Baseball

How To: YouTube has given rise to a generation of teaching stars. Michelle Phan’s tutorial on Lady Gaga’s “Poker Face” look has received 24 million views and paved the way for Phan’s deals with Colgate, Lancome, and others.

Examples: Michelle Phan (makeup), Sal Khan (Khan Academy), ViewDo (guitar)

Movies/TV: YouTube tries to offer longer-form content not available elsewhere.

Examples: Striker, World Wrestling Entertainment, Sundance Film Festival, BBC Channels 4 and 5

Advertising as Content: To promote its Trivial Pursuit: Bet You Know It edition, Hasbro ads pit users against YouTube stars, generating more than 250 million views.

Examples: Kraft, Hasbro, *The Last Exorcism*

**YouTube’s Sources of Revenue**

Home Page: The YouTube Homepage Roadblock allows brands to own the homepage for 24 hours with a 100 percent share. The homepage averages 50 million impressions and over 18 million unique daily visitors. Therefore, the home page enables brands to have a big impact on a concentrated audience.

Examples: Verizon, Hasbro, Kraft, Dreamworks, Fox

Promoted Videos: Like sponsored ads on Google, promoted videos pop up around search results. Advertisers pay only when users click “Play.”

Examples: Evian, Panasonic, Stouffer’s, Wrigley, Maybelline

Content ID: To avoid hosting illegally posted videos, YouTube learned how to identify them, a process called Content ID. YouTube then alerts copyright owners—including early adopter CBS—who decide whether to take down the video or sell ads against it.

Examples: CBS, Lionsgate (*Mad Men*), Sony

Click-to-Buy: Call-to-action spots with videos can transform viewers into consumers. For example, Monty Python videos directed viewers to the troupe’s DVDs on Amazon, increasing sales by 23,000 percent.

Examples: Cee Lo Green (*iTunes*), Monty Python (*Amazon*)

Branded Channels: YouTube gives brands a great deal of latitude. For example, the CEO of the Visionaire Group claims that YouTube provides his company with the flexibility to engage users in a way that no other outlet does.
Examples: Lionsgate (*The Expendables*), Samsung, Tipp-Ex

**Display:** Google predicts that digital billboards will add more video and become more social in the next few years, eventually expanding into a $50 billion industry.

Examples: Blizzard Entertainment, HTC, Absolut, Volvo


**Questions**

1. Describe YouTube’s basic model for revenue generation.

2. If you were the CEO of a television network, how would you combat YouTube?

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**Market Research**

Traditionally, marketing professionals used demographics compiled by market research firms as one of their primary tools to identify and target potential customers. Obtaining this information was time-consuming and costly, because marketing professionals had to ask potential customers to provide it. Today, however, members of social networks provide this information voluntarily on their pages! (Think about all the information that you provide on your favorite social networking Web sites.) Because of the open nature of social networking, merchants can easily find their customers, see what they do online, and see who their friends are.

This information provides a new opportunity to assess markets in near real time. Word of mouth has always been one of the most powerful marketing methods—more often than not, people use products that their friends like and recommend. Social media sites can provide this type of data for numerous products and services.

Companies are utilizing social computing tools to obtain feedback from customers. This trend is referred to as *conversational marketing*. These tools enable customers to supply feedback via blogs, wikis, online forums, and social networking sites. Again, customers are providing much of this feedback to companies voluntarily and for free.

Social computing not only generates faster and cheaper results than traditional focus groups, but also fosters closer customer relationships. For example, Dell Computer operates a feedback Web site called IdeaStorm that allows customers to suggest and vote on improvements in its offerings (see Figure 9.7).

Retailers are aware that customers, especially younger ones, not only want to be heard, but also want to know whether other customers agree with them. Consequently, retailers increasingly are opening up their Web sites to customers, allowing them to post product reviews, ratings, and, in some cases, photos and videos.

As a result of this strategy, customer reviews are emerging as prime locations for online shoppers to visit. Approximately one-half of consumers consult reviews before making an online purchase, and almost two-thirds are more likely to purchase from a site that offers ratings and reviews.

For example, Del Monte ([www.delmonte.com](http://www.delmonte.com)), through its “I Love My Dog” program, gathers data from pet owners that can help shape its marketing decisions. Del Monte’s private social network helps the company to make decisions about products, test-market campaigns, understand buying preferences, and generate discussions about new items and product changes.

Using social computing for market research is not restricted to businesses. Customers also enjoy the capabilities that social computing offers when they are shopping. It’s About Business 9.5 illustrates how social computing helps shoppers perform market research utilizing Cars.com to find the car they want.

**Conducting Market Research Using Social Networks**

Customer sentiment expressed on Twitter, Facebook, and similar sites represents an incredibly valuable source of information for companies. Customer activities on social networking sites
With access to seemingly limitless amounts of information, American consumers can research nearly everything about automobiles, from car ratings and reviews to safety features and financing options. As a result, when they arrive at a dealership, they are better equipped to negotiate a sale than ever before.

Social media apps are helping to drive this customer empowerment, providing the most current vehicle and dealership information. Social media sites have become an integral part of the purchase process. A survey conducted by Capgemini (an international information technology consulting firm) found that the majority of respondents would be more likely to purchase a vehicle from a dealer if they found positive comments on social media sites.

Today’s car dealers leverage social media (e.g., Facebook, Twitter, Tumblr, and many other sites) to build and engage communities through special promotions, coupons, and sales events. Dealers book showroom and service appointments over the Web, and they use apps like ClearMechanic, which lets dealer service operations explain repairs with photos and illustrations.

Cars.com is one of the Web sites that prospective car buyers turn to in their quest for information. Let’s examine how the site uses social media to help its visitors.

Cars.com, a business unit of Classified Ventures (www.classifiedventures.com), serves approximately 10 million car shoppers per month. The company realizes that comparing features on different automobile models can be confusing to buyers. To make a wise buying decision, customers must compare many different types of information, including performance specifications, a variety of high-tech systems, and numerous safety features. To assist these customers, the Cars.com Web site (www.cars.com) integrates different types of data from different sources and presents them in a way that customers can use to shop for vehicles, compare features, read reviews, and obtain price quotes directly from dealerships.

To help customers understand and use all of the information contained on its Web site, the company is integrating Web 2.0 technology wherever it adds value and streamlines customer interactions. Cars.com is turning Web 2.0 into a competitive advantage. The company provides sophisticated Web capabilities and mobile tools that make it easier for customers to find, view, and extract the information they need to make a buying decision. Cars.com recognizes that a seamless experience on its Web site equals clicks, which in turn equals revenue. The company earns revenue from online classified ads placed by automakers, dealers, and private-party sellers. It also sells banner advertisements and provides lead-generation services.

Cars.com offers comprehensive pricing information, photo galleries, buying guides, side-by-side comparison tools, original editorial content, expert car reviews, and other relevant content from auto manufacturers. In addition, it provides user-generated content from customers themselves such as ratings of different makes and models. The company’s Web site contains online portals for dealers and customers.
generate huge amounts of data that must be analyzed, so that management can conduct better marketing campaigns and improve their product design and service offerings. The monitoring, collection, and analysis of socially generated data and the resultant strategic decisions are combined in a process known as social intelligence.

An example of social intelligence is Wendy's International (www.wendys.com), which uses software to sift through the more than 500,000 customer messages the fast-food chain collects each year. Using Clarabridge (www.clarabridge.com) text analytics software, Wendy's analyzes comments from its online notes, e-mails, receipt-based surveys, and social media. Prior to adopting this software, the company used a combination of spreadsheets and keyword searches to review comments in what it describes as a slow and expensive manual approach. In contrast, the new software enables Wendy's to track customer experiences at the store level within minutes.

Social networks provide excellent sources of valuable information for market research. Here you see illustrative examples of how to use Facebook, Twitter, and LinkedIn for market research.

**Using Facebook for Market Research.** There are several ways to use Facebook for market research. Consider the following examples:

- Obtain feedback from your Facebook fans (and their friends if possible) on advertising campaigns, market research, etc. It is like having a free focus group.
- Test-market your messages. Provide two or three options, and ask fans which one they prefer and why.
- Use Facebook for survey invitations (i.e., to recruit participants). Essentially, turn Facebook into a giant panel, and ask users to participate in a survey. Facebook offers a self-service model for displaying ads, and these ads can be invitations to take a survey. Facebook also allows you to target your audience very specifically based on traditional demographic criteria (age, gender, etc.).

**Using Twitter for Market Research.** Your customers, your prospects, and industry thought leaders all use Twitter, making it a rich source of instantly updated information. Consider the following examples:

- Visit Twitter Search (www.twitter.com/search). Enter a company's Twitter name. Not only can you follow what companies are saying, you can also follow what everyone is saying to
them. Monitoring replies to your competitors and their employees will help you develop your own Twitter strategy by enabling you to observe (a) what your competitors are doing and, more importantly, (b) what people think about it. You can also follow the company’s response to this feedback.

- Take advantage of the tools that enable you to find people in the industries they operate in. Use search.twitter.com to monitor industry-specific keywords. Check out Twellow (www.twellow.com). This site automatically categorizes a Twitter user into one to three industries based on that person’s bio and tweets.

- Do you want to know what topic is on most people’s minds today? If so, then review the chart on TweetStats (www.tweetstats.com). It will show you the most frequently used words in all of Tweetdom, so you can be a part of those conversations.

- An increasing number of companies are utilizing Twitter to solicit information from customers and to interact with them. Examples are Dell (connecting with customers), JetBlue (learning about customers), Teusner Wines (gathering feedback, sharing information), and Pepsi (fast response time in dealing with complaints).

Using LinkedIn for Market Research. Post a question (e.g., solicit advice) regarding the topic or issue you are interested in. You may get a better result if you go to a specific LinkedIn group.

For example, let’s take a look at how Mountain Dew uses social computing to conduct market research. The company has always appealed to consumers who were looking for high-caffeine beverages. However, the brand wanted to unite all of its customers into one community with its Dewmocracy contests, which let consumers pick the newest flavor.

Several brands have used social networks to help them choose new flavors, but Mountain Dew is expanding its scale from the most dedicated fans to the public at large. The first step of its market research involved sending seven flavors of soda to 50 Dew fanatics, who were also given cameras and told to debate and show their like or dislike for the brand on a video. The cameras were a great idea because it made the social media effort more personable. Rather than just looking at static images or tweets, Dew fans could see like-minded Dew fanatics in action. After narrowing the seven flavors to three, based in part on the videos, Mountain Dew turned to its Dew Labs Community, a 4,000-person group comprised of passionate soda fans. Those fans then created nearly every element of the three sodas, including color, name, packaging, and marketing campaigns. After that process was complete, Mountain Dew made the three flavors available in stores for a limited time, with the general public electing a winner (a drink named Voltage) via online voting. The Dewmocracy campaign utilized Facebook, Twitter, and YouTube to unite consumers through a common interest.

before you go on...

1. Is social advertising more effective than advertising without a social component? Why or why not?

2. Describe how marketing professionals use social networks to perform marketing research.

Social Computing in Business:
Customer Relationship Management

The customer service profession has undergone a significant transformation, both in the ways that customer service professionals do business and in the ways that customers adapt to interacting with companies in a newly connected environment. Social computing has vastly altered both the expectations of customers and the capabilities of corporations in the area of customer relationship management.
How Social Computing Improves Customer Service

Customers are now incredibly empowered. Companies are closely monitoring social computing not only because they are mindful of the negative comments posted by social network members, but also because they perceive an opportunity to involve customers proactively to reduce problems by improved customer service.

Empowered customers know how to use the wisdom and power of crowds and communities to their benefit. These customers choose how they interact with companies and brands, and they have elevated expectations concerning their experiences with a company. They are actively involved with businesses, not just as purchasers, but also as advocates and influencers. As a result, businesses must respond to customers quickly and appropriately. Fortunately, social computing provides many opportunities for businesses to do just that, thereby giving businesses the opportunity to turn disgruntled customers into champions for the firm.

Consider the following examples:

- Qantas airlines (www.qantas.com.au) had a policy that required flyers to store large musical instruments in the cargo hold. Unfortunately, policy sometimes caused damage to the instruments. After suffering $1,200 in damage to his saxophone, one customer, Jamie Oehlers of Australia, organized a Facebook campaign to persuade the airline to eliminate this policy. When one person complains, he or she typically receives a nice letter, but company policy most likely will not change. When more than 8,700 people joined forces on Facebook (including members of national symphony orchestras), however, posting stories and pictures of instruments that had been damaged in the cargo hold and threatening to boycott the airline, Qantas had to listen carefully. The airline announced that they had listened to their customers and changed the policy. The new policy allows small musical instruments as carry-on baggage.

- Safeway, a large grocery chain, operates a customer club that provides members with in-store discounts. The company also sends e-mails to customers that contain coupons and a description of what is on sale as well as an online newsletter with health news and recipes, shopping tips, etc.

    To extend this service, Safeway invites you to become a Facebook fan and follow the company on Twitter. This way you will be the first to know about exclusive promotions and savings. Plus, you are able to connect and share information with other Safeway shoppers.

    You can also visit the company’s blog, “Today at Safeway!” Team members post items from the floral department, the bakery department, and other departments throughout the stores. You can hear from Safeway’s experts on nutrition, environmental sustainability, and more. The blog is a free vehicle that promotes active discussion among the Safeway community. Safeway moderates all communications, and it will not post any comments that contain offensive language, private or personal information, hateful or violent content, personal attacks, and self-serving promotion of goods, Web sites, or services. Also, the company asks members to post only original content.

- Best Buy is a large appliances retailer that sought to augment its in-store business by attracting online customers. The company developed a unique strategy to provide real-time customer service by utilizing its Twitter’s @twelpforce account.

    Best Buy permitted the “blue shirt” members of its Geek Squad tech support service and corporate employees to staff its @twelpforce. In addition, any Best Buy employee working on company time can provide answers by using an @ reply to the customer. About 4,000 employees signed up to answer questions. By tagging their tweets with Twelpforce, these employees send their answers through the @twelpforce account. Anyone can then search the feed for topics they are researching.

- In December 2010, Groupon featured a discount to a restaurant delivery service in Tokyo for the New Year. The promotion was wildly successful, selling more than 500 “Groupons.”
Unfortunately, the restaurant was not prepared for this level of success, so it was unable to accommodate all of the orders. Deliveries were late, and many of them were in terrible condition.

Andrew Mason, the CEO of Groupon, assumed responsibility for the failure. He acknowledged that he contracted to an organization that was not prepared to deal with the volume generated by the Groupon promotion. His company then refunded money to the customers who bought the coupons, and it gave away vouchers for future business. Groupon also created a video that featured a public apology about the incident. The apology was sincere and informative, explaining exactly what had happened and holding nothing back.

before you go on...

1. Discuss why social computing is so important in customer relationship management.
2. Describe how social computing improves customer service.

Social Computing in Business:
Human Resource Management

Human resource (HR) departments in many organizations use social computing applications primarily in the areas of recruiting and training. For example, Deloitte Touche Tohmatsu created a social network to assist its HR managers in downsizing and regrouping teams.

Recruiting

Both recruiters and job seekers are moving to online social networks as recruiting platforms. Enterprise recruiters are scanning online social networks, blogs, and other social resources to identify and find information about potential employees. If job seekers are online and active, there is a good chance that they will be seen by recruiters. In addition, on social networks there are many passive job seekers—people who are employed but would take a better job if one appeared. So, it is important that both active and passive job seekers maintain online profiles that truly reflect their background and skills. IT’s About Business 9.6 takes a look at the difficulties inherent in the online recruiting process. It also provides some tips to assist you in a job search.

Training

Several companies use virtual worlds for training purposes. For example, Cisco uses its virtual campus in Second Life for product training and executive briefings. IBM runs management and customer interaction training sessions in Second Life as well.

before you go on...

1. Describe why LinkedIn has become so important in the recruiting process.
2. If you are looking for a job, what is major problem in restricting your search to social networks?