

SOCIAL NETWORKING: STROKE OF LUCK FOR BUSINESS PERFORMANCE

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ABSTRACT

Social Networking is growing rapidly and provides a platform with huge potential for business organizations to market goods effectively. It allows individuals or groups spread globally to link and connect together. It is one of the fastest modes of advertising and works on the wheels of word of mouth. If one person gives another a review of a website, product or service, then the chances of the second person connected with the first may stop to review the same and provides opportunity for getting involved with social groups having similar interests. Social Networking acts as a platform where one can find potential clients. As people that have similar interests have a tendency to stay connected, and they may function in different interest circles. This has a chain effect and can be beneficial in two ways – one, the marketer connect with the core group of potential clients and secondly if they like products or services, they will share with friends in other circles too which lengthens the radius of the marketer's circle.

In early days, social networking sites such as Bebo and Myspace has helped many struggling artists to reach their potential audience and gave rise to current popstars such as Lily Allen gaining fame after uploading clips of her music in November 2005 on Myspace. And now new and enhanced social networking sites such as Facebook and Twitter overtook the Bebo and Myspace sites in popularity, size and business potential. Facebook upgraded its fan page arrangement and now while creating a page you can select a tab representing your page as a business page. Today, Facebook, the world's most popular social networking site has valued itself at \$ 96 billion in an IPO, which is the largest on record for any internet company. Twitter has expanded hugely in a short time, its micro blogging sensation has becomes very popular and this site can be used massively for a business.

Social networking allows to interact with customers before, during or after a sale and provides an opportunity to receive feedback in real time thus adding a competitive advantage. It has a great impact on the performance of a business as (i) it produces tools that encourage collective intelligence, collaborative work and support communities (ii) It effects the performance of a business as it increases the visibility and helps in personalizing the communication from the business to the potential customer (iii) it helps in attaining transparency to the business in terms of online information and defining the CSR proofs (iv) it also help in improved knowledge management for enabling new applications (v) facilitates in gaining intelligence and customer experience leading to innovation (vi) helps in the development of employees as the knowledge will increase due to enhanced international global contacts (vii) Will lead to Increased Revenue as a result of the changes in communication and innovation mentioned above (viii) expanded reach (ix) faster launch of products (x) personalizing the contact with customer (xi) niche marketing, etc.

The enterprise will be more visible and accessible to its market resulting in expanded reach, faster launch of products, personalizing the contact with customer, niche marketing. This paper will discuss the strategies adopted by business to gain visibility through social networking and assessing the impact of such methods on the awareness of the potential customer in gaining confidence and information about the offering and the company image.

Keywords: Social Networking, Marketing, Internet, E- Marketing

1.0 Introduction to Social Networking

Social network is a social structure comprising of nodes which are tied by one or more specific types of relation. These nodes are generally individuals or organizations. With the growth of people who have access to the Internet, social networking websites are a must for the Internet community to stay in touch with each other. Social networking web sites help people keep in touch with friends, making new friends, distribute data or services / product, and many more aspects of our everyday lives.

The first official social networking web site was Classmates.com founded in 1995. Followed by a slow but steady growth in numbers of social networking websites to the overwhelming number of sites we have today. The reason that social networking websites work so well is that, they start of small and then grow exponentially. Initially the site starts off with a very few people who then tell their friends about the site, then those friends tell their friends about the site and soon the site is a huge database of users connected by friends, acquaintances, or just random people. The web sites are designed to "...allow users to create a "profile" describing themselves and to exchange public or private messages and list other users or groups they are connected to in some way." (Social Network , 2007).

Most social networking websites are often designed to fit a certain type of community such as the college community being mirrored by Facebook.com or a music/party community mirrored by MySpace.com. With the rapid growth of social networking web sites and their global scale usage, whatever one feels concerning social networking web sites is irrelevant because social networking web sites are on a popularity rise and are here to stay.

Social network sites can be defined as web-based services that allow individuals to:

- (a) Construct a public or semi-public profile within a bounded system,
- (b) Articulate a list of other users with whom they share a connection, and
- (c) View and traverse their list of connections and those made by others within the system. The nature and nomenclature of these connections may vary from site to site.

The term "social network site" is used to describe this phenomenon, the term "social networking sites" (SNSs) also appears in public discourse, and the two terms are often used interchangeably. "Networking" emphasizes initiating a relationship, often between strangers. While networking is possible on these sites, it is not the primary practice on many of them, nor is it what differentiates them from other forms of computer-mediated communication (CMC).

Social network sites are unique not because that they allow individuals to meet strangers, but rather that they enable users to articulate and make visible their social networks. This can result in connections between individuals that would not otherwise be made, but that is often not the goal, and these meetings are frequently between "latent ties" (Haythornthwaite, 2005) who share some offline connection. On many of the large SNSs, participants are not necessarily "networking" or looking to meet new people; instead, they are primarily communicating with people who are already a part of their extended social network. To

emphasize this articulated social network as a critical organizing feature of these sites, labeled as "social network sites."

1.1 How does 'Social Networking' work?

Social networking sites have implemented a variety of technical features, consisting of visible profiles that display an articulated list of friends who are also users of the system. Profiles are unique pages where one can type oneself into being. After joining an SNS, an individual is asked to fill out forms containing a series of questions then the profile is generated using the answers to these questions, which includes descriptors such as age, location, interests, and an "about me" section. Most sites also encourage users to upload a profile photo. Some sites allow users to enhance their profiles by adding multimedia content or modifying their profile's look and feel. Others, such as Facebook, allow users to add modules ("Applications") that enhance their profile.

The visibility of a profile varies by site and according to user discretion. By default, profiles on Orkut or hi5.com are powered by search engines, making them visible to anyone, regardless of whether or not the viewer has an account. Alternatively, sites like MySpace allow users to choose whether they want their profile to be public or "Friends only." Facebook takes a different approach—by default, users who are part of the same "network" can view each other's profiles, unless a profile owner has decided to deny permission to those in their network. Structural variations around visibility and access are one of the primary ways that SNSs differentiate themselves from each other.

After joining a social network site, users are prompted to identify others in the system with whom they have a relationship. The label for these relationships differs depending on the site popular terms include "Friends," "Contacts," and "Fans." Most SNSs require bi-directional confirmation for Friendship, but some do not. These one-directional ties are sometimes labelled as "Fans" or "Followers," but many sites call these Friends as well. The term "Friends" can be misleading, because the connection does not necessarily mean friendship in the everyday vernacular sense, and the reasons people connect are varied (Boyd, 2006).

The public display of connections is a crucial component of SNSs. The Friends list contains links to each Friend's profile, enabling viewers to traverse the network graph by clicking through the Friends lists. On most sites, the list of Friends is visible to anyone who is permitted to view the profile, although there are exceptions.

Most SNSs also provide a mechanism for users to leave messages on their Friends' profiles. This feature typically involves leaving "comments," although sites employ various labels for this feature. In addition, SNSs often have a private messaging feature similar to webmail. While both private messages and comments are popular on most of the major SNSs, they are not universally available.

Beyond profiles, Friends, comments, and private messaging, SNSs vary greatly in their features and user base. Some have photo-sharing or video-sharing capabilities; others have built-in blogging and instant messaging technology. There are mobile-specific SNSs (e.g., Dodgeball), but some web-based SNSs also support limited mobile interactions (e.g., Facebook, MySpace, and Cyworld). Many SNSs target people from specific geographical regions or linguistic groups, although this does not always determine the site's constituency. Orkut, for example, was launched in the United States with an English-only interface, but Portuguese-speaking Brazilians quickly became the dominant user group. Some sites are designed with specific ethnic, religious, sexual orientation, political, or other

identity-driven categories in mind. There are even SNSs for dogs (Dogster) and cats (Catster), although their owners must manage their profiles.

While SNSs are often designed to be widely accessible, many attract homogeneous populations initially, so it is not uncommon to find groups using sites to segregate themselves by nationality, age, educational level, or other factors that typically segment society, even if that was not the intention of the designers.

1.2 Utilization of Social Networking in Business

Business' can use social networking web sites to their advantage in many ways. The first aspect of a business that could use a social networking website for would be the hiring of employees. Such sites as Monster.com actually help many people searching for jobs and many companies looking for employees to find each other. It's as simple as creating your own resume and putting it out there. Monster.com then takes your resume and compares it to the needs and wants that companies have posted on the web site and connects the company with people who meet or exceed their posted standards. This a lot faster and involves a more broad spectrum of resources for which a company can use to find the perfect employee.

Another aspect of business affected by social networking websites is marketing. With the millions of people that use social networking web sites, what better way to market your product then by buying space on those web sites? Whether it's through banners or links millions of people will view your ads should they be placed on a social networking website. An example is that of 1up.com. Through its great reputation to gamers many gaming companies are willing to spend thousands of dollars for advertising space since they know that gamers who view the web site will most likely learn about their product. Not only is online advertising more effective than commercial advertising such as TV ads and magazines, it's also more cost effective and reaches far more people than other forms of advertising. An example of the effectiveness of internet advertising is YouTube.com in which experts have estimated that given its traffic levels, video streams and page views, some have calculated that YouTube's potential revenues could be in the millions per month.

A third aspect of business that is affected by social networking websites is that of fair pricing. With so many businesses' out there creating virtually the same product it's easy for one to get lost in the broad spectrum of products. With social networking websites people can get advice from experts, gain knowledge of product through others who have used it, and get reviews on nearly anything that is mass produced today. This in turn is also great for businesses. With all this information out there concerning products it's easy for a company to look through it and see what customers want and for how much. This in turn leads to better products being made to suit the customers' needs and wants.

1.3 Impact of Social Networking in Business

The most positive and significant indication of the importance that social networking has achieved in businesses is the finding that a higher proportion businesses successfully using social media to acquire new business are experiencing a rising profits (+5%) and increasing revenues (+6%), compared to their counterparts who do not use social networks for new business acquisition. This positive correlation between social media pro-activity in prospecting and improved business performance was particularly noticeable in Western economies such as the UK, the USA, Canada and the Netherlands. In the Netherlands the differential between social network users and non-users was +21% for revenue rises and +17% for increasing profits. Canada also reveals a striking performance gap - +18%

reporting rising revenues and +19% rising profits. In the UK 17% more companies using social networking for new business recorded an increase in revenues compared to non-users; and 15% more declared they had experienced a rise in profits. Finally in the USA 11% more active social networkers were profitable and recorded higher revenues than companies who did not.

Surprisingly, in socially active China slightly fewer companies using social media for acquisition were profitable (2%) than those not venturing into social networking, perhaps indicating that social networking in China is mainly national and therefore less apt to reflect and boost the international aspirations and activities of Chinese business. In addition, the extremely positive performance of Chinese business is likely to mask any variations resulting from social networking. 44% of businesses globally believe that more customers are coming to them through Social Networking than previously. This is particularly true of China (65%) and India (58%) where a dynamic and aggressively growing economy is fuelling take up of new technology and demand, but it is also true in the Netherlands (55%). In Mexico, where one out of three social network users is a fan of a company and on average 4.11 hours a day are spent by every user surfing the web 50% of companies reported that they had seen an increasing number of customers reach out to them through social networks. Japan and Canada are less optimistic, with only 21% of the former and 36% of the latter declaring that customers had come to them through social networking. In the case of Canada this suggests that while business is ready to pro-actively seek out customers the recovering economy is not yet so buoyant for demand to drive customers to seek out providers via the relatively novel channel of social networks. Given the personal use made of social networking and the applications available to the business public it is not surprising that the natural development for business use of social networks should be to keep in contact with customers and clients. These are usually existing contacts or individuals who are happy to become connected to a brand they have a relationship with and by following a feed, joining a group or liking a page they are kept up to date with the latest information from product recalls, to news, to latest press articles or even events and promotions. Our research supports anecdotal evidence that the most common use of social media is to keep customers up to date (52%) – showing little change to 2010 findings (51%). Significant variations are revealed on a country-by-country basis with China overwhelmingly more active on this front (79%), and Japan (37%) and Belgium (34%) trailing behind. Around half of businesses in most Western economies are active on this front: 48% of UK businesses, 50% of USA firms and 54% of Spanish companies.

Firms in Germany and the Netherlands (61%) stand out in Europe for their effort on this front while France lags behind at 41%. Fully 60% of Mexican companies devote effort to keeping in contact with existing customers on social media platforms.

Compared to a year ago when 27% of companies globally devoted budget to social networking activities in order to keep customers up to date, this year over a third of companies (34%) devote marketing budget to this activity. In particular Chinese (63%) and Indian (45%) companies lead in this activity, but 38% of South African and Dutch companies also declare they devote budget to social networking with existing customers.

In France only 19% of companies set budget aside for this activity although 28% of companies declare they are increasingly planning to devote a portion of marketing budget to social networking.

A survey by Yougov and Avenade highlights how 20% of consumers vent their dissatisfaction with a company through the social media channel, highlighting that although

marketing is generally the department devoting budget to social networking activities, business use of professional networks goes well beyond the single department and spans customer service, sales and recruitment. In its 2010 Social Recruitment Survey, recruiting software platform Jobvite found that 73% of companies in the USA were using social media to hire new staff and 9% were planning to start doing so.

Confirmation that social networking has achieved full status of marketing tool and is no longer seen simply as a nice-to-have is given by the finding that 35% of companies plan to devote a greater portion of marketing budget to managing their company's social media presence and activity. Yet this has to be viewed in proportion. Less than a third of companies in the UK (30%), the Netherlands (31%), Australia (32%) and France (28%) are dedicating an increasing official part of budget allocation to social networking. In the Netherlands, which is otherwise very active on the social networking front this may be an indication that a balance within the marketing mix has been reached. More than two fifths of South African companies on the other hand (42%) declare that this activity is benefiting from a greater proportion of budget.

Although globally 34% of companies devote no budget at all to social networking, 39% have set aside up to 20% of their marketing budget for this activity. This is an important indication that social networking has acquired a significant, if minority, portion of marketing spends.

In Japan fully 53% of businesses have not devoted any part of budget to social networking confirming that for cultural considerations this activity has yet to become significant from a business perspective in the country. However, 41% of businesses in the UK and South Africa also have no portion of marketing budget devote to this activity which elsewhere they recognize to be important to their business. 33% of firms in these countries however declare they devote between up to 20% of marketing budget to this activity indicating that a dangerous gap in social media skills and online presence is already starting to form between early adopters and laggards. On the other hand, in Germany 44% of businesses devote up to 20% of their marketing budget to social networking, more than Canada (43%) and Mexico (38%), but fewer than India (49%) and China (57%). In Spain and the USA 38% of companies also devote a proportion of marketing budget up to 20% to social networking.

Further testimony to the stronger status that social networking is acquiring in the marketing mix is the fact that 74% of businesses agree that it is an essential activity for success, supporting the declaration, by Erik Qualman author of *Socialnomics*, that: "The ROI of social media is that your business will still exist in 5 years". Fully 83% of Indian companies and 82% of Mexican companies believe that social networking is essential to the success of a business. Four fifths (80%) of firms in the Netherlands and Spain, where internet users have reached 27 million representing 55% of the population, also cannot envisage success in the future without harnessing this media as part of the marketing mix. The UK (66%) is the country where the lowest number of respondents shared this view along with Japan (67%) and Canada (67%).

According to latest ONS data over 31 million UK citizens, representing 60% of the population access the internet every day and half the population is on Facebook, suggesting that the lack of regard which UK businesses have for social networking could cost them business in the future. Canada also reports high social networking use with 15.1 million users expected to be able to report at least monthly access to a social network in 2010.

Nevertheless, 61% of respondents believe that single channel social media campaigns will not be successful if other media are not involved confirming research into the

development of the modern consumer into a truly multichannel shopper. Other research reports also support the view that in the B2B arena, to be successful, campaigns must draw on a full set of media ranging from the more traditional to the digital. Although China is shown by this report and perceived to be a pioneering country in its wholehearted take up of business social networking, this is also the country where companies were most likely to agree that single channel social media campaigns are likely to be unsuccessful. South African and Canadian (69%) respondents are particularly aware of the need to integrate their marketing and not become a one channel brand, while in Spain (47%) and the Netherlands (56%) reliance on social networking is felt to be pushing out the need to also employ traditional media in the marketing mix.

While it is not a surprise to see social networking is becoming a more rooted business tool, its take-up is evidently affected by national customs and cultural sensibilities. On the one hand we see dynamic, entrepreneurial economies in the developing world launching into aggressive campaigns to build connections, while on the other more hierarchical or reserved societies are still struggling to align personal use of social networking with its professional potential.

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