The Web 2.0 as Marketing Tool: Opportunities for SMEs

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Abstract

The new generation of Internet applications widely known as Social Media or Web 2.0 offers corporations a whole range of opportunities for improving their marketing efficiency and internal operations. Web 2.0 applications have already become part of the daily life of an increasing number of consumers who regard them as prime channels of communication, information exchange, sharing of expertise, dissemination of individual creativity and entertainment. Web logs, podcasts, online forums and social networks are rapidly becoming major sources of customer information and influence while the effectiveness of traditional mass media is rapidly decreasing. Using the social media as a marketing tool is an issue attracting increasing attention. The hitherto experience is that large public corporations are more likely to make use of such instruments as part of their marketing and internal operations (McKinsey, 2007). The paper defines the Web 2.0 phenomenon and based on the experience of large corporations examines how SMEs could engage the various Web 2.0 instruments in order to efficiently market their products, improve customer relations, increase customer retention and enhance internal operations.

Keywords: Web 2.0, Social Media, E-Marketing, Online strategy, Consumer Influence

Introduction

The Internet with more than 1.3 billion users worldwide is a social and commercial reality that no corporation big or small, can anymore ignore. The influence of the Internet on business and consumers has been substantial in the past and most observers expect that it will become even more substantial in the future. During the past three years two important developments have shaped the future of the Internet i.e. the fast penetration of
the broadband connectivity and the advent of the so-called Social Media, often referred to as Web 2.0. Focusing on the second development, widely considered as the next stage of the Internet evolution, one could observe that a fast increasing number of Internet users are becoming familiar with Web 2.0 applications like Web logs, online communities, collective games and social networks. Many consumers – and mainly the younger ones - regard such environments as key elements of their social life and much of their social activity takes place online: communication, information exchange, sharing of experiences, dissemination of individual creativity and entertainment.

The impact of Web 2.0 on consumer perceptions, attitudes and behavior is substantial; social media are becoming major sources of customer empowerment and influence (Urban, 2003) while the impact of traditional mass media and conventional marketing tools as consumer influencers is steadily declining.

The Web 2.0 (often referred to as Social Media¹) is the most recent phase in the evolution process of the Internet as commercial environment. While some skeptics reject the whole notion as nothing more than the new technology hype, the growth and success of the phenomenon suggest that Web 2.0 is here to stay. There are three main reasons supporting this argument:

- The Internet / Web 2.0 as communication platform becomes increasingly part of the consumer’s daily life at the cost of traditional media. According to a recent survey by Alloy Media & Marketing 96% of US teens participate to online social networks at least once a week (Biz Report.com, June 27, 2007). Internet users read less print and two third of them consider the Internet to be a very or extremely important source of information (up from 56% in 2005)². Newspapers and other forms of print media experience a steady circulation decline³ and similar trends are visible in the television and broadcasting industries; while attendance and advertising incomes of traditional media is in a free fall the Internet and cable news see the numbers of their users and their share on advertising budgets increasing (TNS Media Intelligence, 2007)⁴. The rejection of traditional media is

¹ In this article the terms Web 2.0 and Social Media will be used as interchangeable
³ http://www.washingtonpost.com/wp-dyn/content/article/2005/05/02/AR2005050201457.html
more dramatic among the younger consumers; according to a 2006 Arbitron study (www.arditr.com) the time spend on radio listening among the ages 12-24 years has fallen between 1999 and 2006 by 15%, much higher than all other age groups.

- The popularity of Web 2.0 among professionals is rising. According to the Social Network Practitioner Consensus Survey of May 2007 (BizReport.com, June 5, 2007) more than 50% of business people said using social networks and an increasing number of corporations are already experimenting with social media as part of their organizational structure and marketing strategy.

- The Web 2.0 becomes popular among mainstream consumers as instrument of customer empowerment. The consumer becomes increasingly aware of the fact that Web 2.0 applications offer new and previously unknown possibilities and empowerment (Urban, 2003), not only due to access to more and better information but also due to the network effects of peer to peer connectivity and community building. Customer empowerment means that consumer voice is getting louder; increasingly social media sites become forums of criticism, dialog and confrontation of commercial firms with their social, ethical and commercial responsibilities. The power of these media is substantial: on an almost daily basis “citizen journalists” expose cases of corporate misconduct or product glitches forcing companies to respond. Web log postings about product or services problems often prompt “blog swarms” (Gillin, 2007) frequently reaching the mainstream media with significant effects and consequences. Dell Computers was forced to recall one of their laptop models after bloggers reported about a malfunctioning and potentially dangerous battery and the bicycle lock maker Kryptonite was forced to withdraw and replace one of their high security locks after a video appeared in video exchange sites demonstrating how anyone could open the lock with a simple ball point pen.

What is Web 2.0, what are its dimensions and possible consequences on the marketing practice? What are its effects on consumer behavior? What are the lessons already learned from the experience of the pioneers in this field? How can SMEs effectively adopt Web 2.0 technologies as part of their marketing strategies and what are the expected benefits?
This paper attempts to address some of these questions by explaining the basic principles of Web 2.0, looking to different ways these technologies are utilized by larger firms and makes some basic recommendations on approaches that smaller enterprises should consider in embedding the Web 2.0 concepts as part of their (direct) marketing strategies.

**What is Web 2.0?**
The term Web 2.0 has been introduced by O’Reilly (2005) and was quickly adopted by Silicon Valley circles as well as by many practitioners and observers. There is no definition widely accepted and the issue is at the moment open to discussion. A simple Google search query of this term produces more than 3 mil results and there are several definitions already proposed. In the academic literature there is no agreement as to the delimitations of this term (Needleman, 2007; Coyle, 2007). The definition applied in this paper is the one proposed by Constantinides and Fountain (2007)

*Web 2.0 is a collection of open source, interactive and user-controlled online applications expanding the experiences, knowledge and market power of the users as participants in business and social processes. Web 2.0 applications support the creation of informal users’ networks facilitating the flow of ideas and knowledge by allowing the efficient generation, dissemination, sharing and editing/refining of content.*

On the basis of this definition the Web 2.0 can be described along three main dimensions: The Application Types, the Social Effects and the Enabling Technologies. These dimensions are illustrated in the following picture (Illustration 1).
Application Types: There is a wide variety of application types fulfilling the criteria of the above-mentioned definition. In order to simplify the issue the application can be classified in five many categories.

1. **Blogs:** Short for Web logs: online journals, the most known and fastest growing category of Web 2.0 applications (Du and Wagner, 2006). Blogs are often combined with Podcasts i.e. digital audio or video that can be streamed or downloaded to portable devices.

2. **Social Networks:** allow users to build personal websites accessible to other users for exchange of personal content and communication.

3. **(Content) Communities:** Web sites organizing and sharing particular types of content. Examples are applications of Video sharing, Photos sharing, Social Book marking and publicly edited content sites like online encyclopedias.

4. **Forums / Bulletin Boards:** sites for exchanging ideas and information usually around special interests.

5. **Content aggregators:** applications allowing users to fully customize the web content they wish to access. These sites make use of a technique known as Real Simple Syndication (RSS).
The user is a vital factor for all categories of Web 2.0 applications, not only as consumer but also as content contributor. The term User Generated Content (UGC) is often used to underline this special attribute of all above Web 2.0 application categories.

**Social Effects:** Enabling the seamless generation of information and easy access to it is the key advantage of Web 2.0 applications. Copying, sharing, editing, syndicating, reproducing and re-mixing information are common practices in the Web 2.0 domain. The generation, sharing and dissemination of information results to democratization of knowledge and active participation of the user as contributor, reviewer and reporter. Users can easily create communities of special interests and further share their experience and knowledge but also engage in a transparent conversation with the industry or even politicians. The result is as explained earlier a unique form of customer empowerment allowing customers to affect as never before the market power structures and more importantly the shape of the future marketing. The Social effects of the social media are by and large a fascinating research area and a field most likely to shape the future consumer or even human behavior.

**Enabling Technologies**

While several technologies involved in the Web 2.0 domain are not necessarily new, there is a basic difference between Web 2.0 and the previous software applications namely the fact that many of these applications are open source (O'Reilly, 2005; Constantinides, 2007). This fact has places the application user in the chair of the application co-developer and has lead to a fast, low cost and efficient application improvement. Next to existing applications the Web 2.0 movement founded on some unique new software applications and development techniques. The purpose of this article is not to examine this aspect of Web 2.0 but bellow there is a short description of the most important new enabling technologies and development tools applied in this domain.

**RSS** is short for Rich Site Summary, a way to syndicate and customize online content

**Wiki** is an application allowing collaborative publishing

**Widget** is a generic term for the part of a Graphical User Interface that allows users to interface with the application and operating system
**Mash-ups** are aggregators of content from different online sources to create a new service.

**AJAX** is a web development technique used for creating interactive web applications.

**The Web 2.0 as a marketing management tool**

The effects of the Web 2.0 on business and their environments are recently attracting more and more academic attention. Research interest is focused on the impact of the Web 2.0 applications on corporate processes (Craig, 2007; Yakel, 2006), the importance of online communities for corporations (Du and Wagner, 2006; Korica et al., 2006; Swaine, 2007) or issues regarding the effects of these new technologies on business (Karger and Quan, 2005; Biever, 2006; Deshpande and Jadad, 2006; Boll, 2007). Non-academic sources provide also plenty of evidence as to how corporations integrate the Web 2.0 applications into their operations (DeFelice, 2006). An increasing number of studies suggest that corporate interest on the Web 2.0 domain keeps growing and more and more firms are introducing different forms of social media into their daily business routines as well as into their marketing strategies (Cymfony, 2006). In a global survey conducted in 2007 McKinsey found that the popularity of Web 2.0 applications is raising among businesses; while most companies surveyed have so far integrated a limited number of such applications into their business strategies the large majority think that “investing in them is important for maintaining the company’s market position, either to provide a competitive edge or to match the competition and address customer demand”. (2007 McKinsey survey on Internet Technologies). The study concludes that the Web 2.0 applications affect a wide spectrum of marketing activities from building product or brand awareness to sales services.

**Large corporations are the pioneers: Experiences from the field**

Understanding the nature, possibilities and effects of Web 2.0 applications could place marketers in the position to utilize this domain to their advantage but lack of systematic research means that engaging social media as marketing communication tools is still a trial-and-error process. This process is obviously requiring new thinking and new approaches as traditional push marketing methods are inappropriate for social networking.
sites (Forrester, 2007). In this respect there is a considerable knowledge gap on the nature of Web 2.0 and its added value for marketing strategy. Most of our knowledge on the role of Web 2.0 applications as marketing tools is primarily based on anecdotal evidence. This evidence also suggests that the vast majority of firms engaging Web 2.0 as a marketing tool are large corporations. Based on field experience this chapter will classify the main ways marketers have attempted so far to extract value from the Web 2.0 domain.

Marketers could influence the customer decision-making process by means of Web 2.0 tools in two principle ways: The Passive and the Active way.

1. The Passive way or Listening-In: Using the Web 2.0 as an intelligence source i.e. as a source of customer voice and market information.

Marketers can learn a lot by listening to the customer’s voice i.e. what people say about the firm and its products on line, by monitoring the social media space: blogs, podcasts, forums and online communities. Listening to the customer is especially important in order to identify market experiences, new market needs and receive early warnings for product problems: warnings indicating the need to improve, modify or drop products. What customers say online is vital and viral sharing of customer experiences can lead to success or failure of brands and products and seriously disrupt costly marketing actions. “Listening –in” to the customer’s voice provides companies with early warnings about customer dissatisfaction and allows for fast corrective reactions. Common sense suggests that if properly collected and analyzed the online customer voice can provide precious and high quality information at a fraction of the time and cost required in using traditional market research for this purpose. The important question is how to find and tap the customer’s voice but there are already different options available. Web sites like the TIMES Online List with the 50 best business blogs, the Corporate Responsibility Group or Bized are examples of useful

5 http://business.timesonline.co.uk/tol/business/industry_sectors/media/article1923706.ece
6 http://www.corporateresponsibilitygroup.com/
7 http://www.bized.co.uk/current/index.htm
online sources of consumer voice. Next to that marketers must trace discussion forums, communities or even video sharing sites where exchange of information about the firm’s and competitive products takes place. There are several specialized tools and search engines that could help marketers in locating and gathering this type of content. Nielsen Buzz Metrics, a commercial service monitoring several millions of blogs, can provide marketers with a lot of information as to what is discussed online and even what is said about the company or its products. Specialized classification tools like Technorati (http://technorati.com/), blog search engines like BlogPulse (http://blogpulse.com/) or the “index aggregator” TalkDigger (http://www.talkdigger.com/) are easy to use and low cost alternative solutions.

2. The Active way: Using Web 2.0 applications as PR, Direct Marketing and Customer Influence tool as well as a means for personalizing the customer experience and tapping customer creativity.

a. Using Web 2.0-based application as PR and Direct Marketing tools
Several businesses are actively engaged in dialog with the customer by launching their own corporate blogs and discussion forums. Business executives like Jonathan Swartz, CEO of Sun Microsystems, Steve Jobs, CEO of Apple Computers and McDonalds Vice President Bob Langert post daily on their corporate blogs, encouraging customers to interact and freely express their feelings, ideas, suggestions or remarks about their postings, the company or its products. A widely applied variant of this strategy (initiated by Microsoft back in 2003) is to encourage company employees to become publishers of content themselves in corporate blogs and forums. This approach requires openness and trust of employee capabilities from the part of the firm (McAfee, 2006; Bryan et. al., 2007). Censoring of employee content is counterproductive; a good practice is to agree in advance on the basic principles and possible limitations on corporate blogging.

An alternative and more simple way to engage social media as PR tool is to use content communities - like the video sharing sites YouTube, GoogleVideo and others - as broadcasting media for distributing advertising material. Commercials uploaded to these sites have the potential to be viewed by thousands or even millions of viewers or virally distributed among users at practically no cost.
b. Engaging Web 2.0 personalities for customer influence

This approach is based on proactively engaging the online sources of customer influence (blogs, podcasts, online forums etc.) as customer influence tools. This requires identifying, reaching and informing the “New Influencers” (Gillin, 2007) about the firm, its brands or (new) market offers. The objective is to attract the attention of leading blogs or users forums so that they review, discuss, comment on or even recommend the usage of the firm’s products. Next to reaching and engaging these sources as company advocates, marketers can also reach very specific audiences by advertising in well-selected blogs and special interests networks or communities. This enables immediate access to target markets, even to very specific market segments at a fraction of the costs required by traditional media. Finding the major influencers per product or product category requires some effort but the tools mentioned in the previous section are also suitable for this purpose.

c. Engaging social media for personalizing the customer’s online experience

This approach could lead to closer ties between the customer and the firm by offering customers the possibility to personalize their online experiences in an environment created and controlled by the firm itself. Brick-and-mortar firms like Nike, Disney, Coca Cola, TIME magazine, The Hearst Media etc are already experimenting with such tactics as part of their direct marketing: seeking communication, interaction and customer feedback. They do this by introducing web sites based on user generated content, encouraging customers to customize them to their needs and often create their own social networks.

d.1. Tapping and disseminating customer creativity in the form of advertising concepts or product reviews.

Tapping customer advertising creativity is likely to result in increasing customer goodwill and customer advocacy. SONY, Frito-Lay’s, Sunkist and Coca-Cola are indicative examples of a growing number of corporations partnering with talented amateurs who review their products, generate advertising concepts or even create TV commercials for them. The idea behind such partnerships is that advertisements created by peers are perceived as being more credible and therefore more effective than one created by advertising experts. There is some evidence that this is often the case: According to a Bizrate survey (2007) 59% of web users consider customer product
reviews – a concept initiated by Amazon and widely applied by now - to be more reliable than those from experts. A study of Deloitte Touche USA indicates that 62% of the US consumers read consumer-generated online reviews and 98% of them find these reviews reliable enough. Next to that 80% of these consumers say that reading peer reviews has affected their buying intentions. In a study conducted by Carlson Marketing 85% of consumers say that they recommend a company with which they have a trusted relationship to others. The trust of consumers on peer rather than expert opinion is based on the perception that the former is more reliable since it reflects the genuine feelings of the product user like them. This strategy requires either creating Web 2.0-type corporate web sites where users or customers can place their own product reviews or creating communities and Forums / Bulletin boards where customers can express their views.

d.2. Making the customer a co-producer

The second variant of the strategy of utilizing the customer creativity is capitalizing on the growing customer individualism by making available online tools allowing the partial or full customization of the company products. Pioneers in this area are companies like Kleenex (myklenextissue.com), photostamps.com allowing consumers to create their own (US Postal Service approved) stamps from their photos, Heinz (myheinz.com) inviting customers to create their own personalized labels of their ketchup bottle and M&M (nymms.com) make it possible for customers to select their favorite candy colors and have a personalized message printed on it. Pepsi invites fans to design their soft drink cans in the Design Our Pepsi Can Contest (www.designourpepsican.com) with the best idea adopted as the new look of the product in regular intervals and NIKE offers similar tools to its customers allowing customizing the sport articles they order online (http://nikeid.nike.com). The popular chain IKEA recently launched an online campaign in The Netherlands called “Everyone is Designer” encouraging customers to create their ideal living space (http://www.iedereenisdesigner.nl/designyourownlife).

Web 2.0 and its potential value for SMEs

It is not surprising that the main efforts so far for utilizing the social media as marketing tools have been initiated by large corporations is not surprising. Large corporations are traditionally the early adopters of new and often untested technologies; they often operate
globally where such technologies can provide substantial economies of scale while the availability of financial and human resources make the risk of exploring unknown terrains more acceptable. SME’s and mainly the smallest ones among them, are often struggling to keep up with even the more traditional online web activities like having a presentable and functional web site; lack of financial and human resources and lack of time are usually serious barriers for such parties (Veen van der, 2004). Yet investing in Web 2.0-based marketing activities could be potentially rewarding for this category of firms. The payoff can be more efficient and less costly marketing. This section will examine the main ways SME’s could utilize the Web 2.0 and extract value from it.

a. A basic condition: willingness to invest

Any SME interested in utilizing the social media as marketing tools must be willing to allocate some financial resources and assign a number of persons (the number depending on the ambition level) to this activity as well as be willing to review and improve their “traditional” online presence. A well-designed and usable web site is necessary not only as the company window to the online world but also as a site that will actively support Web 2.0 – type applications.

b. Review options

The second stage is to review the different options mentioned earlier and decide what of these methods are vise and feasible to apply. The main Web 2.0 applications related to the marketing objectives identified on the basis of the existing experience are summarized in Table 1.
Looking to the two general approaches described (Passive or Active) for engaging Web 2.0 applications as marketing tools and the efficacy of each category in reaching the marketing objectives it can be argued that for many SMEs the passive form of engaging the social media as marketing tools is not easily applicable in all its forms. Given to the small size and often limited market coverage of the SMEs there is little chance that the majority of them will be able to catch any substantial online customer murmur about their products. Listening-in to the customer’s voice makes sense if the company is known enough to the market as product leader, innovator or has reached a level of customer numbers that produces enough buzz and content regarding the company products. What most SMEs can do though is to listen to the voice of their target markets in general: what customers say about competitors, competitive products. They can also look for online information that identifies the need for new products or product modifications and act accordingly. The main sources of such information are outlined in the Table 1: Web logs

### Table 1. Web 2.0 Applications as Marketing Tools

<table>
<thead>
<tr>
<th>MARKETING OBJECTIVE</th>
<th>Passive</th>
<th>PR and Direct Marketing</th>
<th>Active</th>
<th>Tapping customer creativity</th>
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<td>Listening In</td>
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<td>Social Networks</td>
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<td>Forums / Bulletin Boards</td>
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<td>Content Aggregators</td>
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XXX: very suitable, XX: suitable. X: suitable sometimes
and online forums are the most important potential sources of such information followed by the content communities and social networks.

The investment required for engaging in such an activity is relatively limited. A well trained and experienced person could find and evaluate the online information, some attention must be also given to the organizational issues related to the distribution and efficient utilization of such data. Some funds should also be made available for subscribing to commercial organizations like that can provide assistance in locating the customer voice.

**c. Engage Social Media as Active Marketing tools**

The degree that an SME will engage the social media as active marketing tools depends as in the previous case on the company size, market coverage and of course the marketing objectives. In principle all four categories of objectives (using Web 2.0 as PR and Direct Marketing tools, reaching the new Influencers, personalizing customer experience and tapping consumer creativity) are presenting very interesting options to SMEs. The way of engaging the social media is similar to the way large corporations do that and described earlier. In the Table 1 the different applications and their suitability for each objective are illustrated. This type of activity requires however a higher level of firm commitment in the form of financial means and human resources and probably some degree of organizational transformation. This because the firm in this case becomes also active contributor of Web 2.0 content. For example personalizing the customer experience means that the firm must create and make available online tools that will allow the user to customize his experience; tapping consumer creativity means actively reaching the customer and offering tools that will allow the customer to express his/her creativity either in advertising copies or design of new products. Next to this the firm must follow up by evaluating the customer generated content and in cases of interesting ideas to integrate them into the mainstream marketing program.

The active engagement of Social Media is therefore depended on the management commitment and ambition and also on the capacity of the firm to create the necessary organizational infrastructure necessary for utilizing these technologies in the proper way. As to the most likely candidates to make use of such media among SMEs, the size and
market position / reputation of the firm are important criteria for this. An extensive costs-benefits analysis is needed in order to evaluate the value of these media versus traditional marketing tools for achieving the above mentioned objectives. The newness of the subject means however that there is still not enough knowledge or reliable metrics of the effects of Web 2.0 applications as marketing tools versus traditional marketing tactics.

**Conclusion**

The vast interest and endorsement of the Social Media by the online public presents corporations with threats but also with many opportunities to improve their marketing strategies in novel and effective ways. Large corporations are so far the pioneers in this area engaging different types of Web 2.0 applications in order to get in touch with their markets, communicate their message or simply listen to the customer voice. In that respect social media can play a variety of roles as marketing tools; advertising, public relations and direct marketing but also as sources of market information and trends signaling. They can also improve customer relations by personalizing the customer experience and utilizing the customer creativity. A new task of marketers is to understand the degree of influence the social media exercise on customer behavior and decision making and try to establish contacts with the centers of market influencers.

Although the results of such activities have not yet properly studied, initial experience indicates that there is an important hidden potential here. SMEs could learn from the experiences of larger corporations and engage selectively the social media as part of their marketing strategies. The larger and the more successful SMEs are the ones more likely to try first. Management commitment, willingness to invest and willingness to transform the organizational structures and culture are conditions that should underpin any such effort.

Finally from the academic point of view more research is needed in analyzing this new phenomenon and measuring its effects. This will provide a clear picture as to the advantages of Web 2.0 as marketing tool versus the traditional marketing approaches.
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