

The Commercialisation of Social Media

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1. Executive Summary

This report explores how social media tools are being commercialised by business. It provides an overview of the relevance of social media to both business to business and business to consumer operations; lists common channels of social media; places development of social media into a historical context outlining future predictions; identifies and answers a range of common problems facing companies looking to commercialise social media; looks at a taxonomy of opportunities for commercialising social media; and presents ongoing research findings of the Henley Centre for Customer Management's study entitled 'Commercialising Social Media.'

2. Introduction - The New Communication Paradigm

One of the most horrifying impacts of Web 2.0 and Social media on businesses has been the fact that it displaced the ability to control and disseminate information from the company to the consumer. In the era of social media, marketing managers' control over the content, timing, and frequency of information has severely eroded (Mangold and Faulds 2009). According to Mangold and Faulds (2009) information in the new communication paradigm is also generated from within the marketplace. This shift in power and the new communications paradigm, which can be reflected in the use of social media tools, presents challenges for companies. Yet, it is not necessarily a bad thing. This paper will examine social media with an open mind looking for win-win situations for companies and their stakeholders. It identifies potential business models of commercialisation and some of the challenges facing organisations that pursue them.

2.1. Web 2.0 and Social Media

The term Web 2.0 is widely attributed to Tim O'Reilly of O'Reilly Media, and refers to the fundamental changes in the way World Wide Web is being used by both developers and end-users. According to O'Reilly, Web 2.0 essentially meant 'Web as a Platform', where applications are not only distributed (as in Web 1.0) but also created by its users. Web 2.0, therefore, is the technological catalyst of the proliferation of user-generated content. It is a more democratic, participatory, interactive platform through which people can construct a collaborative (rather than collective) intelligence/consciousness.

User-generated content became so prevalent in almost every sphere of people's everyday lives that Time Magazine nominated You (the person reading the magazine) as the Person of the Year in 2006.

Technology today is advancing in such speed that the term Web 2.0 might be referring to a time bygone. However, the issue here is not whether we are moving onto Web 3.0 or Web 4.0, but it is how the nature of collaborative technologies evolve and therefore influence the cultures, contents, agendas, and infrastructures of consumer and business life (Beer 2008). Therefore, rather than merely regarding Web 2.0 as a market research tool, marketers should understand the social aspect behind it in order to appreciate its influence on both strategic and tactical marketing management.

Social media, in this context, refer to Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content (Kaplan and Haenlein 2010). Hence, social media aids the transformation of the Internet based communication from a broadcast monologue into a social dialogue (and sometimes into an anarchic cacophony) and the user from the consumer of the content into content producer.

2.2. Channels for Social Media

Social media therefore, describes the online (and mobile) resources that people use to create and share content in the form of video, photos, images, text, ideas, insight, humour, opinion, gossip, news and other aspects of life. These resources include social networking sites (Facebook, Myspace); business networking sites (LinkedIn); creative content sharing sites (Flickr, Youtube); company sponsored blogs (P&G's Vocalpoint, Starbucks'

MyStarbucksIdea); user sponsored blogs (unofficial apple blog); collaborative websites (Wikipedia); virtual worlds (Second Life); commerce communities (ebay, Craig’s List); Podcasts; news delivery sites (Current TV); Open source communities (Mozilla); Social bookmarking/tagging (digg, del.icio.us).

Organisations are increasingly faced with a plethora of options for social media. Figure 1 below summaries the key options available.

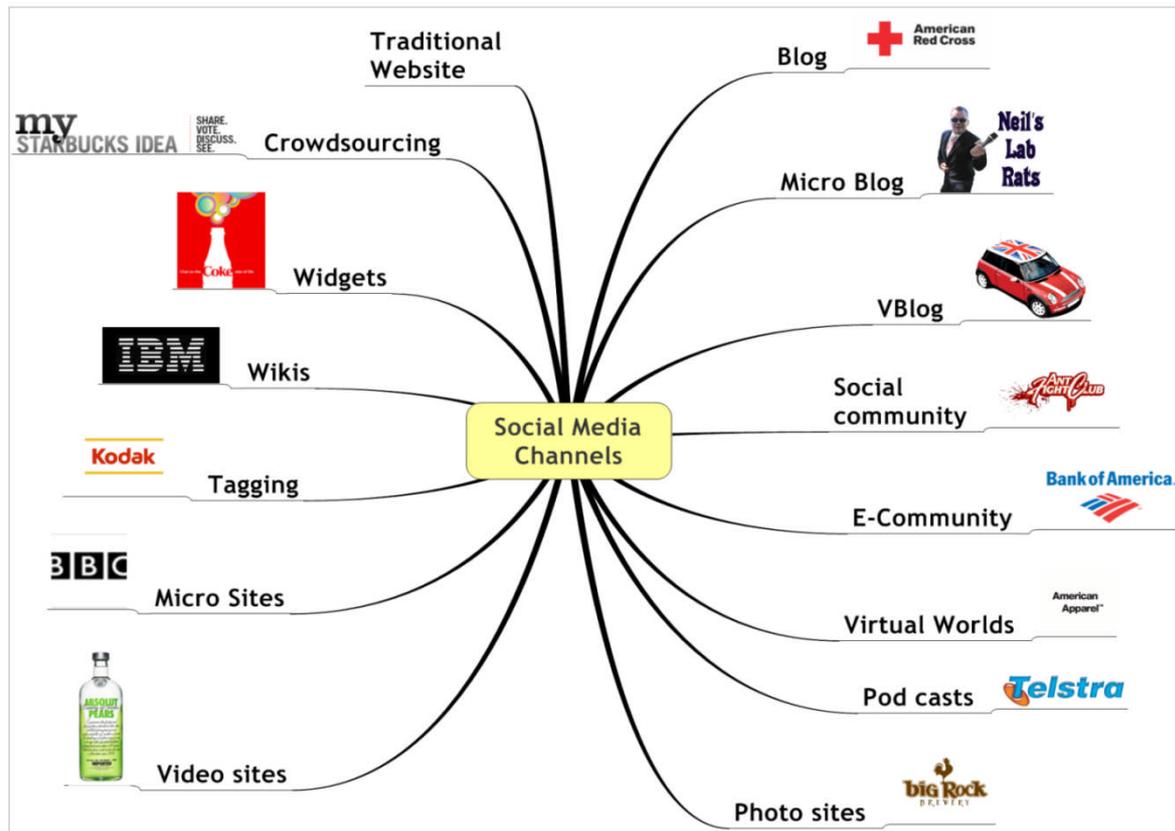


Figure 1: Key Options for Social Media

Examples have also been provided that illustrate best practice of the medium. A few notable examples include Mini’s use of video blogs of owners of its vehicles in generating a community of like-minded users. BMW are then able to use the communities to field questions of its members including concept testing and wider market research. Micro blogs like Twitter are increasingly used by organisations to communicate its activities and generate buzz. Buzz marketing is one of the key ways in which companies are commercialising their social media activities. Kodak are leading the field with regard to combining the technology of social media with Global Positioning System technology (GPS). This has enabled users to share photos and interests globally whilst demonstrating Kodak’s innovative new digital camera technology.

In the midst of all this variety of tools, sometimes the communication *media* aspect of social media is heralded as an overrated importance. However, it should be emphasised that it is the *social* aspect of social media, which makes it a fundamentally different and invaluable tool, for social media is about building social relationships, conversations, and meanings (Drury 2008).

2.3. The five eras of the social web

A research report conducted by Forrester interviewing executives, product managers, and strategists of some of the most ‘social’ companies on the Web examined the social element of the web in five overlapping eras connecting the past, present, and the future of social networking.

The Evolution Of The Social Web Affects Consumers, Brands, And Social Networks

	Era of social relationships	Era of social functionality	Era of social colonization	Era of social context	Era of social commerce
Start; maturity	1995; 2003 to 2007	2007; 2010 to 2012	2009; 2011	2010; 2012	2011; 2013
Descriptions	Individuals assemble and connect with each other in online groups.	Social networks become operating systems.	Every Web site is now social, even if it doesn't choose to be.	Web sites deliver personalized content to visitors.	Online groups supplant brands.
Consumers	Use simple profile and discussion features to share with each other	Embed Web applications and widgets on their profiles to make experience more fun and useful	Lean on their peers' opinions to make decisions about products	Opt in to share their identity in return for a more relevant Web experience	Work with peers to define the next generation of products; also purchase in groups
Brands	Join online groups using conversational marketing or sponsorship, or create their own community	Advertise, then sponsor, then create applications to provide utility to consumers	Focus on influencers and including social recommendations	Provide specialized content for visitors; get rid of registration pages	Lean on groups to define products
Social networks	Struggle with monetization	Share as developers to monetize applications	Aggregate all implicit and explicit data, creating a new type of social inbox	Become the identity system of the Web	Offer features to help with product design and vendor management
Other media	The world is more connected.	Office apps become social; even solitaire games have social leaderboards.	Mobile devices trigger in-store displays to show custom content.	TV offers personalized interactive channels for viewers.	A new PR agency emerges that represents online groups — not brands.

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Source: Forrester Research, Inc.

In this evolutionary road, Forrester urges companies to be prepared for a rapid change in consumer adoption of social media tools, and what this would bring to the table for their brands by:

- **Being Decisive:** These changes are coming and they are coming fast. Being prepared is of critical importance. This evolutionary road should be considered in companies' short and long term plans. "Don't be left behind and let competitors connect with your community before you do."
- **Being Transparent:** Consumers will be able to surf the Net together with their social networks (e.g. Google's SideWiki is an example of this collaborative platform¹).

Companies should be prepared for every aspect of Web content, products and services, to be reviewed by your customers and shared with others.

- Connecting with Advocates: Focus on customer advocates. Their opinion is trusted more than yours, and when the power shifts to community, and they start to define what products should be, they become more important than everⁱⁱ.
- Evolving Enterprise Systems: Enterprise systems will need to connect to the social web. Social networks and their partners are quickly becoming not only *the* source of customer information but also lead generatorsⁱⁱⁱ.
- Breaking up the Corporate Website: In the most radical future, content will come to consumers, rather than them chasing it. Companies will be better off by flattening their corporate website and distributing it to the social web in order to “let the most important information go and spread to communities where they exist; fish where the fish are.”

Source: Forrester Research, April 2009

2.4. What about B2B: Enterprise 2.0

A survey of the participants and attendees of the 2009 AlwaysOn Conference showed that 54% of the C-level executives of some of the most social organisations in the US see the most business potential of Social media in B2C. This level combined with the responses that expect a potential in both B2C and B2B climbs to a staggering 89%. Yet, only 7% of executives think that social media has its best business opportunity in B2B (42% together with B2C and B2B answers).

However, Enterprise 2.0, the buzzword referring to the organisational applications of Web 2.0, proves to be very valuable for some companies embracing the fundamental shifts in business caused by social networks. Enterprise 2.0 can be defined as the use of social networking platforms within companies, or between companies and their partners in the value chain or their customers (McAfee 2006). These networks are generally Propriety Social Networks, which control for private access only rather than being open to the public.

These Propriety Social Networks can help solve many organisational problems corporations face in their internal and external relationships with their stakeholders. McAfee (2009) offers examples of potential issues for which Enterprise 2.0 can provide solutions:

- Problem: How can we bring new hires up to speed as quickly as possible so that they become effective employees and minimize the impact on others with all their questions?
 - Use a wiki. Office supply company VistaPrint initiated a wiki in an attempt to capture what a new engineering hire needed to know. Because this knowledge base changed so quickly, the company felt that any paper-based solution would quickly become obsolete. Within 18 months the wiki grew to contain over 11,000 pages placed into 600 categories, all of them generated by employees themselves rather than a professional knowledge management staff. It became a dynamic and up-to-date repository of the company’s engineering knowledge.
- Problem: How can we accurately forecast how many units we’re going to sell?
 - Use a prediction market. “During a pilot period, five large companies, including Warner Brothers and General Motors, have been using Crowdcast [a prediction market software company^{iv}] to predict revenue, ship dates or new products from

competitors. About 4,000 bets have been placed, and predictions have been about 50 percent more accurate than official forecasts. At a media company with a new product to ship, 1,200 employees predicted a ship date and sales figures that resulted in 61 percent less error than executives' previous prediction, according to Crowdcast. A pharmaceutical company asked a panel of scientists and doctors to predict regulatory decisions and new drug sales using Crowdcast, and they were more accurate than the company's original prediction 86 percent of the time" (Miller 2009).

- Problem: Who can solve this scientific problem that's got us stumped?
 - Post it to Innocentive [a platform set up originally by Eli Lilly for bringing together scientific problems and problem solvers]. Research groups within large organisations use Innocentive to post descriptions of problems they've not been able to solve. These problems are anonymized, assigned a solution value of between \$5,000 and \$1,000,000, and then made available over the Web to the more than 180,000 independent scientists within the Innocentive 'Solver Community' from over 150 countries. A pharmaceutical firm's need to find a clinically meaningful biomarker for identifying a specific patient population exemplifies the potential for this platform well. "The scientific team inside the firm had expended significant time and resources to obtain a solution, however, their internal efforts were not successful, as they had followed limited alternative paths. The broadcast of this problem triggered interest from 739 solvers from over 20 countries representing over 15 distinct fields of expertise. The problem ultimately received 30 very different solution proposals of which a scientist from Argentina developed the winning solution with a background in molecular biology" (Lakhani, Jeppesen, Lohse, and Panetta 2007).
- Problem: How can we serve our customers better and more cheaply?
 - Set up an online community and let people help each other. According to Verizon (the US telecommunications and broadband giant) their online community of volunteer 'super-users' answer thousands of questions that would otherwise go unanswered (thus decreasing customer satisfaction) or take up an employee's time (and thus cost Verizon). Discussions between customers and super-users also "provide customer ideas for improvements in hardware and software for the company's fiber optic service, as well as a large, growing and searchable knowledge base online" (Lohr 2009).

Other examples of Enterprise 2.0 use include success stories such as Proctor & Gamble's own open innovation network Connect & Develop through which P&G has managed to reduce R&D costs by more than 30 per cent in a few years and doubled its innovation rate via this platform. More than one-third of P&G's innovation now involves an external collaboration component. As reported in the Economist Intelligence Unit report on collaboration, advertising agency Unit 7 boosted its revenue by 25 – 30 per cent through a deployment of collaboration tools between account and creative teams. Those tools significantly reduced the inefficiencies and large mismatch for ad campaign requirements, due to the early silo organisation. Tianping (A Shanghai based insurance company) has developed an online platform for car insurance claimants to file reports and evidence like damage pictures, etc. This has helped reduce the necessity of the middleman, lowered fraud and reduced the cost of claims ' processing (Bughin 2008).

Of course there are challenges to the rise of Enterprise 2.0, as like it or not, large organisations have to work in structures and hierarchies which are not always fit for Enterprise 2.0 initiatives. Bughin (2008) suggests that executives should be prepared to answer these questions before jumping on the bandwagon of Enterprise 2.0:

- Are you ready to loosen the hierarchical structure of your organisation? Successful implementation of Enterprise 2.0 has started at the grassroots level, leveraging the design principle of collaboration and agility.
- Are you ready to boost active participation? Organisations typically have self-prescriptive job descriptions, which usually do not reward active and valuable participation. Recognising and rewarding participation in a social setting is critical.
- Are you willing to move from central to 'edge' competencies? Leveraging social and knowledge networks is usually done better by going outside of the corporation's boundaries. At P&G, its innovation platform tapping into external networks has basically created a 10,000 people lab. Opening the organisation gate is not necessarily the guarantee of harnessing large outside networks of competencies. Companies must gain the trust of their 'edges' — customers and suppliers.
- Are you having the right incentives? Collaboration does not happen in a vacuum and [...] people have different motives to contribute. Incentives are obviously important because contributors usually take special care and time to contribute.

Therefore it should be emphasised that “competitive advantage will not emerge from merely applying Web 2.0 technologies, but from adopting new business paradigms, with more 'edge' competencies, higher trust and looser control and a systematic eye to harness the contributions of the cluster of business and social networks the corporation is trying to emulate” (Bughin 2008, p.258).

2.5. Gov 2.0

Governments, especially in the West, are pursuing open policies and transparency for sometime now. With social media tools they can take this initiative to a whole new dimension. Gov. 2.0 is about collaborative governance, marking the difference between an adversarial culture between government and the public, where the public is essentially left outside of the gates and a collaborative culture where government instead brings the public into the decision making process.

To illustrate this with an example; in July 2009, the United States Department of Health and Human Services teamed up with the Department of Homeland Security and the Department of Education to launch a National public service announcement contest to encourage American children and families to take steps to prevent the spread of the H1N1 flu virus. Members of the public were invited to submit their videos for this social marketing campaign. Over 240 videos were submitted by the August deadline, after which a panel of experts narrowed the field to 10 finalists. Americans across the country cast more than 50,000 votes on Youtube^v.

3. Opportunities for Social Media Commercialisation

Figure 2 below provides a map of the key opportunities organisations have for attaining commercial value from social media tools. The map also illustrates how some organisations utilise different social media tools for various reasons within each business model in a B2B setting.

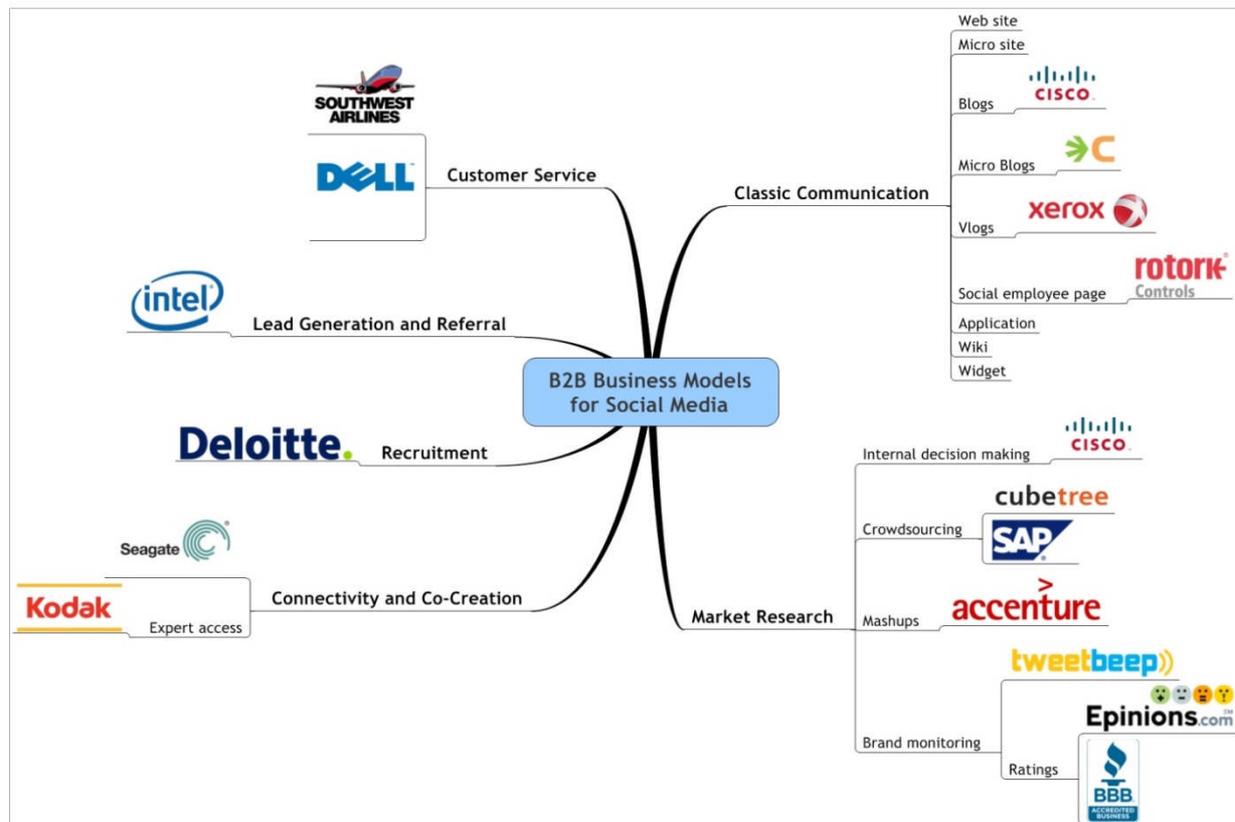


Figure 2: Key Commercialisation Opportunities

3.1. Market Research

The most obvious and uncontested value of social media tools for organisations is its potential to generate across-the-board in-depth data.

Any market researcher who wants to feel the heartbeat of today's society must realise that the 124 million Facebook visitors per month can provide a wealth of information (Casteleyn, Mottart, and Rutten 2009). In a world where 96% of Generation Y (teenagers and young adults usually defined as those between the ages 11 and 25 and who will outnumber the baby boomers in 2011) has joined a social network, this should not come as a surprise. According to Casteleyn et al (2009) Facebook profiles are carefully constructed tokens of personality, communicated not only to friends, but also to the world. Quoting Williams (2008), they maintain that '[t]he commonly held belief that social networking pages are composed without thought or even anxiety is about as believable as thinking that university students don't pay attention to the choice of which clothes to wear' (Williams 2008). These pages sometimes do not necessarily give a correct illustration of what people are, but more

of how they would like to be perceived by others (Beer 2008). Bauman (2007) calls today's socially networked space a confessional society. According to him, the Generation Y is equipped with portable electronic confessionals experimenting with the art of living in a confessional society – a society notorious for effacing the boundary, which separated the private from the public.

“... the commodity they are prompted to put on the market, promote and sell are themselves ... They are, simultaneously, promoters of commodities and the commodities they promote. They are, at the same time, the merchandise and the marketing agents, the goods and their travelling salespeople” (Bauman 2007, p. 6).

Therefore, the market researcher operating in this confessional society [Web 2.0] will be researching people marketing themselves (Beer 2008). This motivation of individuals to market themselves will inevitably taint Web 2.0 as a resource, and will limit and restrict the type of insights it will make possible. Yet, in a connected world where Facebook has added 100 million users in less than 9 months it is still a source of invaluable non-geographically bound data.¹

3.2. Connectivity and Co-Creation

Co-creating content² is about connectivity. Create networking platforms to connect with customers; partners; competitors; influencers; existing and potential employees – in short all your stakeholders.

e.g. Avis blog, Dove's campaign for real beauty, Method's people against dirt.

Provide exclusivity – gated communities rather than public communities create conversations with higher content quality.

Listen – There are also third-party networks out there and also stakeholders talking about your company. Google Sidewiki is a great tool to listen to what is being said about your company and also it is a great way for stakeholders to get third party insights about your company (See the issues of Truth will out below under Challenges). Co-creation of value is about idea crowd sourcing. Seagate connects with it's communities to assist in the development of software applications for its hardware, field questions about its plans, and seek feedback on service encounters.

3.3. Recruitment

According to Jobvite's 2009 Social Recruitment Survey 80 percent of companies use or are planning to use social networking to find and attract candidates this year. Among those using or planning to use social network sites for recruiting, LinkedIn use grew from 80 percent in 2008 to 95 percent of respondents in 2009 and Facebook use grew from 36 percent in 2008 to 59 percent in 2009. Twitter, a new addition to the list, ranked third with 42 percent of recruiters using the tool to source candidates. 77 percent of respondents said they use social networks to reach passive candidates who are not actively seeking employment.

¹ For example, Facebook is the third most visited site and has an 81.3% reach within the total Internet audience (around 20 million unique visitors) in Turkey. And China's QZone social network has over 300 million users.

² Wikipedia has more than 13 million articles and studies show that it is more accurate than Encyclopaedia Britannica. There are more than 200 million blogs on the world wide web.

Additionally, recruitment and human resource professionals are using a variety of online sites to research candidates: LinkedIn (76 percent), search engines (67 percent), Facebook (44 percent) and Twitter (21 percent). Respondents reported that 24% of candidates disclose their social networking presence when applying for a job³. Deloitte Australia are using Facebook networks of current employees to pre-screen suitable candidates before a more detailed selection process. They argue hires originating from this source are a more suitable cultural fit, and are more likely to be successful within the organisation.

3.4. Lead generation and Referrals

Social media offers a highly measurable and large scale tool so as to be found by your target customers. Through sharing content via social media tools and listening to what is being shared about your company you can build relationships with potential customers; however the issue is in building necessary business models to convert these leads into sales.

According to Bernardo A. Huberman, director of the Information Dynamics Laboratory at Hewlett-Packard, the value of most information has collapsed and the only scarce resource is now people's attention. How do organisations figure out how to direct it? The easiest way is to get tips from friends or other influencers as trusted sources. At least a few of them know us better than any algorithm ever could (Baker 2009). Nielsen Company Global Trust Survey (2009) shows that 90% of consumers either 'completely' or 'somewhat' trust recommendations from people they know.

The percentage of people that trust consumer opinions of people they don't know posted online is 70%. This study portrays what a friend or influencer might be worth for a company in the attention economy and the value of social media in lead generation and creating referrals.

³ You can find the full 2009 Social Recruitment Survey results at URL: <http://recruiting.jobvite.com/2009-social-recruitment-survey.html>

Forms of Advertising in Which Consumers Trust "Somewhat" or "Completely" (April, 2009)	
Advertising	Percent of Respondents Trusting
Recommendations from people known	90%
Consumer opinions posted online	70%
Brand websites	70%
Editorial content (e.g. newspaper article)	69%
Brand sponsorships	64%
TV	62%
Newspaper	61%
Magazines	59%
Billboards / outdoor advertising	55%
Radio	55%
Emails signed up for	54%
Ads before movies	52%
Search engine results ads	41%
Online video ads	37%
Online banner ads	33%
Text ads on mobile phones	24%
<i>Source: Nielsen Global Online Consumer Survey, April 2009</i>	

3.5. Challenges

Preparing the organisation for social media. Understanding the cultures, content, agendas, and infrastructures of Web 2.

Transparency; trust; authenticity

Be transparent and authentic – with social media: the truth will out. In such a connected world the truth about your products, about your operations, about how you treat customers; communities; employees; competitors; environment always and already is public knowledge. Managing corporate expectations of transparency, engendering trust with stakeholders and maintaining authentic positions is critical.

Consumer Power

The fact that 'I bet i can find 1,000,000 people who dislike Heineken' Facebook group has now 62,499 members (Nov 2009) should probably be of some kind of worry to its CMO.

The new experimental service Google Social Search, which will, in addition to the regular Google search results, generate search results of the query from the searchers social network.

- Social search empowers customers over search marketers. With consumers influencing each other in search results, this diminishes the power of traditional search marketing as people can lean on each other. We saw this in PR, journalism, and other industries, this is just a continuing trend.

- To regain power, brands must focus on advocacy programs. If consumers will lean on each other to make decisions in search results, brands must become a platform for their top customers. Learn how to build an advocacy program using this checklist.
- Encourage word of mouth by requesting online reviews and feedback. Since users will gradually rely on their friends for recommendation in social search, advocacy programs will need to be bolstered by word of mouth programs. Brands should encourage word of mouth by making it easy to review products, encourage customers to give feedback, and even consider transparent sponsored discussions to foster word of mouth (Owyang 2009).

Exclusivity vs. open to all (Private vs. Public)

Research shows private communities generate more relevant contributions by the members. How does one create and then populate a community of users?

Pricing

Peer to peer (P2P) changed the whole business model – how to price products and services where the norm is now sharing for free.

4. Preliminary Research Results – Study of Commercialisation

In all avenues of marketing relationships social media has therefore become a valuable asset for organisations as much as (if not more) it is valuable for their consumers. For the purpose of this report an ongoing research study was commissioned to explore the commercial impact of social media. The key questions we would like to answer with this research include:

- What is the commercial value of Social Media?
- What is the economic value of Social Media?
- How can we monetise Social Media content?
- How do companies measure the effects/impact of Social Media Marketing on their performance?

The research is being conducted through in-depth interviews with organisations from different realms of marketscape both philosophically (B2C, B2B, and Non-Profit) and geographically (US and UK) to get a more comprehensive view of the way in which different approaches to markets and marketing perceive the value of social media. This research will provide a complimentary and long lacking understanding of the value of social media from the organisations perspective to the already existing discussions on the new metrics for evaluating the effectiveness and efficiency of social media use (e.g. Baker 2009, Russel 2009) that are disappointingly few and mainly emanating from the consumer research stream (Dwyer 2007). This research will provide empirical data on what kind of metrics organisations use to monitor the value of their social media use, but more importantly will also provide an understanding of organisations' perceptions about the value of social media, and of how they think and feel about this value.

The preliminary interviewee pool includes:

Industry	Interviewee
Computer	Head of Digital Media Communications
Transportation	Product and Marketing Intelligence Manager
Financial Services	Corporate Communications Manager
Publishing	Digital Marketing Manager
Telecommunications	Head of Brand
Entertainment	Director of Sales

4.1. Preliminary Interview Findings

Our research, though at its very early stages, identified some key insights from companies, which have been employing social media tools successfully for commercial value. These themes, together with the challenges identified earlier, are mapped out in Figure 3 and will be explored in depth throughout the course of the research.

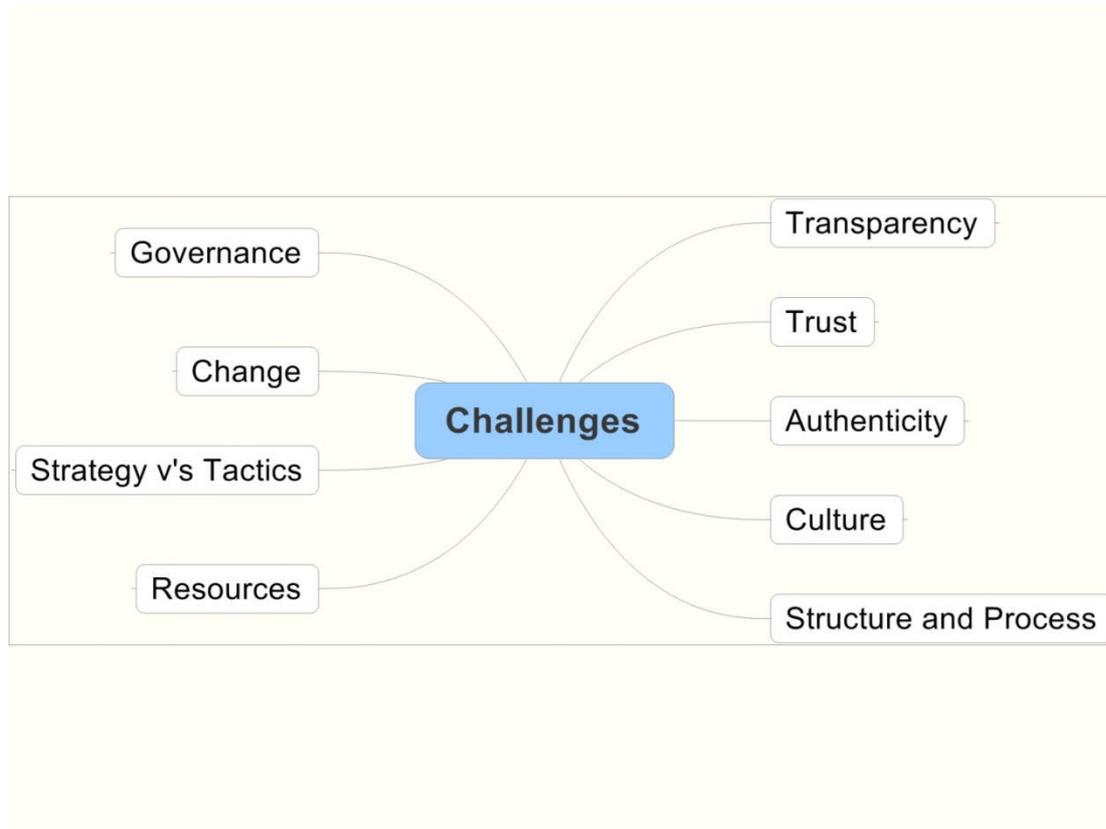


Figure 3: Key Insights and Challenges

Organisational Culture

An appropriate organisational culture was one of the issues voiced by all of our respondents as key to achieving success with social media.

“It is something to do with our culture. There is this piece where some cultures in companies are going to absorb this kind of technology and way of working and do it naturally and do it well. And [company name] has arguably the most successful e-commerce site in the world. So we are, already as a culture we are used to communicating and working with our customers online. And so for [company name] social media is quite a natural extension of what we already do. So that might be where [company name] is different to many other companies.”

(Head of Digital Media Communications, Computer Industry)

Of course this does not mean that if you do not have an already existing organisational culture for which social media concepts come as a natural extension, then you will not succeed in implement its tools.

“[Developments in the online world] ... led to a necessary shift in mindset... [and we] needed o see ourselves as an e-commerce website rather than a publishing website.”

(Digital Marketing Manager, Publishing)

Companies therefore need to adapt to the changes in the marketplace brought on by the new communication paradigm with a shift in their mindset; in their culture.

Organisational structure and processes (almost all respondents)

One other issue, in relation to the organisational culture, which was identified by almost all respondents, was about the organisational structure and processes. Organisational structure is seen as very important as the social media makes the content available in a variety of different platforms and to be consistent becomes very difficult. One respondent for example talked about the nature of their matrix structure and how they were able to shift roles depending on the context. Their matrix structure enabled the organisational roles to be identified as ‘generalists’ rather than as ‘specialists’ who can easily move within the organisational structure. So rather than having specialists of social media this organisation have generalists who are comfortable with using social media as part of their daily responsibilities. This kind of organisational structure also aids ease the burden of ‘time’ and ‘focus’ the two key costs associated with social media applications.

Processes also play an important in making social media tools work for the company. One respondent mentioned for example, how they employ some of the principles of social media within the organisation, such as crowdsourcing, by which they bring every key member of the organisation from different departments together in weekly meetings. Just like the previous example these generalists, through a process of generating and reflecting on ideas together, not only tap into the advantages of social media tools within the company but also live (or move towards) the necessary mindset, the organisational culture we discussed in the previous sections.

Resources – mostly human and time

Main costs of social media for the company is identified as time and focus of the people involved, rather than money. This is particularly relevant in times of a difficult economy.

Should be Strategic as well as (or even less so than) tactical

The use of social media tools depends on the strategic objectives of the company. Respondents mentioned that it is sometimes forgotten that these are only tools.

“Like every tool you have in your marketing mix the tool itself can get too much focus and attention. Focus on what the tool is being used for.”

(Digital Marketing Manager, Publishing)

Commercialisation above all else depends on your business objectives or the business model being pursued. Is it for instance to save money, make money, increase customer satisfaction, increase traffic, provide better service?

Businesses are struggling to establish the right measures and linkages. They have got this amount of money invested and they have got this much return, and then there are all sorts of activities going on in between and the question is how do you measure the bits in between? How do you link these to sales?

“It is very difficult to see the connection between somebody posting content on our website and a transaction that adds you know financial value to this company is pretty far apart.. So you kind of, we would expect that there would be a lag so we expect those other indicators to be lagging indicators. So if we have the biggest reviews database on the website we would expect over a time to have more people selling and buying [...] through our website.”

(Digital Marketing Manager, Publishing)

Business model shift

One major theme that is coming up with the research is the fact that in order to make money via social media tools businesses will have to rethink and redesign their business models as the traditional conventional models will not make sense for the consumer whose attitude and behaviour towards commerce is changing in a profound way. Consumer will not adept and companies will have to. One respondent for example gave the example of music industry and how file sharing changed consumers' attitude towards music consumption. A couple of other respondents also mentioned that it is almost impossible to make people pay for something, which is available for free from other sources. Just like how the music industry adapted to this fundamental change in consumers' attitudes and behaviour by changing their business model of how they price and distribute their content, other industries will have to also adapt to shifts regarding their own consumers.

5. Conclusions

This report overviews the common social media channels available to business and explores some of the business models being pursued. It outlined key findings from an ongoing qualitative research study looking exclusively at commercialising social media and we look forward to reporting further findings in 2010.

6. References

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Endnotes

Youtube has more than 100 million videos, which makes it the second biggest search engine but based on audiovisual...

ⁱ For an introduction to Google's SideWiki, see the Youtube video at:

<http://www.youtube.com/watch?v=CsjJOsx84MA>

ⁱⁱ For a demonstration of Google Social Search see the Youtube video at:

http://www.youtube.com/watch?v=ZqWJxgp-_mU

ⁱⁱⁱ For a demonstration of Augmented Reality applications see the Youtube video at:

http://www.youtube.com/watch?v=b64_16K2e08

^{iv} For a demonstration of how prediction markets work, see the Youtube video at:

<http://www.youtube.com/watch?v=NmNiXNE4xF0>

^v You can watch the winning video on US Government's Department of Health and Human Services Youtube channel at: <http://www.youtube.com/user/USGOVHHS>

The Henley Centre for Customer Management

The Primary Objective of the Henley Centre for Customer Management is to promote Customer Focus and Service Excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own Customer Management and Customer Service plans and implementations.

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