# Chapter 14
# Social Media for Business Model Improvement

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## ABSTRACT

*This chapter reviews some of the major business applications of social media and discusses how social media applications are used to support business model improvement. Social media offers business organizations an array of innovative ways to interact with their employees, customers, partners, and other stakeholders. Consumers have easy ways of interacting with companies and their employees in real time with various social media embedded devices. Managers are realizing that social media affects a wide spectrum of business activities from building product or brand awareness to after-sales services. Therefore, it is crucial for companies to analyze their social media applications, develop a plan to continually monitor their advancements, and quickly respond to the social media needs of customers. For practitioners, this chapter provides managerial guidelines for social media applications for business model improvement.*

## 1. INTRODUCTION

Recently, the Web paradigm shifted from a business-centered focus to user-centered one. This paradigm shift has become known as "Web 2.0", coined by Tim O'Reilly in 2004 (O'Reilly, 2007). Web 2.0 refers to a website that has evolved beyond Web 1.0 and features user-created-content and online communities that allow website visitors to interact dynamically with the site. While technological distinctions between Web1.0 and Web 2.0 are often not clear in some areas, the social and technological environment for positive user participation and interactivity epitomizes Web 2.0.

Social media embodies the principles of Web 2.0 and is continuously evolving and offers business model improvement tools and support business processes, knowledge management, customer relationship management, and partner relationship management. Despite the lack of a comprehensive framework for the use of social media applications for business improvement, businesses are eager to use them. Managers are already active users of the various social media technologies such as social networks and blogs.

Managers are realizing that social media affects a wide spectrum of business activities from building product or brand awareness to after-sales services. For example, investing in social media applications will enhance relationships with customers and provide the opportunity to better understand the customer needs. Therefore, it is crucial for companies to analyze their social media applications, develop a plan to continually monitor their advancements, and quickly respond to the social media needs of customers.

The main purposes of this chapter are to explore emerging social media applications and to discuss social media applications for business model improvement. This study proceeds as follows: Section 2 presents a literature review on social media and business models. Section 3 explores social media applications for business model improvement. Section 4 discusses managerial guidelines for social media applications for business model improvement.

## 2. LITERATURE REVIEW

### 2.1 Types of Social Media Tools

Companies are beginning to capitalize on social media tools in a variety of ways. Many businesses integrate a variety of social media tools into their core business processes to achieve competitive advantage. Users contribute to the development of content through writing comments and recommendations on Google, Yahoo, and Facebook, submitting videos on YouTube, co-designing games like The Sims, creating avatars in virtual environments like Second Life, or developing open source codes for Linux. High-profile companies, from P&G to GM to IBM to Cisco, have all adopted social media tools, and exert to derive strong competitive advantages from it.

Many companies are expanding social media efforts to capture customer data and leverage it to generate instantaneous, custom-tailored customer experiences (Bughin et al., 2008). For example, Amazon uses data generated from site visitors in order to provide targeted product suggestions to other site visitors. For a potential purchaser who is interested in a certain product, Amazon lists products that other purchasers of the same product also looked at or may be interested in. Netflix aggregates and analyzes subscriber movie preferences in order to provide accurate online movie recommendations. Businesses can leverage social media technologies in order to dynamically collaborate with customers and partners in efforts to generate new design innovations (Brown, 2008). This section introduces five types of social media tools for businesses.

### 2.1.1 Social Networking Services

Many companies leverage social networking services (SNS) such as Facebook and Google+ to increase productivity in the workplace. SNS are web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system (Boyd & Ellison, 2007). SNS facilitate recruiting and connecting potential contributors for distributed innovation processes. As recruiting tools, SNS enable recruiters to view the manner in which candidates behave in an online setting and the type of people they socialize with. Job seekers use SNS such as LinkedIn to network with professionals for internship and job opportunities. Companies can also use SNS to engage in direct market research and maintain a positive relationship with customers. LinkedIn's new service, Company Groups, allows a company's employees to participate in a single internal web forum where they can talk to one another, share ideas, and ask company-related questions.

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