

# The Influence of Social Media Management on Firms' Competitiveness



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## INTRODUCTION

The worldwide expansion of the Internet has been one of the main drivers in the transformation of trade transactions; while its effects have been mostly felt in retail sectors, they are not only limited to these areas. Increasingly, companies have realized that the empowered, sophisticated, critical and well-informed consumer of today is essentially different to the one they have always known.

The Web and, particularly, what is known as *social media* (Kaplan & Haenlein, 2010) have given consumers much more control, information and power over the marketing process, posing companies with a number of important dilemmas and challenges (Lee, 2014). In fact, social media has become a corporate priority and, many firms seek marketing and business opportunities via these platforms.

The Internet's capacity to deliver information, to facilitate two-way communication with customers, to collect market research data, to promote goods and services and ultimately to support the online ordering of merchandise, provides companies with an extremely rich and flexible marketing channel (Chaffrey, 2007; Tiago & Verissimo, 2014). In addition, e-commerce or electronic commerce, i.e. buying and/or selling products through the web has emerged as a dynamic way of shopping. It has changed traditional retailing by selling goods and services over the Internet, enabling now every company to compete worldwide without regard to its size (Martín Frutos, Giones, & Miralles, 2014).

Customers have responded enthusiastically to these digital innovations: online sales have grown significantly over the past 15 years and it seems that they are likely to rise in the future (Doherty & Ellis-Chadwick, 2010). E-commerce statistics show that in business-to-consumer (BtoC) markets, e-commerce worldwide sales amounted to more than 1.2 trillion US dollars in 2013 and are expected to reach 1,92 trillion U.S. dollars in 2016 (Statista Data).

However, the Web and social media represent some challenges for e-commerce players since they allow consumers to generate information and share opinions about products and services with a bigger scope and wider influence than previously (Martín Frutos et al., 2014). In particular, this paper aims to show how the management of social platforms will allow e-commerce managers to improve their competitiveness and succeed in the competitive scenario.

In spite of the recent growth of studies and publications about social media, there is a relative lack of research in the field of strategic management or clear understanding of the effects of social media on business performance. Therefore, the paper seeks to provide e-commerce marketers with a critical overview of social media company–consumer touch points and corresponding sources of potential competitive advantage as the first step in developing an efficient social media presence.

Following the introduction, section 2 reviews the theoretical background on social media; section 3 provides a categorization of the major digital sources of competitive advantage for e-commerce companies; section 4 offers future research directions; and finally, section 5 draws conclusions with managerial implications.

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## **SOCIAL MEDIA BACKGROUND**

The transition from Web 1.0 to Web 4.0 has dramatically changed the ways in which consumers communicate and interact with companies. In Web 1.0, the communication contents were static and dominated by the company; in Web 2.0, they become socially based and audience-generated; in Web 3.0, they are driven by online metrics and, finally, in Web 4.0 the focus is on the customer engagement required to sell the products (Clow & Baack, 2014). Successful companies use the Web to connect and engage customers with the brand through various social platforms and devices since the recent rise of smartphones and tablets has allowed companies to stay connected with customers anywhere and at any time.

Social media has been defined as “a group of 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 & Haenlein, 2010, p. 61). There are several social media formats and platforms although few accepted classifications exist to distinguish them. One of the first is that offered by Kaplan and Haenlein (2010) that categorizes social media on the basis of two dimensions: social presence/media richness and self-presentation/self-disclosure. The first dimension refers to the degree of social presence and media richness, i.e. how much communication between partners is influential and avoids ambiguity and uncertainty; in contrast, the second component relates to the field of social processes and depends on the extent of required self-disclosure and the types of potential self-presentation.

Based on these two dimensions, social media can be differentiated into blogs, social networks, virtual social worlds, collaborative projects, content communities, and virtual game worlds (Kaplan & Haenlein, 2010).

- *Blogs* (or Web logs) are Web pages usually managed by one person/user that provide interaction with others by adding comments or opinions. They can be compared to personal diaries open to everyone (Baxter & Connolly, 2013), and from a corporate perspective, they are among the riskiest social media platforms because customers can complain within the blog about the company's products by damaging the brand reputation.
- *Social networks* are applications in which users create personal profiles accessible to others in the exchange of personal content and communication. The most well-known social network is Facebook with millions of users worldwide and many companies have their own Facebook page where people can sign up to become a fan. This is an efficient way for companies to offer discounts and special promotions to customers and to display ads and marketing communication.
- In *virtual social worlds*, the users, in the form of avatars, choose freely how to behave in a cybernetic life, by interacting with other avatars without any restrictions. Companies can implement various marketing strategies within these contexts related both to marketing communication and to marketing research purposes. Second Life is the most famous virtual social world where users build content and sell it to other avatars through Linden Dollars.
- In *collaborative projects*, many end-users are able to create particular types of content. These social platforms are based on the idea that only through the joint effort of multiple users can it lead to the best outcome. Wikipedia represents an example of a collaborative project, often constituting the first source of information for many people.
- *Content communities* are applications founded on media content sharing between users; they can contain videos (e.g. YouTube), photos (e.g. Instagram), texts, PowerPoint presentations (e.g. Slideshare) and their popularity and the variety of tools available make them very useful for companies.

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