Chapter 11
Social Media Marketing and Value Co-Creation:
A System Dynamics Approach

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ABSTRACT

Nowadays social media and brand communities provide virtual places where the consumers can publicize their opinions about products and services and play an active role as marketers, advertisers, value creators through electronic word-of-mouth. Since most of the times these dynamics flow out of business control, in order to pursue firms' objectives, managers and marketers operating in many sectors look at the web social community with growing interest. The present chapter presents a system-wide analysis of the links and feedback mechanisms between the different aspects of value co-creation through social media marketing and brand communities. For the purpose, it is proposed a qualitative model built according to the principles of System Dynamics, a computer-aided methodology for policy analysis and design. Causal loop & stock-and-flows structures integrate the socioeconomic feedbacks between key variables, selected according to relevant literature, social media and brand communities observations, interview to consumer influencers.

INTRODUCTION

Nowadays digital social media such as blogs, social networks, online discussion forums and brand communities have rapidly become one of the component parts of hundreds of millions of Internet users' everyday lives all over the world (Akar & Topçu, 2011; Greenberg, 2010). Social media employ web-based technologies and interactive platforms where *billions of people create trillions of connections* (Hansen, Shneiderman, & Smith, 2011, p. 3) and communicate with the other people about products and services, giving rise to user-generated contents that in turn are shared and discussed by other consumers (Kietzmann, Hermkens, McCarthy, & Silvestre, 2011).

These new media has modified the sense of consumers-firms interaction from being unidirectional to bidirectional (Onishi & Manchanda, 2012), shifting from the Web 1.0 model to the world of Web 2.0 world, more interactive and based on consumers' dictations about the nature, extent, and context of market's exchanges (Hanna, Rohm, & Crittenden, 2011). Each social media is a platform permitting the consumers to share their opinions on the purchased products and results in an easier word-of-mouth communication about brands (Chena, Scott, & Wang, 2011) flowing out of business control (Kietzmann et al., 2011) and sometimes with higher credibility and trust than traditional media (Blackshaw & Nazzaro, 2006).

There currently exist many kinds of consumer-generated media, varying according to scope and functions. Due to the dramatic and global growth of social media like Facebook (550 million users) and Twitter (more than 100 million users), companies operating in several industries are willing to include social media marketing within their marketing strategy (Berthon, Pitt., Plangger, & Shapiro, 2012). In addition, blogs have registered a widespread diffusion in the recent years since they comprise a highly dynamic, temporal community structure (Kumar, Novak, Raghavan, & Tomkins, 2005). The resulting 'blogosphere', authored both by everyday people and professional writers and celebrities, accounts for more than 100 million blogs and it can be viewed as a relevant source of public opinion (Kietzmann et al. 2011). Brand community practices, including those fostering consumer word-of-mouth, or 'word of mouse' (Breazeale, 2009), confer cultural capital to the members, generate consumption, evince brand community vitality and create value (Schau, Muñiz, & Arnould, 2009). Since most of the content and connections in an online community are created by users, not by the brand (Akar & Topçu, 2011), consumers can now be seen as active producers of business value, thereby reducing the influence of traditional marketing strategies and tactics (Heinonen, 2011).

Value co-creation is a complex and multi-dimensional concept depicting the relationships between company and consumer, whereby consumers collaborate with companies and with other consumers in order to satisfy their individual and social goals of life. In this regard, although scholars (Cova & Dalli, 2009; Grönroos, 2008; Prahalad & Ramaswamy, 2004; Schau et al., 2009; Vargo & Lusch 2004; Zwick, Bonsu, & Darmody, 2008) have studied the active role of consumers and social interaction in value co-creation, they do not fully address the process of value co-creation in the context of social media. Social media can yield information on consumers' intentions and provide real-time consumers' feedback, a key business component hard to collect before social media marketing era (Gonzalez, 2012). Consequently, Mangold and Faulds (2009) recommend a blended traditional-new media approach, where social media are regarded as an integral part of an organization's marketing strategy, given that it can significantly impact a firm's reputation, sales, and even survival at time of crisis (Kirtis & Karahan, 2011).

Furthermore, unlike traditional media in which the firm's resources are consumed when the manufacturer creates and delivers content to consumers, social media are primarily available free; or rather require a relatively low budget (Hanna et al., 2011; Kirtis & Karahan, 2011). Many companies regard social media sites as strategic tools, also hiring personnel for managing the social media pages (Sinclair & Vogus, 2011). Therefore companies, in particular the ones striving to gain a competitive advantage (Paquette, 2013), must learn how to use social media in coherence with their business plans (Mangold & Faulds, 2009), especially when product launches are involved, in consideration that firms typically allocate approximately half of their marketing budgets for new products (Urban & Hauser, 1993).

In spite of the intense social media marketing activity and the growing interest in the user-generated contents, many executives are reluctant to allocate resources to develop new media-based strategies (Kietzmann et al., 2011). Such attitude is due to a lack of understanding of the nature of social media

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