Chapter 13

Social Computing and the New Market:
How Social Computing is Driving Market Competition

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ABSTRACT

Social computing has revolutionized the way individuals connect with one another and manage their personal lives. The technology has launched billionaire entrepreneurs and influenced presidential elections. For businesses the same technology has meant a revolution in online marketing. Different types of social computing applications offer different opportunities for marketing, but all relate to the opportunity for companies to improve their connections with current and potential customers. This chapter will explore both the history of marketing and social computing and how the two fields have come together to revolutionize online marketing today.

INTRODUCTION

Social computing, the use of technology to connect people personally and professionally, has been one of the central themes of Internet success. Early on, in the days of UNIX connections, bulletin boards became popular for early network users to exchange information and meet other people with similar interests. Later came Yahoo! and their group applications where users could not only post text bulletins, but could also post pictures, schedule events, and even e-mail or use live chat applications to better connect with their online communities. These early days of social networking, however popular, failed to achieve the kind of market dominance that a true revolution in technology or communication would expect. Just a few years into the 21st century, however, all that changed.

Parameswaran and Whinston (2007) described the change as:

"Through the end of the twentieth century, advances in computing and networking technologies largely manifested themselves in dramatic shifts in business computing. Many of the new

trends emphasized organizational computing, in diverse domains like enterprise resource systems, customer relationship management, and electronic commerce. However, the 21st Century has seen new trends emerge in social computing, where the scope shifts from corporations to social organizations, and the structure shifts from top-down to bottom-up." pg. 2.

The social networking site MySpace rapidly grew in popularity, but it was almost exclusively in the realm of teenagers and a few college students. The innovation that really got the market moving was Facebook. Originally available only to college students for networking with others in higher education, Facebook grew to be one of the great success stories of the Internet age. Launched in 2004, by the middle of 2009 Facebook counted 250 million users worldwide and boasted a market valuation of $6.5 billion (Oreskovic, 2009).

There are other major players in the social networking universe today, including Twitter, which can interface with Facebook, SecondLife, and sharing sites like YouTube and Flickr. People's basic online habits can be seen changing, with many people now using the messaging features of Facebook and the commenting on Twitter to exchange information instead of more traditional technologies like e-mail. Add to this that, increasingly, these social networks are going mobile through the use of mobile broadband enabled handheld devices and ubiquitous computing in social networking is coming closer and closer to reality.

As with any new media throughout history, the rise of social networking has spurred shifts in marketing and advertising. With such a massive audience, Facebook and similar sites provide opportunities for companies to access target markets and drive those customers to company websites and other promotions. Through the use of profile scanning and actual user feedback on their like or dislike of particular advertisements, advertisers are able to target and capture the attention of

their likely customers among a virtual nation of 250 million. This shift of focus is a generational change from older technologies like banner advertisements or pop-up advertisements that have traditionally been associated with Internet commerce. The enhanced targeting, and the size of the potential customer population, makes the social networking world perhaps the largest potential marketplace in advertising history.

The way that the business community reacts to this shifting market presence, and the ways in which customers interact with their suppliers there, are still emerging trends in 21st century business. How the interactions take place depend on the type of social network that is involved and the goal of both company and customer. Regardless of the details, however, new markets and practices are a part of this new landscape of commerce.

BACKGROUND

The Fundamentals of Marketing

The 4 P's of Marketing

Traditionally the marketing discipline has operated on the principle of the four P's; product, place, price, and promotion (Constantinides, 2006). Three of the four, product, price, and promotion, are still fundamentally the same as they have always been. What a company is producing, how much the product costs, and the manner in which the product is promoted are still central to any marketing strategy. Place is also a core consideration, but for many products and even for an increasing number of services place in the 21st century is a different strategic component than the place of marketing in the 1950's.

Commerce has changed since the 4 P's were first established, particularly with the rise of e-commerce. The core of these principles as marketing guidelines, however, remains in that, "…the basic construction of the 4 P's is still valid and,

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