The application of the Internet is leading to new developments in marketing, in relation to both suppliers and customers. A major development is the change from supply driven to demand driven. No longer is the major focus to make a transaction (deal), but to create an individual relationship. Part of the changed focus is the involvement of supplier and buyer in the buying process as described earlier, the different forms of relationship in the supply chain and with suppliers, and finally the interaction and communication with customers.

18.1 Changes in the role of suppliers

The relationship with suppliers will change in a business-to-business environment (Figure 18.1). The dependency on each other will grow, but will also make the relationship closer. The market is agile and dynamic, market changes are rapid and the loyalty of customers is
diminishing. This will lead to a more flexible approach to the market. The standard supply chain will lead to inflexibility because of the different roles of supplier, wholesaler, logistic service supplier and retailer, but also because of the 'buffer stock' in the supply chain. There will be a need for less stock in the total chain, which will lead to a 'single stock location' approach. But there is also a need for more interaction based on information sharing and a single financial responsibility for all supplies. In this new relationship suppliers will be responsible for production, delivery and stock levels. New concepts such as VMI (vendor-managed inventories) and EDI (electronic data interchange) will make this possible if they are applied in an integrated way.

18.1.1 Focus of retailers

Retailers will focus on the customers and will communicate with the final customer, delivery of services will be done by the retailer, but delivery of articles can be done out of stock in the shop or on delivery when the articles are bought on the Internet. This is a new concept, where the central stock can be used for home delivery and the stock in the shop for immediate delivery. In this concept the retailer will receive a bonus for home deliveries and a margin for sales out of the stock. In both cases it is a bonus for customer contact (Figure 18.2).

The relationship with suppliers will no longer only be based on a transaction relationship where one party delivers the goods and another party sells the goods or in a business-to-business environment where one salesperson sells to the buyer of another company. The relationship will be closer and based more on partnership and cooperation. The focus of the relationship will evolve from information gathering and sharing to communication. This communication will be through static means such as websites, newsletters and email, but also interactive through webcams (like Skype), instant messaging, interactive company platforms

![Figure 18.2 Sales and delivery process retailers](image)
and teleconferencing. The personal interaction is important for decision-making and relationships.

A next step will be the automatic buying process based upon minimum stock levels or other triggers. Based on contracts, the individual transactions are generated automatically or the order is placed by operational staff without further involvement. The last phase is the deployment of the Internet as a facility platform. Tracking and tracing is an example where physical processes are integrated into virtual information processes. The customer (company) can control the flow of goods and always knows where articles, cars, lorries or other physical things are. In all cases and for all processes the business-to-business relationship between suppliers will change the market structure. In retail the change will also take place in the delivery of goods. If an article cannot be taken directly home by the customer there is no need for a retailer to have it in stock. Suppliers or central warehouses can stock the shop but also deliver directly to the customer at home!

18.2 Changes in the role of and communication with customers

In the future contacts with customers will also change (Figure 18.3). The customer is no longer an unknown buyer of goods and services – a lucky passerby walking past the shop – but an identified person. Because the identification is important it can also be the basis for

![Figure 18.3 Relationship with retailers and customers](image-url)
communication, information-based interaction and in some cases the reason for new business concepts involving the customer. In the future the challenge will no longer be to find customers for your products, but to find products for your customers. In other words, it is the individual need of the customer that will lead the service offered.

To know and understand the needs of the individual customer’s interaction with the service is a primary activity of every business. The Internet as a platform will make this possible. The important steps that need to be taken to involve the customer in this process are shown in Figure 18.3. Information gathering is the first step. This includes identity (name, address), information about the person, about his or her behaviour and finally information about the purchases. This information is needed for direct communication and personal messages based on the behaviour and expected needs (behavioural communication). The communication should lead to feedback and response analyses but a company should also facilitate direct communication efficiently. A step-by-step approach is best and should include:

- information on the website;
- frequently asked questions (FAQs);
- interaction in social media (user-generated content);
- email requests and responses;
- chatting, microblogging; and
- a call centre.

The level of interaction and customer involvement will increase with every step, the personal contact will be intensified with every step, but so also will the costs involved.

The last step will be integration between physical and virtual contacts. The customer is always connected with his or her smartphone or iPad and will combine physical presence with online information or messages. Augmented reality, location-based services and near field communication are examples of this. The customer is known and approachable. Companies will need to integrate this opportunity in their contact scheme.

Another possibility is QR, the quick response code. This code, which looks like a barcode, is a small program. With a photo on a smartphone this program can be activated to provide information about a product, shop or location, a video about the use of the product or how to buy direct. The QR code is a bridge between physical and virtual.

QR codes storing addresses and Uniform Resource Locators (URLs) may appear in magazines, on signs, buses, business cards, or almost any object about which users might need information. Users with a camera phone equipped with the correct reader application can scan the image of the QR code to display text, contact information, connect to a wireless network or open a web page in the phone’s browser. This act of linking from physical world objects is termed hardlinking or object hyperlinking.


A QR code is shown in Figure 18.4.

18.2.1 Social media

Social media is the collective creation of content on online platforms by users with little or no intervention by a professional editor. Also, there is interaction and dialogue between the
users themselves. Every Internet user is a communicator and reporter in creating and delivering information to family, friends and colleagues. An example is Wikipedia, where articles are formed by multiple editors.

Wikipedia articles are based on user-generated content and not always reliable, although an editorial staff monitor the content. Studies show that the reliability of information in Wikipedia might be close to that of the well-established traditional encyclopaedias. The rise of social media (and Wikipedia) serves a different purpose. The estimated monthly visitors of 350 million worldwide use Wikipedia’s platform to gain a broad variety of information with great ease. The information is mostly up to date. It seems to serve their purpose of being a good starting point and is more than sufficient and is therefore accepted as reliable enough.

Communities

People still organize in groups. In the past these groups were static, nowadays they are much more mobile. The consumer lives in a changing social structure, which influences his or her social behaviour. Individualization and the need for social contacts cause consumers to move, searching for the same kind of people or people with the same interests or needs. Individual consumers have the need ‘to belong somewhere’ and therefore search for formal and informal ‘clubs’ where they feel they belong. An important difference with the standard social contacts of the past is that consumers now choose the nature of their groups whereas before society or friends were dominant. Consumers participate in multiple groups of interest using the Internet as a platform. Online networking opened up possibilities for people to communicate with anyone in the world, at any time, which was previously more difficult because of geographical boundaries.

Social media are driven by the interaction within groups consisting of members. An online community is a virtual community that exists online. Its members enable its existence through taking part in the rules of the community and behaviour of the group. These groups share a concern or a passion for something they do and learn how to do it better as they interact regularly. The group has something in common that makes them a group. It might be an interest, a problem or a love for a brand. This common interest is the magnet. The stronger the magnet, the more members in the group. With respect to differences in online
and offline communities, it is obvious that online communities are more based on shared interests, while real-life communities and networks depend rather more on place (neighbourhood or village) or shared ancestry/family ties. Furthermore, there seems to be a difference in the value of online and offline communities. In order to become a truly valuable link, interaction must occur offline as well as online.

18.2.2 Types of social media

Social networking

A social network service is an online service, platform or site that focuses on building and reflecting social networks or social relations among people (for example, people who share interests and/or activities). A social network service essentially consists of a representation of each user (often a profile), his or her social links and a variety of additional services.

Collaborative user-generated content

On some platforms professional or non-professional users give a substantive contribution to an online medium. This collaborative user-generated content is created via multiple entries. Wikipedia is an example of this.

Blogs

A blog (a blend of the term ‘web log’) is a type of website or part of a website. Blogs are usually maintained by an individual with regular entries of commentary, descriptions of events, or other material such as graphics or video. Entries are commonly displayed in reverse-chronological order. The author, also known as a blogger, provides a log of information that he or she wants to share with an audience, visitors to the blog.

Microblogs

Microblogging is a broadcast medium in the form of blogging. A microblog differs from a traditional blog in that its content is typically much smaller, in both actual size and aggregate file size. A microblog entry could consist of nothing but a short sentence fragment, an image or embedded video. There are many microblog platforms, but by far the most notable is Twitter.

Media sharing

Media sharing is a comprehensive platform and diversified interfaces to aggregate, upload, compress, host and distribute images, text, applications, videos, audio, games and new media. YouTube is an example of this. Media sharing is also widely done via peer2peer networks.

Social news sites

These are websites where users submit and vote on news stories or other links, thus determining which links are presented. Popular examples are Digg and Reddit.
**Social bookmarking**

Social bookmarking is a method for Internet users to organize, store, manage and search for bookmarks of resources online. Unlike file sharing, the resources themselves are not shared, merely bookmarks that reference them. Delicious is a well-accepted social bookmarking platform.

**Ratings and reviews**

Sites on which reviews can be posted about people, businesses, products or services may use Web 2.0 techniques to gather reviews from site users or may employ professional writers to author reviews on the topic of concern for the site. Ratings and reviews features are often embedded in webshops. Examples are Amazon and the various comparison sites.

**Forums**

An Internet forum is an online discussion site where people can hold conversations in the form of posted messages. Depending on the access level of a user and/or the forum set-up, a posted message might need to be approved by a moderator before it becomes visible. A forum is hierarchical or tree-like in structure: forum – sub-forum – topic – thread – reply.

**Virtual worlds**

A virtual world is a type of online community that often takes the form of a computer-based simulated environment through which users can interact with one another and use and create objects. Virtual worlds are intended for their users to inhabit and interact, and the term today has become largely synonymous with interactive 3D virtual environments, where users take the form of avatars visible to others graphically. Second Life is a popular example.

18.2.3 Users of social media

Social media is seen as the new way of sharing and interacting via Internet platforms and from a business perspective doing business with customers. Although social media is widely accepted by a large number of people, it is mainly used by specific groups in society.

Developments in the use of media by the elderly and youth are very heterogeneous. Where older generations do not abandon their media use patterns, on the other side of the age spectrum is a continuously growing ‘digital generation’ without nostalgia for established institutions such as the newspaper and public broadcasting. Young people embrace new media and abandon the old much more quickly than do older people. Older people are more likely to want to see first what the benefit is compared with existing media or behaviour. The online computer is to this generation all in one: not just a mass medium, but also an interaction medium. Those possibilities are also often used simultaneously.

18.2.4 Categorization of users

Social media has been adopted rapidly by large groups of users. These users do not approach social media equally and can be categorized as follows:
Active users for connections and networking: This group is present on social media sites and have their own page with a profile and photos. They check ‘friends’ in their network, update their profiles but are not actively communicating (the so-called joiners).

Active communicators: These users use social media for active communications. They give their opinions about things but also use the medium for active communication with other users. Active communicators with knowledge are active based upon their knowledge. Sometimes they are experts in a certain field and like to discuss topics with people who are also experts or will use them as an expert, like a specialist on software, devices or holiday places or hobbies.

Passive users: These users are only on those sites to observe and to see what other people have to say about certain products or activities.

Creative users: These users make blogs, write active reviews and respond to other users.

Acceptance and commercial opportunities

The acceptance and use of social media depend on personal situations. People who are active on the Internet are mostly also active on social media sites. People with a passion or active hobby like to share this activity on social media. And young people are more active than older people. It is a need for social contact and a need to share that is the main motivating force. It may also be a frustration that is the driving force but mostly this is of short duration.

The commercial opportunities of a social media are based on the common interest of the users. This common interest can be the basis for commercial offerings, active or passive via AdWords or banners. A fee may also be charged for participating, newsletters, tickets or whatever. Companies should be careful about being too commercial, which may be counterproductive. Participation in a site should be based on knowledge, not on giving a different view on problems. Using tags (top words) certain names, problems or messages can be seen or followed. In Twitter it is possible to tag names, which will lead to an alert. In this way a direct response is possible to the user of the word. The developments of social media are still at a very early stage. The idea is that it will lead to a further progress of sharing information and combining people with the same interest. A target group in classical marketing was a pre-defined target group based upon objective criteria. This target group is a post-defined target group where members actively form a group. The impact is mostly stronger!

18.3 The difference between Web 2.0 and social media

The terms Web 2.0 and social media are often used interchangeably because the functionalities of Web 2.0 are often intertwined with social media. Yet there are clear differences between Web 2.0 and social media. Social media are employed for social interaction, using highly accessible and scalable publishing techniques. Social media use Web-based technologies to transform and broadcast media monologues into social media dialogues content.

Web 2.0 refers to renewed attention to both the usefulness and also the underlying technology of web services. Social media existed before this development. Examples include the introduction of the Internet message boards before Internet outside military and academic circles was used, a forerunner of the current forums. New (Web 2.0) technology enabled social media to mature into a stage where it is adopted rapidly by a fast growing constituency.
18.3.1 The ‘social’ in social media

The growing accessibility of information technologies puts the tools required to collaborate, create value and compete at everybody’s fingertips. This liberates people to participate in innovation and wealth creation within every sector of the economy. It is nothing new; social media has existed for decades (for example, bulletin boards) but it is only through advances in infrastructure (increasing bandwidth and fixed/wireless infrastructure) that its popularity has been able to expand rapidly. The infrastructure can therefore be seen as the enabler of change.

User-generated media is at the heart of social media. With a snap of the fingers, ordinary citizens are transformed into citizen journalists – writers, radio broadcasters and film-makers. Ordinary people have power like they never have had before.

Traditionally, advertising was created by organizations and consumed by consumers. The intentions of the advertiser have thus always been clear: messages were used to inform, persuade or remind. Consumers, on the other hand, have always been passive recipients of communication. Times have changed, and the creation of advertisements is no longer the prerogative of the organization. Consumers now have a whole toolbox of instruments available to them with an unprecedented speed and scope through which to share their brand experiences and opinions. Never before have they been exposed to such a wide range of opinions and recommendations of many different people. Where once they could share ideas and experiences with their peers at work, school or in the family, now their networks can extend well beyond the immediate social group, even globally.

Consumers now have at their disposal a highly effective instrument by which to share their brand experiences and opinions, whether positive or negative, regarding any product or service. As major companies are increasingly coming to realize, these consumer voices can wield enormous influence in shaping the opinions of other consumers – and, ultimately, their brand loyalties and purchase decisions.

What has not changed is the fact that the brand experiences, recommendations and opinions of some are more influential than those of others.

Word of mouth

Word of mouth is always an important factor in the formation of opinions. Word of mouth publicity is not a new phenomenon. Word of mouth influence includes direct effects on the behaviour (and thus the factors that determine the behaviour, such as needs and attitudes) of a consumer through informal interpersonal contact with another consumer. Because there is no intervention of a marketer in word of mouth influencing, the influencer is more reliable. He or she has no commercial interest in giving either positive or negative information about a product; and because of this, the adviser will give exposure to both the negative and positive aspects of the subject of the advice. This makes the word of mouth adviser more credible than most advisers.

18.4 Changes for marketing

Marketers are being challenged to shift their focus from traditional supply controlled marketing to a demand orientation, where they seem to have less control. Generating positive word of mouth among consumers therefore is an important tool for marketers, and this is particularly true for the digital media. Consumer-generated content can be seen as very
similar to word of mouth communication, as both are created and maintained by consumers and not by organizations; but the impact is greater because of the number of users of the social media.

18.4.1 Social media within marketing

It is clear that organizations should shift from trying to control customer behaviour; they should enforce a social media marketing strategy which enables the support of consumers’ and customers’ (word of mouth) conversations about their brand, product or services.

Word of mouth, especially the online variety that in part gives rise to social media, emphasizes the relationship that has long existed – more or less invisibly – between promise and delivery. The social feedback cycle is set in motion by a post-purchase opinion that forms based on the relationship between the expectations set and the actual performance of the product or service. This opinion drives word of mouth, and word of mouth ultimately feeds back into the purchase funnel in the consideration phase.

Building a social media strategy

A good strategy should be based on customer needs. This strategy cannot be isolated from the organizational strategy, marketing and sales strategy and the IT strategy.

Marketers often approach communication as if it is an objective in itself, and seem to forget that it should be a part of the corporate strategy and marketing strategy to reach the objectives. The problem is that companies tend to go about their strategy backwards. It is more productive to approach social media from a traditional communications standpoint and consider each tool and social network in the context of whether it is the right medium for the audience, the message, the budget and the company’s objectives.

When the organization and business objectives are clear, the primary social media objectives should be used to support the main goals. A strategy is concerned with the actions and resources needed to achieve specific long-term objectives. A one-size-fits-all strategy to engage in social media should not be developed, in part because businesses and their needs and objectives vary. Nevertheless, a comprehensive roadmap that organizations can use as guidance for the preparation of a social media strategy can be formulated. While research and strategy continue to be essential for successful social media programmes, flexibility and improvisation are equally important.

Defining a strategy starts with the question: how should we engage our customers and how will that engagement grow over time? The missing ingredient in most social media strategies is actual strategy. Organizations should outline exactly how their approach in their social strategy will bridge the gap between customer/stakeholder needs, existing online conversations and the company’s positioning. Many firms fail to establish a connection between their strategy planning processes and the processes they use to identify, select, implement and deploy individual projects. An effective Internet marketing strategy should therefore be aligned with a business strategy, with specific annual business priorities and initiatives, and should recognize that a social media initiative does not operate in isolation but must be integrated with other parts of the organization and its operational structure.

Social media should therefore be seen as a part of the whole, and so a holistic approach is needed.
Summary

• Social media is based on a group of coherent users with a common interest.
• Social media is based upon user-generated content.
• Social media is a perfect target group for companies to listen, learn from users and to act accordingly.
• Social media uses ‘word of mouth’ with considerable impact.
• Social media is an example of the change from a supply-driven to a demand-driven approach, involving a change from focusing on unidentified customers to a focus on identified and known customers.

Note

1 Part of this research was conducted by Mark de Loose, student at Rotterdam School of Management in 2010.