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COMMUNITY MARKETING: HOW BUSINESSES IMPLEMENT WEB 2.0

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Informaatioteknologia (IT) ja Internet tarjoavat yrityksille mahdollisuuden tehostaa tuotteidensa ja palveluidensa markkinointia. Opinnäytetyön teoreettinen osuus selittää, miten Web 2.0 voi edesauttaa myyntiä sosiaalisten verkostoiden ja yhteisömarkkinoinnin kautta. Empiirinen osuus sisältää Internetin välityksellä tehdyn kyselyn, jonka kohteena oli yrityksiä, joilla on käytössään Web 2.0 -sovelluksia ja niitä, joilla sitä ei ole.

Opinnäytetyön tutkimusongelmana oli seuraava: kuinka yritykset ovat sitoutuneet yhteisömarkkinointiin ja sosiaaliseen verkostoonsa sekä, miten he hyötyvät siitä. Tarkoituksena oli selvittää tapoja, joilla kohderyhmäksi valitut yritykset käyttävät yhteisömarkkinointia ja kuinka yhteisömarkkinointi oli vaikuttanut niitä hyväksikäyttäviin yrityksiin. Tavoitteena oli myös selvittää mahdollisia mielipideeroja niiden yritysten välillä, jotka rakentavat itse sosiaalisen verkostonsa ja niiden, jotka käyttävät ulkopuolista yritystä yhteisömarkkinoinnissaan. Kiinnostuksen kohteena oli myös poikkeavatko eri kokoisten yritysten mielipiteet toisistaan.

Teorian rakentamisessa käytettiin hyväksi useita kirjallisia lähteitä sekä Internetiä. Kenttätutkimuksen kohdeyritykset valittiin sattumanvaraisesti Internetistä, käyttämättä tieteellisiä otantamenetelmiä. Tavoitteena oli saada mukaan globaalisti mahdollisimman edustava kokonaisuus eri alojen yrityksiä. Yrityksille lähetettiin Internetin välityksellä kyselylomakkeet. Saadun tiedon käsittelemistapa oli lähinnä kvantitatiivista ja taustamuuttujina käytettiin tutkimusongelmassa mainittuja tekijöitä.

Tutkimukseen vastanneista yrityksistä erityisesti pienet ja keskikokoiset yritykset käyttivät sosiaalista mediaa kirjoittamalla blogia tai mainostamalla sosiaalisissa yhteisöissä. Suuret yritykset puolestaan käyttivät enemmän yrityksen sisäisiä verkkoja, intraneteja. Sekä pienet että suuret yritykset vastasivat huomanneensa asiakasuskollisuuden parantuneen sitouduttuaan yhteisömarkkinointiin. Vastanneista yrityksistä sekä pienet, että suuret yritykset suosivat yhteisön rakentamista itsenäisesti ilman ulkopuolista osapuolta. Tähän vaikuttavia tekijöitä olivat muun muassa kustannustehokkuus ja yhteisön parempi hallittavuus.

ABSTRACT

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Community marketing: How businesses implement Web 2.0

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Keywords

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Information Technology (IT) and the Internet offer companies a possibility to improve their efficiency to market their products and services. The theoretical framework for the thesis explains how Web 2.0 can improve the sales performance through better social networking, and also by building and maintaining communities. The field research involved canvassing companies, with or without Web 2.0, via Internet.

The research question of the thesis was: how companies engage with community marketing and social media and how do they benefit from it. The purpose of the thesis was to get information about the ways the canvassed companies are using community marketing, and how community marketing has affected the companies who are already using it. Furthermore, other goals were to compare the approaches of different companies; those which outsource the marketing to an outside contractor and those which have built the communities themselves, and also to compare the approaches of companies of different sizes.

An online questionnaire was sent to various companies and blogs around the world without specific sample frame, in order to get multiple replies from different lines of businesses globally. The answers were analyzed by using quantitative methods.

According to the results small and medium sized companies used social media mostly by writing blogs or by advertising in social communities, while large companies used more their own intranets. The most notable positive effect noticed by both small and large companies after engaging in community marketing was an increase in customer loyalty. The companies were in favour of building the community by using an inside source, because of the cost efficiency and the easiness to control it. Large companies were more often satisfied when the community was built by using a third party.

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1 INTRODUCTION

1.1 Reason for choosing the topic

Community marketing is a moderately new phenomenon but its significance is becoming increasingly important in the world of businesses competing with each other to answer customers' needs efficiently. The Internet and IT technology offer companies a new possibility to market their products for the consumers. It gives the possibility to offer an even more wide-ranging selection than ever before, and also to widen the customer base even for small companies. It can also help companies to use their customers to get new ideas and develop their products thus lowering the cost of research and development and increasing innovation. For consumers it means easier ways to find what they want to buy and their involvement in the creation and improvement of the products and services which they are buying.

We wanted to research this phenomenon because the subject is quite new and at the moment it is very relevant. One objective was to give information to companies who want to expand their business to social media marketing. Many companies are probably interested in engaging in community marketing but they may not have enough information and are wondering what possible ways there are to get involved.

We, as consumers, were also interested on the consumers' point of view on this phenomenon, and how it will affect our lives. Nowadays Internet and its software are making our lives easier but it hasn't always been like that. It was interesting to study how these inventions have developed and how they affect us today and will do in the future.

1.2 The purpose of the study

The purpose of this thesis is to research and analyze the ways in which small and large companies are using community marketing. We wanted to make a guide which gives information and ideas for all the companies which are interested in engaging in community marketing, but do not have the knowledge of how to do that. Our goal was also to find out how community marketing has affected those companies who already use it. We compared the approaches of different companies; those which outsource the marketing to an outside contractor and those which build the communities themselves.

1.3 Research question and the research method

Our aim was to find out which companies build online communities themselves and which companies outsource to an IT service provider or to a specialized community marketing agency. We wanted to compare the difference of these approaches, asking if there are any differences in the successes of the communities and companies. One goal was also to compare the approaches of SME and multinational organizations. Our research question was “How companies engage in community marketing and social media and how do they benefit from it”.

The theoretical part was written based on secondary sources such as books and web pages. We used quantitative method on the empirical part of the study. We carried out a survey using an Internet tool and sent the link via e-mail to companies and posted it to blogs that focus on social media. We also wanted to find out the attitudes towards social media marketing of the firms who currently are not yet engaged in it themselves.

2 HISTORY OF SOCIAL WEB

The birth of online communities started with Usenet in 1979 long before the emergence of the World Wide Web. It was created by two grad students at Duke University in United States who established a link with a nearby university. The community's newsgroups were organized according to interest such as "comp." (computers) and "rec." (recreation and entertainment) which were then divided into hundreds of other subcategories. Later on organizing along the line of interest became the common way for people to organize themselves on the Internet instead of according to categories such as geography, class or education. (Howe 2008, 120.)

In the 1990s the earliest forms of online community Web sites emerged and gave people chat rooms and tools to create personal home pages. These were so-called Web 1.0 Web sites, such as Geocities, theglobe.com and Tripod. (Wikipedia n.d.a) Websites were still mostly generated by a small group of professionals such as media producers, editors and individual owners. The old Web 1.0 was functioning more like the television industry – the information flow was mainly one-way – from the Website creators to the Internet users. (Pertsev 2009.)

When Web 2.0 came along in the early 21st century everything started to change. The whole infrastructure of the Internet moved from being slow and old-fashioned to faster and more decentralized. (Pertsev 2009.) The number of broadband connections in developed nations has risen since the bursting of the dot-com bubble in 2001 (S. E. Smith n.d.). The most popular websites are created by ordinary web users and people are sharing content with each other in communities or peer-to-peer networks. Sites have changed from content sources to service providers and people are changing from passive consumers to active contributors. (Pertsev 2009.) 2006 marked the year when social web overshadowed the traditional Web in the number of users. For example, Wikipedia was more popular than Britannica, Google Maps beat MapQuest and Blogger beat CNN (Tapscott & Williams 2008, 38). In March 2009 there were approximately 1.6 billion Internet users in the world, the user-growth-rate being 342% since the end of 2000 (Miniwatts Marketing Group 2009). The Internet and the increasing accessibility of computers and growing network capacity have been the driving forces of mass collaboration (Tapscott & Williams 2008, 19).

Blogging was born because people gained access to cheap software which made it easy to publish one's thoughts online (Anderson 2008, 63). Today millions of people have a personal computer and access to Internet. This has given individual people the tools to produce and publish anything from music to movies. There are photo editing programs and online games that encourage players to creativity. The result is that more and more people are using this option to express themselves and people are changing from passive consumers to active producers (Anderson 2008, 54). Even though some forms of online media can be mere trends that disappear as fast as they were born, it is clear that social media has come here to stay as a form of communication, sharing and networking.

3 DEFINITIONS OF THE CORE CONCEPTS

3.1 Definition of social networking

Computers and a network connection enable people to join in different types of networking online. These tools allow people all over the world to join in creation of products, access markets in ways that was previously possible for only large corporations. (Tapscott, Williams 2008, 11-12.) In this thesis social networking means the act of individuals socializing and linking up with each other on the Internet in various ways which include online communities, discussion forums, weblogs, wikis and peer-to-peer downloading.

3.2 Definition of community marketing

Community marketing is based on online media and platforms which aim to facilitate interaction and collaboration between the users. The birth of different online communities has been made possible by the vast spread of the Internet, which enables people to communicate with each other using the World Wide Web. There are different types of discussion forums, communities and blogs where people can share and produce information with each other. The emphasis of community marketing is on the needs of existing customers. It can be divided into two types. Organic community marketing is user-generated and created without any company intervention. Sponsored community marketing is initiated and nurtured by a company. (Wikipedia n.d.b)

3.3 Definition of crowdsourcing

The term describes a new phenomenon triggered by the rise of social networking (Howe 2008, 6). Crowdsourcing often involves creating business around user-generated content but it is definitely not synonymous with it because user-generated content has a more amateurish stamp on it (Howe 2008, 177). The term's inventor Jeff Howe (2006) defines crowdsourcing as *'the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call'* (Howe 2006). The movement originates from open source software movement – people are sharing knowledge and tasks in open communities (Catone 2007). It means harnessing the creative energies of a large and diverse group of people and using it to innovate to get better results

than would be achieved by just innovating within a company. There are many different types of activities which can be defined as crowdsourcing – editing an article on Wikipedia or uploading a video on YouTube are just few examples. (Howe 2008, 177.) All the activities which can be defined as crowdsourcing have one thing in common: they depend on contributions from a large group of people but the contributions can be very different in practice (Howe 2008, 280). Even though the term crowdsourcing is strongly connected with the Internet, it has been around in other forms in the past. Internet has just made it more effective (Howe 2008, 134).

The Implementation of crowdsourcing can offer companies a dedicated and low-cost workforce, but building and maintaining communities is no easy task. It requires a management that is able to think in new ways because the contributors cannot be directed like regular employees. It also often demands a less restrictive approach to intellectual property. Instead of monetary reward people will want a sense of ownership over their contributions. If the company is not able to be transparent and honest enough it could drive away its contributors to competitors' sites permanently. If the company is able to work in harmony with its community, the result can be extremely useful and low-cost. (Howe 2008, 181-182.)

According to Howe (2008, 280) crowdsourcing has four primary categories. All of the categories are based on collective intelligence. Collective intelligence is a form of group cognition which takes place when a large and diverse group of people's knowledge is harnessed to solve problems, predict future outcomes or help direct corporate strategy (Howe 2008, 133).

The four categories of crowdsourcing according to Howe:

1. Collective intelligence

There are three types of crowdsourcing which can be categorized under collective intelligence. They are the prediction market, problem-solving and 'idea jam'. The prediction market can be used to predict future outcomes by harnessing the knowledge of many "investors" who bet for a certain future outcome. (Howe 2008, 133.)

Problem-solving is a form of crowdsourcing in which somebody demonstrates a problem to a large, undefined group of possible solvers.

An idea jam is a brainstorming session which usually lasts weeks instead of hours and takes place on the Internet. The difference between problem-solving and an idea jam is that the latter calls for more open-ended submissions. Idea jams are used to create fresh ideas while problem-solving searches for an answer to a particular problem. (Howe 2008, 134.)

2. Crowdcreation

According to Howe, when creative work is being crowdsourced it often takes place in strong communities which consist of people with profound and continuing commitment to their craft as well as each other. There is usually no financial compensation – the work itself has meaning due to the social environment of strong communities. The inventors of the best ideas get fame and status for themselves, which causes the other members to make more effort to achieve or exceed the standard set by the most talented of their peers. This enhances the general quality of the work produced by the whole community. Much of the interaction between the community members focuses on improving their skills. A typical feature of communities is that the members tend to recognize their most gifted members and draw attention to their work (Howe 2008, 180-181.)

3. Crowdvoting

This category uses the crowd's collective judgment to organize information on the Web (Howe 2008, 281). The search engine Google is a good example of crowdvoting taking place in a corporate strategy. Google uses a ranking technology which prioritizes search results by the number of Websites that are linking to it. It assumes that the most reliable information is the one which is most used by people and therefore Web users benefit from other users' judgment. This is also called collaborative filtering (Tapscott & Williams 2008, 41.) Before Google was founded, experts decided which pages were the most significant and would appear the highest in the search results (Howe 2008, 234).

4. Crowdfunding

Crowdfunding has also been called ‘social banking’ (Howe 2008, 249). It gives people the chance to lend money to projects which they believe in and of an amount they want to donate. The Internet makes it easier to find potential donors. (Howe 2008, 253.)

3.4 Definition of Wikinomics and its principles

Today people are participating in the economy like never before in history and the value is being created by various new communication technologies. Wikinomics is a term introduced by Don Tapscott and Anthony D. Williams which is used when talking about this new era of collaboration and participation. It is changing how goods and services are being produced, invented, distributed and marketed in a new truly global firm (Tapscott & Williams 2006, 18.)

Wikinomics has four principles that are changing the preceding philosophies of business: being open/openness, peering, sharing and acting globally (Tapscott & Williams 2006, 20.)

3.4.1 Openness

Before the new era of Web 2.0 it was thought that the way to compete is to keep knowledge and important issues inside the firm. Now, companies need to be more transparent in order to keep up with their competitors. This means opening up the corporate information that had been held in secret before. Not just for employees, partners, customers and shareholders but also for other people that are interested. This opening up of information is making significant benefits for the enterprise inside and outside. Employees have more trust among each other and customers get more assurance of the product and service they are purchasing.

In the Web 2.0 era it is sometimes hard for the companies to determine what is being open and transparent, and how to be that in practice. The stakeholders are expecting more and the best way to answer is to be honest and up front.

Standards are another aspect of openness. The applications have been closed and still are in some sense so that when buying an application of one brand, it is difficult to mix it with a different brand. Now IT professionals have started to co-operate with open software platforms that shows an open attitude towards external ideas and resources. (Tapscott & Williams 2006, 20-22.)

3.4.2 Peering

Hierarchies have been important throughout history for organizing people in order to accomplish their daily tasks. Peering is something that changes the old fashioned hierarchical model to a more collaborative form. It can be a company wanting to improve their product by asking their customers online for recommendations, or an individual creating something and inviting others to enhance it. The participants have different motivations for joining in peering. Some are there just for fun while others joined in to achieve something in an unselfish manner. (Tapscott & Williams 2006, 23-24.)

A good example of this is Linux. It was an open operating system that an individual created. The program was put online where people could use it and also make adjustments. The more it was used, the better it became. (Howe 2008, 53.)

3.4.3 Sharing

Many industries control and protect their intellectual property (IP). This is done by patents, copyrights and trademarks. Rapid technological changes are making, for example, the music industry become more of a digital form and it is easier for consumers and artists to freely create and share files. (Tapscott & Williams 2006, 26-27.) However, IP protection has minimized the use and sharing of files, because it gives the owner the exclusive rights to various tangible assets, for example copyrights and trademarks (Wikipedia n.d.c).

It also means that the consumer behavior can be monitored and this is decreasing the opportunities for customer-driven innovations and creativities. And by monitoring this, in the worse case, it can decrease the breaks for new business models and industries.

Today many industries have realized that defending intellectual property is actually curtailing their ability to create value. They are still holding some of their critical IP protection, but sharing some of their IP makes it easier to collaborate. Thus industries can bring their products faster to their markets because when some people are already using to the product, its launch is easier.

Sharing intellectual knowledge is not the only component of sharing. Now computing power, bandwidth, content and scientific knowledge is also being shared, such as with Skype. This is a system that needs no central capital investment, it just needs the people to use and share it. (Tapscott & Williams 2006, 27.)

3.4.4 Acting Globally

A lot has happened in the last century which has increased globalization and a lot more will continue to do so. Today a successful company has to know the world it is making business in, including its technologies, customers and markets. (Tapscott & Williams 2006, 29.) Companies need to stay globally competitive without physical or regional boundaries. To remain that way they need to observe business developments and talents locally and also internationally. Also companies need to build their logistics, designing, sourcing and assembling on a global basis.

'Not only to think globally, but to act globally as well' (Tapscott & Williams 2006, 29.)

All this will change the way industries perform and it is difficult sometimes for managers, especially when facing legal systems and processes, to make these changes. But without thinking and acting internationally in today's world, it is hard for a company to outperform its competitors. (Tapscott & Williams 2006, 30.)

Companies are not the only ones to go global, because the new era also gives individuals the chance to be part of it. For example some bigger companies have online communities where employees can interact with customers all around the world. This gives the individual the choice to act internationally and also help them to increase sales, share knowledge, improve personal reputation and increase personal belonging. (Tapscott & Williams 2006, 30.) *'You can consume knowledge by commuting'* (Gina Poole 2008.)

3.4.5 Other key terms of Wikinomics

Wikinomics is also introducing other key terms that are important in today's mass collaboration. One of them is the 'peer pioneers'. It means self-organizing and equivalent communities of individuals who have the same common interest; to create something new. Most who are taking part do not get any financial payment and it is up to the people how much time and effort they are willing to contribute. (Tapscott & Williams 2006, 67.) There authors Tapscott and Williams (2006, 70) are writing about three different characteristics that makes the peering work the best. These are:

1. Object is culture or information
2. Tasks are small so that contribution is in small increment
3. Manufacturing costs are very low

The second important key term is 'ideagoras'. This means places where innovation-hungry companies can participate to find people who can help to create ideas or inventions. Today the world of business is very competitive and companies cannot rely on internal capabilities alone (Tapscott & Williams 2006, 98). Ideagoras can lower transaction costs, innovate quicker, leverage other people's talents and ideas and do all these at a greater speed (Tapscott & Williams 2006, 101).

A good example of an ideagora is InnoCentive. It is a webpage founded in 2001 where companies, academic institutions and public and non-profit organizations connect. A company can post its challenge on the site and then all the brightest minds around the world can try to solve the problem. The best solution is awarded. (Innocentive n.d.) This happened to John Davis who solved an oil spill recovery challenge by applying his knowledge of the cement industry for the Oil Spill Recovery Institute (OSRI) in Cordova, Alaska (Davis 2007).

The third important key term is a phrase that describes the new era in which customers are participating more in the creation of products. The consumers are also the producers, or 'the prosumers' (Tapscott & Williams 2006, 126). It is more than customization as the prosumers are getting involved earlier in the design process and are usually involved with products that are easy to hack or develop (Tapscott & Williams 2006, 148).

Today customers are expecting more and taking the first step without companies knowing about it, so therefore enterprises should be ready to join and lead the prosumer communities.

‘New Alexandrians’ is the fourth important term of Wikinomics. It is a term that is used when talking about the new era of binding digitalized books and knowledge together so that it can be shared. A good example is Wikipedia which is a community of knowledge where people can add and adjust facts. The creators of Wikinomics Tapscott and Williams (2006, 153) are predicting that: *the new scientific paradigm holds a amore than modest potential to improve human health rapidly, turn the tide on environmental damage, advance human culture, develop breakthrough technologies and explore outer space.*

3.5 Definition of Web 2.0

Web 2.0 is a term that describes the new way of web design that gives the opportunity to improve creativity, information sharing and collaboration online. It is not in any circumstances the new World Wide Web, but it is the new way for the users to use the Web. After the term was introduced in 2004 it changed the way people perceived the Internet. Through Web 2.0 the internet has become a place where a global infrastructure has given the opportunity for creating, sharing and interactively being part of something rather than passively receiving information. (Tapscott & Williams 2006, 37.) Today it is very common for the internet users to communicate online within your company and internationally to the other side of the world. Web 2.0 also enables users to create their individual platforms and today there are various pioneers that are rapidly innovating new developments and trends which makes it hard to follow. (Friedman 2008, 23.)

Web 2.0 can be defined as tools and software which anyone can use as a platform to collaborate on the Web. These tools include blogs, social networking applications, RSS, social networking tools, tags and wikis. (MacManus 2005a.)

3.5.1 Blogs

Weblogs, more commonly referred to as ‘blogs’, are websites which consist of the author’s blog entries. They contain thoughts, photos and links. Visitors can leave their

comments in a blog's comment box. Blog writers are called bloggers and usually they read and comment on other bloggers' posts. They can also cite and link to each others' blogs and this interlinked relationship creates the 'blogosphere'. (Bernoff & Li 2008, 18.) Blogs have been said to shift the power of the media to the common people. Before the existence of blogs, news was produced only by professional media who decided what news was published in the newspapers. Today, thanks to blogs, news is being published by both professionals and amateurs. Everybody can start their own blog for free using a website like blogger.com and share their thoughts and ideas with like-minded people. Bloggers who write about similar topics form together communities. (LeFever & LeFever 2007.)

3.5.2 Social networking sites

There are countless of ways for individuals to socialize and link up with each other in the net such as in online communities like Facebook, MySpace or Twitter. To get involved in communities each user has to create a personal profile. Joining is free and members can link up with other people by 'friend' applications which enable users to keep up with their friends and share information with them. Even companies or bands can create profiles and get friends or fans. (Bernoff & Li 2008, 22-23.)

Websites like Facebook and MySpace are among the most visited sites today. Facebook was the fourth most popular website according to research done by Alexa (2009). MySpace was the eleventh and microblogging site Twitter was the fifteenth most visited site in the world according to the same study. These types of social networking sites are filled with sub-communities in which like-minded people can unite. They are also good in maintaining contact with distant friends and creating new relationships. (Bernoff & Li 2008, 23.)

3.5.3 Wikis

Wikis are Web pages which are open for anybody to edit and the process of collaborative editing is continuous (Bernoff & Li 2008, 25). The most famous wiki is Wikipedia – the collaboratively created encyclopedia – which was the eight most viewed site on the Web according to the aforementioned Alexa study. Wikis also keep track of every edit so everybody can see which piece of text was edited and by whom (Howe

2008, 59). Wikis have so-called 'talk pages' where the contributors can discuss which topics to include (Bernoff & Li 2008, 25).

3.5.4 RSS

The letters RSS stand for Really Simple Syndication. RSS can be used to get updates more efficiently from sites which are updated frequently, such as blogs and news sites. You need an RSS reader program or you can view RSS feeds on personalized home pages or on the latest versions of Web browsers such as Firefox or Internet Explorer. Once you have a reader program you can subscribe to the RSS feeds you want to have and the Web site will send you updated headlines from those sites. (Bernoff & Li 2008, 31-32.)

3.5.5 Tags

Tags are used to attach descriptive labels on Web content such as photos, files, videos, blog posts or Web pages. When many people use tags to describe content it creates a so-called 'folksonomy' that organizes content on the Web by category or a keyword. Tagging is still in the beginning of its development. There are matters which require improvement but in spite of that tagging is fairly accurate in practice. (Tapscott & Williams 2008, 41-42.)

4 HOW PEOPLE USE SOCIAL MEDIA

A study about online communities made in United States concluded that approximately 80% of the user-generated content on the Web, including comments and questions, is created by less than 10% of Web users. It means that a small group of enthusiastic people is creating most of the content on the Internet and the majority of Web users are passively reading and viewing the community content rather than contributing to it. (Rubicon Consulting 2008.) This 1:8 participation ratio seems to be natural outcome of the way people act on the Web, at least at this stage of its development. The most frequent contributors post content at least once a day compared to the average users who do not post at all or rarely contribute. It seems that online communities are a good way to communicate to customers because the average user just watches and listens. (Rubicon Consulting 2008.)

4.1 The Social Technographics ladder

Bernoff and Li (2008) at Forrester Research have created a tool which defines different groups of people and how these groups participate in social technologies. The tool, shown in figure 1 helps companies to understand how their customers adapt to different social media applications. The tool is called the Social Technographics ladder and it divides online social media consumers into six groups: creators, critics, collectors, joiners, spectators and inactives (Bernoff & Li 2008, 41.)

‘Creators’ are the ones who most actively generate content on the Web. They publish a blog, have their own Website, post videos or upload music. ‘Critics’ respond to the content created by others by commenting on others’ blogs, writing reviews about products or rating them, writing in forums or contributing to articles in wikis. ‘Collectors’ organize online content using RSS feeds or use tags to label Web pages or photos. ‘Joiners’ are members of one or more social network such as Facebook or MySpace and they actively visit those Websites. ‘Spectators’ are reading and consuming what other people are creating, for example reading blog posts, watching videos on YouTube or reading product reviews and online forums. The last group does not create nor consume social media of any kind and therefore is called ‘inactives’. These groups can be overlapping; creators can also be critics or joiners depending on the situation. (Bernoff and Li 2008, 41-45.)

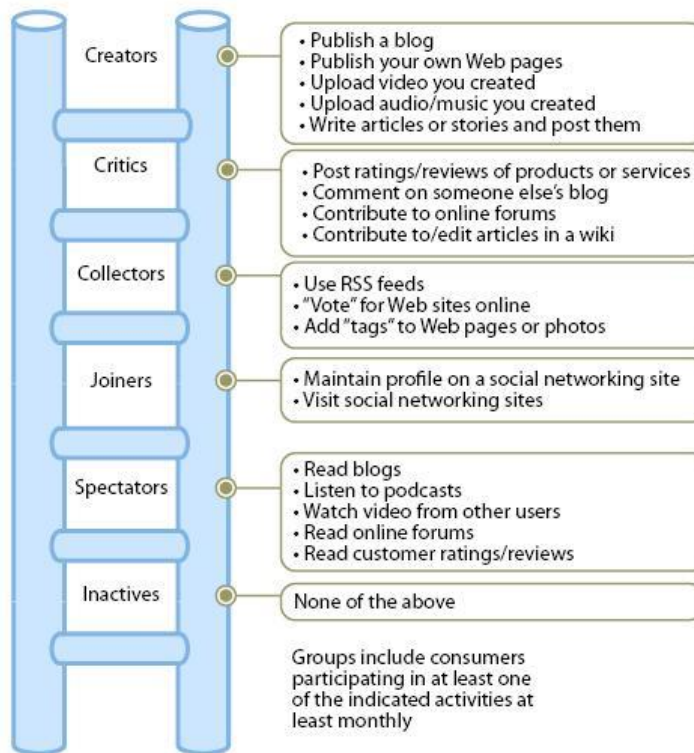


Figure 1. The Social Technographics ladder by Bernoff and Li (2007)

The number of creators in the whole online population as well as other participants depends on the country. According to a study made in 2007 the number of creators was 18% of the adult online users in United States when in Europe it was only 10%. In South Korea 38% of online population are creators, which can be explained by the extremely popular blogging culture in the country. (Bernoff & Li 2008, 43.)

A survey made by American company Rubicon Consulting in 2008 shows that the most frequent contributors are more ethnically diverse and technically skilled than average users. Most significantly they are younger than the other Web users; half of them are under twenty-two years old. They are also more likely to be single, work in technology, entertainment or communication companies and their political view is generally liberal. (Rubicon Consulting 2008.)

With the help of the Social Technographics Profile a company can identify how different social technologies are being adopted by any group. By identifying a Social Technographics Profile of its customers a company can build a social strategy which best suits them. (Bernoff & Li 2008, 45.)

4.2 The key drivers to use social media

According to Howe (2008, 181) the core drivers for people to engage in crowdsourcing are to enhance their skills, learning and status which comes from creating the best ideas. Recent studies also seem to support this fact. According to a British study (TMW 2009) the biggest motivators for Internet users to use social media are self-development and learning from others. The study also showed that 60% of respondents found it good to be able to communicate with companies and be involved in a brand. Another major motivator is fame; to be seen doing well in life by others. (Carson 2009.)

According to the research by TMW (2009) there are six main themes that motivate people to engage in social Web:

DISCOVERY – for self-development or to learn from others

ALTRUISM – to help others make the right decision or become involved in the brand's product decision

SOCIAL – to connect with like-minded people, reinforce tribal identity or gain a sense of belonging

FAME – for personal reputation or to challenge their ability against others

ESCAPISM – for entertainment and an escape from the daily routine

EXPRESSION – as an outlet for their imagination or expression of personal identity

4.3 The role of gender and age

Finding out what drives your key customers to use social media is important for brands who want to pursue community marketing. There are differences in what motivates men and women, for example women are more strongly motivated by social factors such as keeping touch with friends whereas men engage in social media motivated by discovery and getting their opinions heard by a wider audience. (Carson 2009.)

Age also plays a part. It seems that younger (18-24 year olds) users are more driven by the desire to express themselves and get noticed than the older users. For 35-44 year olds helping others to make the right choice and discovery were the strongest

drivers. (Carson 2009.) According to Rubicon Consulting (2008) half of the Web's most frequent contributors are 21 or even younger.

4.4 How social media drives buying decisions

Online comments posted by the most enthusiastic contributors are the second most influential purchase driver according to the research done by Rubicon Consulting. Customer reviews are considered far more effective than reviews in magazines or information posted by a manufacturer on their Web site. The most effective driver is word of mouth. This means that even though the online contribution rate is low, communities have a huge effect on people's buying decisions and only a small group of contributors are influencing buyers with their comments. (Rubicon Consulting 2008.)

Research made by Finnish MediaCom Oy (2008) also shows that blogs and communities have an effect on customers buying decisions. According to the study 62% of blog and forum users have changed their opinion about a product or a service based on what they have read online. In addition, 42% said they have decided not to buy a product or a service based on what they have read from blogs or forums. 47% of the respondents explained that they had made a decision to buy something because of a blog or a forum. (MediaCom Oy, 2008.)

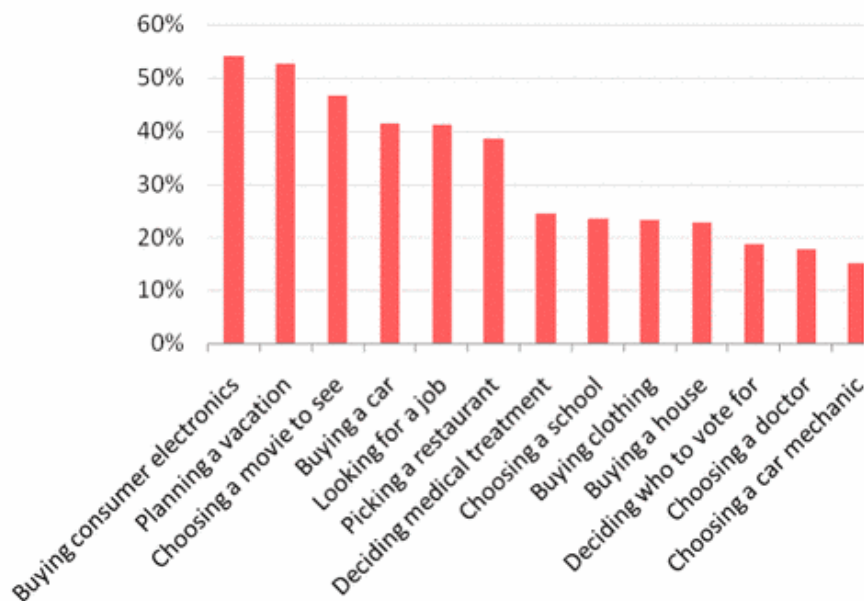


Figure 2. The influence of online information on buying decisions (Rubicon Consulting 2008)

As figure 2 shows, the influence of social media seems to depend on the product or service the consumer is looking to buy as the diagram demonstrates. Buying decisions on consumer electronics, vacations and movies are deeply swayed by online comments. On the contrary choosing a car mechanic or a doctor does not seem to be heavily influenced by Web content. The graph shows the percent of Web users who say they are heavily influenced by online information when making buying-decisions. (Rubicon Consulting 2008.)

5 HOW COMPANIES USE SOCIAL MEDIA

There are countless of ways for both small and big companies to join in social media and community marketing. There is no right or wrong way and usually it seems that new and innovative ideas are more successful than those copied from others. However, to get some kind of an idea of the various different possibilities this chapter demonstrates some examples.

In today's Web 2.0 era the most successful Web companies are putting together their own services from shared databanks and pieces of Web software and creating innovative combinations. The result is that more and more people are creating their own services, communities and entertainment instead of only observing information published on a Web site. Web companies are just creating the platform for people to use the Web the way they like. Social photography site Flickr is a site which works like this. It is a Web site for photography enthusiasts which offers people the platform, technology and free hosting for photos. The users do the rest by adding photos and captions and labelling photos by using tags, among other things. (Tappscot & Williams 2008, 38.)

What is the difference between an unsuccessful Web company and a successful one? Successful companies launch communities instead of Web sites. They share their knowledge with everybody instead of trying to protect their software property. They innovate with their users instead of innovating internally. (Tapscott & Williams 2008, 39.)

5.1 How to engage in community marketing effectively

Companies usually consider social media as a list of different technologies to be used when necessary to achieve a market goal. A more logical strategy would be to start with your target customers and decide what kind of relationship you want to build with them, taking into consideration what they are ready for. (Forrester Research, Inc 2008.) Instead of asking which social media tool to use, ask how you want to engage with your customers and how you want that engagement to grow in the future. If your target customers are interested in blogging, then you might want to do a campaign that involves blogs. If they are more joiners of a social network then you could create your

own network or see if you could get involved in the network that your customers are already using. (Li & Bernoff 2008, 71.)

According to Bernoff and Li (2008) there are five main objectives why companies are using social media tools. A company who wants to engage in community marketing using Web 2.0 strategies should decide which one of these objectives best matches its message and the way it wants to communicate that message to its customers. (2008, 68-69.)

The five objectives are:

1. Listening
2. Talking
3. Energizing
4. Supporting
5. Embracing

5.1.1 Listening

Listening is used when a company wants to learn from its customers to better understand them or get ideas it can use in marketing or product development (Li & Bernoff 2008, 74). Listening is more effective than surveying your target audience traditionally by telephone or mail, because you are able to get more participants with less money. It also makes easier to find the right people you would like to survey and besides answering your questions they might answer questions that you never even thought about asking. It is always important to listen before acting. (Bernoff & Li 2008, 80.)

According to Bernoff and Li (2008) there are two strategies to listening. If you want to start listening to your customers more effectively you can either set up your own private community or hire a firm to listen to the online conversation on your behalf. However, no matter which one of these strategies you choose it is very important to make a plan of action based on what you learn from listening. A private community works like a focus group except with fewer limitations. It is easier to hire a larger and more diverse number of participants and follow them more continuously. There is

smaller risk of biased results because people are interacting in a natural environment for them. (Bernoff & Li 2008, 80-82.)

The other way is to hire a company who listens social media on your behalf. It can monitor what people are saying about your brand in forums, social networks, blogs and so on. The benefit for you is that you get the most important information which is relevant to you separated from all the irrelevant comments. You are able to speak to the right departments who can then take actions to correct the issues which need correction. (Bernoff & Li 2008, 81-82.)

5.1.2 Talking

Talking can be the next step when you want to change your business's current digital marketing activities (for example advertising banners and pop-ups) to more interactive ones (Bernoff & Li 2008, 68). According to Bernoff and Li (2008) the following four methods are the most common and effective ways to engage talking.

1. Post a viral video

You can post a video online for example in YouTube so that people can share it (Bernoff & Li 2008, 103). Viral videos are short clips which spread rapidly in different social applications. Usually they have a unique or humorous quality to them which makes people want to post it to their peers. (Wikipedia n.d.d.) Viral videos are great for creating awareness. Their efficiency compared to regular advertisements lies in the fact that people choose to watch them and they even recommend them to others. (Bernoff & Li 2008, 124.) A viral video should include a Web address to a company's Website, community or blog so that people who become interested after watching the video can follow to learn more about the product and purchase it (Bernoff & Li 2008, 104).

2. Engage in a social network

Creating a profile for your company or brand in one of the Internet's social networks is the most effortless way to reach more awareness but you should also be able to participate in the conversation inside the network you are engaging in (Bernoff & Li 2008, 103). Popular brands might already have a network profile created by their most

enthusiastic followers. If your brand is already known and loved, engaging in a social network or user-generated content site might be a good solution for your company. It could be a good strategy also if 50% of your potential customers are joiners according to the Social Technographics ladder. If your target customers are roughly aged from 13 to 23 it is necessary to join a network because most of the young age group are already there. Brands which appeal to 24-35 year olds also have a good chance to succeed in this approach. (Beroff & Li 2008, 107-109.)

An important part of your social networking strategy is that you have to think of ways to encourage your customers to interact. You can create interactive elements which your customers can use to spread your brand message. You also have to be prepared to answer your customers' questions when they ask them online. (Bernoff & Li 2008, 108.)

3. Create a blog

Blogging could be the next step if you feel that you are ready to make a long-term commitment to your customers (Bernoff & Li 2008, 108). It especially suits big companies with complex products or many different target customer groups. Blogs can help people to make a buying decision by reassuring them before, during and after the purchase. (Bernoff & Li 2008, 124.) Blogs written by executives create trust. In general they stimulate discussion between customers and potential buyers and that also has an effect on the ones who are only reading the blogs. (Bernoff & Li 2008, 109-110.)

However, a blog should not be started if the writer is not motivated to maintain a blog. A requirement for joining the blogosphere is that the writer has a genuine desire to have conversation with customers so that the lack of interest does not show through. Blogging is too personal and it takes a considerable amount of the writer's time so it cannot be forced on anyone. (Bernoff & Li 2008, 115.)

4. Create a community

Communities are a good way to bring extra value to your customers and to market your product as long as it is not too forced (Bernoff & Li 2008, 103). Before engaging in this strategy you should figure out whether your target customers have a combining

factor that could make them a community. You should also do research on the readiness of your customers to join in communities. The community has a higher possibility to succeed if more than 50% of your customers are Joiners. Communities are successful in products where people have an affinity towards the product. Other groups that form strong communities could be groups based on a shared hobby or a sports team. If you do not have a common factor to build your community around it, you should not attempt to do so. Another possibility is to join a community your customers have already created for themselves. (Bernoff & Li 2008, 122-123.)

Communities are cheap to create but they require lot of commitment from your part. You must constantly maintain and create new content to keep them viable. Be sure that you will benefit from the community before you decide to enter in it. Your customers will not appreciate it if you quit the community. (Bernoff & Li 2008, 123.)

5.1.3 Energizing

Energizing works when you find your company's most passionate customers and are able to get them to energize other customers to buy your product. This is achieved by word of mouth. (Bernoff & Li 2008, 74.) It is very effective for several reasons. The experiences of other customers are more believable than the ratings from media sources. When you hear a positive rating about a product from more than one people you are almost certain to believe it. People have a tendency to share their experiences with their friends, so the effect of energizing is exponential. (Li & Bernoff 2008, 130-131.)

If you are able to encourage those customers who are in the 'creator' segment of the Social Technographics ladder to talk about your product, you can be sure that other consumers will also hear about it. You can for example encourage bloggers to write about your product in their blogs or get somebody to upload a video about your product. (Bernoff & Li 2008, 131.)

For marketers to succeed in sponsored word of mouth marketing in blogs it is important to remember to choose the right blogs that match with the company's products. Building a relationship with these bloggers could be beneficial in order to extend the connection with the blog and the product. It should be acknowledged that a blogger can write whatever she or he wants which means that it can also be negative.

Some people might have strong negative feelings about paying bloggers to give opinions about their products. If the blogger sounds too much like a company paid advertiser, can the result be that the company loses its credibility. Energizing is the most successful when the company manages to find a blogger who genuinely likes the brand. In that way the positive reviews do not lose their authenticity. (Bernoff 2009.)

According to Bernoff and Li (2008, 134) there are three ways to energize your customers effectively:

1. Allowing customers to write ratings and reviews of your products on your retail site. It is a fact that many customers use online reviews to make buying decisions. It might sound scary to let people to rate you publicly but according to Bernoff and Li (2008, 138) about 80% of reviews have a tendency to be positive.
2. Creating a community could be very effective way to energize your customers if they have something in common especially in business-to-business surroundings. Business customers are more likely to feel they have something in common than consumer customers. Business people have common goals and problems (Bernoff & Li 2008, 134-144).
3. Participating in the existing online communities of your brand's fans. You can find ambassadors for your products which can spread the word about your up-coming products and listen to other buyers and report their feedback to you. (Bernoff & Li 2008, 146.)

5.1.4 Supporting

Support your customers to support each other. This can be helpful for businesses which have large customer support costs such as technology companies and have customers with shared interests. (Bernoff & Li 2008, 69.) Traditionally customers with product problems would call the product's support line to get help. The problem with this method is that it costs time and money for the company as well as the customers. By creating an online support forum, company can reduce customer support costs and at the same time build a loyal base of customers who can also help in other ways like testing new products or giving product improvement ideas. (Libert & Spector 2008, 46-47.)

In Dell's forums there are thousands of customers who help each other and they do so without getting paid. They also save Dell millions of dollars. Approximately seven thousand customers log in weekly and they generate nine thousand posts. One quarter of the posts in the forum are answers (the rest being questions and comments) and Dell's studies have shown that these answers help approximately 20-50% of the customers visiting the site. (Bernoff & Li 2008 ,161.)

Establishing a corporate wiki is another option in addition to support forums, although it is more risky. You have to have customers with a shared interest in contributing and get them to participate. It is useful if you are able to get a set of active contributors to help get your wiki started, otherwise it might fail. When you have a good starting platform for the wiki it will start to evolve. Getting the rules right is also important – without clear rules there is a risk of vandalism but too strict rules do not encourage people to contribute. (Bernoff & Li 2008, 168-169.)

Before firing your customer support staff and starting your own forum or wiki you should research whether your customers are likely to participate in forums. It is important for a forum that it is active from the start because without activity there is no content. In the beginning it requires work by the company to provide some of the answers to get the forum growing. However, it is better to start small. If you have many product lines concentrate only on one of them in the beginning. That way you can see what works for your customers and you also learn a lot. Reach out to your most eager customers to get them show the example to others. You should promote your forum for example by putting the link to your Web site, on the packaging of your product and telephone systems so that customers know where to find help. Advertise on search engines or on the sites where your customers visit the most. (Bernoff & Li 2008, 173-175.)

Build a reputation system that shows the level of participation of your customers. People want recognition and it encourages them to behave and help more. Many people who help others on forums do it out of desire to help but many of them are also motivated by competition and fame. (Bernoff & Li 2008 175.)

When your community forum becomes popular people start talking about other things relating to your company besides the products. That gives you a good opportunity to have conversation with your customers. By talking with them you could get new in-

sights on product development and work together with your customers to achieve better products. (Bernoff & Li 2008, 176.)

5.1.5 Embracing

Embracing means integrating your customers with the way you innovate. It is the most demanding of these five goals and works best when the company has already successfully achieved one of the earlier four goals. Customers are integrated into the approaches of the company by using their assistance in designing products or improving processes, for example. (Bernoff & Li 2008, 69.) Important is to choose the right application that your customers are going to use. You have to find out first which social applications your customers are using before you decide which one you are going to build. (Li & Bernoff 2008, 74.)

When you have established or joined one of your customer's communities it is an efficient way to get feedback. When you have processed the feedback you can always return to the community and ask further questions. It helps you to innovate faster because you are having almost direct conversation with your customers. (Bernoff & Li 2008, 183.) Embracing is a challenging strategy because not every company has enough passionate customers to support this method. Nonetheless, you need to remember that it does not make a difference what kind of business you have, as long as you have customers they will have suggestions that can help you. They may have ideas on how to make your processes more efficient, how to improve your billing or services or change your pricing. You need to show them that you are reacting to their feedback and dedicated to developing your products. (Bernoff & Li 2008, 194.)

5.2 B2B companies

As businesses are reaching consumers through social media marketing, more and more B2B companies have also noticed that they should start implementing this form of marketing to keep their clients and keep up with the new development. It could be a problem for B2B firms to realize in which way they can participate in this type of marketing strategy. According to Bernoff and Li (2008, 70) there is no business-to-business social networking because it is not the businesses who are interacting in the social networks. Instead, it is the people. In other words, B2B companies who are con-

templating on how to launch a successful social media strategy can benefit and take ideas from the same advices as B2C companies.

5.3 POST method

POST is a four-step framework to help businesses to make their own plan on how to engage in groundswell thinking. It stands for people, objectives, strategy and technology. The main idea of the tool is that you have to know your customers before you start to think about what kind of Web 2.0 platform you are going to use. Technology is changing all the time so by the time you have launched your Web 2.0 marketing it might be that your customers have already gone somewhere else. (Bernoff & Li 2008, 67.)

By taking the following steps in the right order you can avoid the problem of creating an out-dated strategy:

Step 1: People

Asses your customer base in terms of what they are ready for concerning social media. Are they creating blogs, joining social networks, writing reviews or perhaps listening to podcasts and reading others' blog posts? In any case it is important to find out the facts and not to make guesses.

Step 2: Objectives

Outline the goals you want to achieve with your strategy. Do you want to listen to the customers, support your existing customers or get new ones by energizing the existing customers to spread the word?

Step 3: Strategy

Think about the changes you want to make in the relationships with your existing customers. This is also the step where you should figure out how you are going to measure the changes when they have been made.

Step 4: Technology

Now you can decide on which applications you are going to build to achieve the targets you have set in the previous steps (Bernoff & Li 2008, 67-68).

6 THE IMPACT OF THE SOCIAL NETWORKING PHENOMENON

6.1 Its implications on businesses

It is still early days for companies to use Web 2.0 on their businesses, but it is already transforming society. Most have a presence online, for example a Website, but Web 2.0 is much more. It is advisable that enterprises start implementing some applications because it might enhance the business they are in. The success of a company depends on the level in which it outperforms its competitors. Web 2.0 helps companies to find the strengths and weaknesses they have and to understand the new ways to for innovation. (Shuen 2008, 162.) For example Web 2.0 enables the companies to follow up-to-date conversations about their products and services. The companies can use this as their benefit and join them. This is done by creating or monitoring a blog, checking consumer-generated media sites, or just replying the feedback that consumers have left on the company's Website, among other things. Next we will make a SWOT-analysis about community marketing's implications on businesses. Table 1 shows the main points of the SWOT.

Table 1. SWOT-analysis about Web 2.0 and the implications on businesses

Strengths	Weaknesses
Transparency Customers part of the development process Competitors closer Decreases costs Bigger selections Products immediately in the markets Increases loyalty Wider customer base Reduces advertising costs	Not all successful Transparency Updating
Opportunities	Threats
For small businesses more opportunities Closer to 'prosumers' New ideas more easier Communication No R&D costs Wider customer base New technology brings new opportunities 'The world is smaller'	Copying Customer reviews transparent Hackers Choosing the right developments Bad publicity more transparent Staying up-to-date

6.1.1 Strengths

Before starting a new business it is important to find out about the current market. Web 2.0 has made the companies more transparent which in turn has made the information more available for potential customers and competitors. This might help the new company to do things better or to find a gap in the market. For example Amazon provided online shelf space for its competitors with a small fee and with this it became the distributor for online storefronts and products, some of which had never even been advertised online before. (Shuen 2008, 120.)

The new era gives also the opportunity to communicate with the potential customers about the product the company is about to launch. When the customers can be part of the development process they might be getting more what they need and the products can actually sell themselves because this can hook them to the product. When a company is giving free trials and test drives, it can reduce the risks when placing a product/service to the markets and this in turn creates a positive impact on the business. (Shuen 2008, 78.)

The new era has helped companies to sell products online and offer a limitless shelf space. This might decrease the warehouse costs because companies do not need to have a space for their products. This can also improve the shopping experience for existing customers by offering them bigger selection and easier ways to find what they want. And that in turn can increase their loyalty because the customers are more likely to return to a site that has given them a positive experience.

Selling online might interest potential customers both near and far who would never otherwise consider buying or using a company's products (Anderson 2006, 64). The Webpage is a good place for a company also to publish their catalogue which is easier for a customer to access wherever they are.

Web 2.0 also gives the opportunity to advertise the product at a lower cost. People are spending almost as much time online as in front of the TV at the time of the research, so this can be interpreted that the Internet is one of the best ways to market. (BR Staff Writer 2007.) There are various ways how to advertise the product online. It might be on a blog, community site, company's Webpage, among others. This also means that

new products are immediately in the market, because when a company posts something online it is there for everyone to see immediately.

'The longer you wait to launch your innovation, the less it may be worth.' (Codin 2008, 23.)

Web 2.0 has made easier to keep eye on competitors; for example by reading blogs or customer sites, you might find customer complaints or praise. This can help the business to offer customers better products or services, or even start something completely new. Businesses can build Websites where their customers can ask questions about the company's products from other customers who own the same product. (Libert & Spector 2008, 47.) The likely reason why people voluntarily devote their time to answer others' questions is that most people actually enjoy helping other like-minded individuals and communicating with them. They can also get satisfaction from acting as experts. (Libert & Spector 2008, 48.)

Customers can also support each other. For example by choosing a restaurant company's customers can search comments or complaints from the internet and make the decision according to that. By having an online community all the information is new and it gives more responsibility to the customers and this can increase customer loyalty and also reduce costs.

The benefits of Web 2.0 are also realized within the company. By using different Web 2.0 components a company becomes more open for employees. Transparent companies might have higher trust among employees and with the company itself, because everything is open. And when the employees are happy they increase their innovation and loyalty.

By using Web 2.0 tools inside the company one can combine business information that otherwise could float around the office. For example if someone has created something new or wants to organize a business meeting, it can be easily published on the tool. Companies are international nowadays and have employees around the globe and with Web 2.0 they can find the person with the right knowledge to solve a problem. This also gives the opportunity to find and access important information, and when adjustments are being made this information is easy to edit.

International companies also use Web 2.0 tools to create virtual meetings internally and externally. For instance a huge association with offices all around the world can regularly benefit from the possibility of having meetings between executives located in different parts of the world without traveling.

6.1.2 Weaknesses

Unfortunately not all of the communities are successful. An online community is like an iceberg, like the 90-9-1 rule is implying, 90% of visitors are satisfied to simply lurk and read. Only 1% will be involved in actively creating content. So it is advisable to make contributing easier, encouraging editing, rewarding participants and identifying both power users and also coming users. (The 90-9-1 Principle n.d.)

It is also important to realize the importance of attracting people to the community and also get them involved with it. This means that the company has to find time to manage the community. For example, guest blogging is an easy way to attract more customers and respond in a short period of time to show that as a customer it is worth commenting and posting videos, among other things, because the company is up to date.

Being transparent might cause difficulties for a company. One of the reasons is that it needs to be well thought out what information to go public with and what to keep secret. This might cause some difficult decisions to be made and it might be sometimes hard for companies to open up for competitors. Also the information that is important for customers to know and what is not might be problematic to decide on.

Another weakness is that if a business is not regularly updating the Webpage the customers might lose their respect for the company. It could be beneficial to have a person in the company who is in charge of keeping the site updated and also checking all the negative comments coming from the customers.

6.1.3 Opportunities

Web 2.0 can offer small businesses new opportunities by giving almost zero marketing costs and low-cost online distribution. (Shuen 2008, 5.) For example a small second-hand book store is able to sell more books through Amazon than it would if it

had started just by creating a Website or opening a store in a city (Anderson 2006, 102).

For innovation Web 2.0 might also make new ideas easier. InnoCentive is, again, a very good example. It is a webpage where companies can post problems and people around the world can solve these problems by using their skills. (Innocentive n.d.) A diverse set of minds can solve a company's problems in a shorter period of time. Web 2.0 also gives the opportunity to communicate with the customers and this might open new ideas that the company would not have thought itself. By giving the customers the tools to create something new of the products might boom the innovation. It is important to show customers they are the friends of the company and not enemies.

'Treat customers like peers, not patrons.' (Tapscott & Williams 2006, 148.)

In the end these 'lead users' might develop products and make modifications that eventually might become part of the mainstream market. (Tapscott & Williams 2006, 128.) Furthermore, they can improve your whole business model, even recreating it entirely. A good example of this is Flickr. It is a Website where users can add their photos and it is completely a user-generated image database. The users in the end told the founders to transform the site more to what it is today and fortunately they listened. (Shuen 2008, 7.)

Outsourcing is also an opportunity. For example, outsourcing product research and development can be an opportunity, because there are usually smarter people outside the firm. It can also be cheaper, because the company do not need so high R&D costs. 'Prosumers' are important to learn to work with because by doing so companies might obtain higher rates of growth and innovation. Also companies can take advantage of energizing customers. This leads to word of mouth, which is efficient because an opinion of another customer is more believable than the word of the company. At its best other customers who read a good recommendation also talk positively about the product to their friends and so on. (Bernoff & Li 2008, 130.)

Another important factor for opportunities is that a company might also co-operate with the competitors in a way which is beneficial for both partners and users, such as uniting two pharmaceutical industries to develop something new, or even using the

opportunity to combine two totally different industries which in turn might create un-anticipated solutions.

Inside the company, Web 2.0 technologies might also give advantages. For example by using wikis internally as a collaboration tool when teams are working on a shared document. Even books can be created on a wiki. (Bernoff & Li 2008, 26.) This can lead to a much easier way to communicate and make information-flow more efficient.

Web 2.0 and the Internet in general has made the world smaller, giving companies more opportunity to act globally. It might be that the best work force is outside the country and nowadays it is easier to find foreign workers.

The new era has also increased the market segment to a more international level. By selling goods online, products can attract a wider customer base because the goods are being sold on a global platform. For example a cloth store in the United Kingdom is available for customers all around the world because of the online catalogue. A customer just has to place the product in a 'shopping cart' and make a payment.

6.1.4 Threats

When the company is transparent it is a threat that the success story can be easily copied. That is why it is important to choose the right information with which to go public. It might also be difficult to know how to deal with customers who are developing the products to the highest limits because they might become your competitor later, for example. Also the customer developments and modifications of products might not follow the company's business plan and it might be difficult to choose the right one from all the options.

Another threat is that people are rating companies' products online and writing their own reviews. That can be seen as a threat if the ratings are bad but on the other hand it does indicate that the company has a quality problem. Ratings can also be seen as an opportunity to get feedback and good free advertisement. Unhappy customers discuss brands online. For example a non-satisfied customer can put a video on YouTube which is mocking your brand or write about your company in their blog. Wikis can be a threat for companies who have image problems because it is written by ordinary

consumers. For example in the Wikipedia entry of Nike Inc, there are texts about human rights concerns and environmental issues. (Bernoff & Li 2008, 17-28.)

But negative feedback is not always the worst. There is always a winner when two or more companies are taking part in a positive feedback. Positive feedback can create a cycle in which the strong get stronger and weak get weaker. And if the positive feedback of a competitor is very strong this might lead to a decline of the market share for the loser. (Shuen 2008, 60.)

Another important threat is that bad rumors might spread easily in networks due to the fact that people, especially young people, spend a lot of time on social networking sites like Facebook. This in turn is the time that they spent away from other media. (Bernoff & Li 2008, 23.)

Web 2.0 era means that companies have to keep up with the developments. Without participation it is a threat to fail to keep up with the change. If a company does not stay up to date with the users and customers online, they might invent and innovate without you, and create opportunities for competitors. (Tapscott & Williams 2006, 94.)

Hacking is also a threat in the Web 2.0 era. It is difficult to manage so that the arena is still conducive to thriving innovation. People who rip DVDs and put the content on P2P networks are a threat to movie companies. TV shows are spread on the Web which is a threat to TV networks. Music downloading is a threat to music labels, and the rest.

For companies producing newspapers the threat can be that people are reading less traditional newspapers and instead reading news on blogs and online news sites. Online advertising is also increasing and this can be seen as a threat for media companies. (Bernoff & Li 2008, 12.) Retailers have perhaps also experienced a decrease in sales in the Web 2.0 era because, for example, online auctions such as eBay offers people to buy more used items from each other. (Bernoff & Li 2008, 13.)

The threats of Web 2.0 also influence companies internally. For example, a company's employees can discuss the pros and cons of their company's policies in social networks and this is bad publicity.

6.2 Its implications on people

Web 2.0 has opened up companies so that consumers can now participate and innovate with the business in small segments. Web 2.0 enables people to play an active role in the workplace, communities and in the global economy. This might help people to create and develop something in their free-time without outside pressure. The Internet is just a tool, but the people are the ones who make it.

'You don't need a keyboard to lead... You only need the desire to make something happen.' (Codin 2008, 6.)

Next we will make a SWOT-analysis about community marketing's implications on people. Table 2 shows the main points of the SWOT.

Table 2. SWOT-analysis about Web 2.0 and the implications on people

Strengths	Weaknesses
Being part of the new era of collaboration Being part of a community of your own interest Contribute to a community Easiness e.g. shopping	False information Not everyone has a connection
Opportunities	Threats
To co-create To share information To collaborate Earn money To influence To connect Being a entrepreneur	Less face-to-face encounters Fake customer recommendations

6.2.1 Strengths

People can now socialize, entertain and innovate in your own chosen self-organizing community; they are part of the new era of collaboration called the Web 2.0. For the consumer this creates various opportunities to develop yourself or to use your knowledge to create something new or innovate old.

Companies are more willing to allow, even encourage, the participation of consumers in the decision making. This gives people the opportunity to be part of something. When participating online on in the development of, for example, a product, it might

be easier because a person can contribute in smaller units and copy from another 'developer'. The best example of this is InnoCentive. It is a Webpage where various people contribute to solve a problem in small units and developing other people's ideas. The best solution is awarded, providing motivation.

Web 2.0 also enables individuals who are users of a community to collaborate and contribute to the content of a community. It can give the people the feeling of doing something important and being part of a community. In the real world the connections between people are bigger, but in the online communities the gap is smaller. For example a person who is interested about cars can find other members easier in an online community with the same interest.

Web 2.0 also gives people more convenient shopping experiences and makes it easier to find what you are looking for. This is because of search engines and customer recommendations. Online shopping reduces also the time spent on shopping and this might in turn hook the user to the site. As a customer, bargains can be found easier. Comparisons about products and services needed are just a click away.

As a user you can be part of a big corporation because Web 2.0 has shifted the power from big corporations to the masses. During the decision making in big companies the voices which are heard are now also the customers'. (Anderson 2006, 64.)

6.2.2 Weaknesses

When doing internet research false information can be found and this might mislead the researcher. So when surfing online, it is important to be a bit skeptical. '*Anybody can claim to be an expert on any subject*' (Tapscott & Williams 2006, 74.) Another weakness is that although having an Internet connection is very common, it should not be taken as granted. Not everybody has access to the Internet.

6.2.3 Opportunities

Web 2.0 has enabled users to co-create their own services, communities and experiences; things that only human creativity, a computer and internet connection are needed. Today anyone can open an online store or educate themselves in an Open University network, or just 'google' to search for information when needed.

Web 2.0 also gives the opportunity for an individual to use his/her expertise in a particular area for creating something new or better, which might eventually appeal to mainstream markets. As an individual today you can influence and collaborate. This can lead to the fact that, for example, the money from advertisements on communities does not go to the media conglomerates any more. Web 2.0 also gives individuals the opportunity to share information and experience with others. For example, one of the first people to report about the Hudson River plane crash was on Twitter. He was a passenger on a ferry who saw the crash and made a post on his Twitter site. (Lake 2009.)

Earning money by writing a blog is also an opportunity. For example in Sweden young girls are able to earn their living by writing fashion blogs. They take photos of their outfits, show them on their blog and explain where they have bought their clothes. When a fashion blogger showcases a new piece of clothing and tells where she bought it from, their followers will go and buy that same product. Companies have noticed this and they give free products to the bloggers in the hope of free advertisement. (Yle uutiset 2009.)

Online communities also give the opportunity to find and connect with people. As a user of a community it is possible to communicate with other members spontaneously and share your thoughts. For example, cancer patients have a community site where they can connect with other cancer patients. (World Pharma News 2009.)

As a customer it is also easier to make complaints about products or services when there is no face-to-face communication. People might be more straightforward when they can just make a post or a comment on a community site of a product or service that they were not satisfied with.

It is also a benefit of the new era that anyone can be an entrepreneur. It is very easy to start one's own business and have customers worldwide. This can be achieved by making a Webpage or just signing into a Website and selling goods. For example Etsy is a Webpage where ordinary people can sell their handmade products.

6.2.4 Threats

As a threat there might be the problem of differentiating between real customers' recommendations from fake ones'. To prevent this, companies could give free gifts or money for bloggers to get them to promote their products. Web 2.0 might also decrease the face-to-face encounters and this might lead to more closed people who only communicate online.

7 WHERE WEB 2.0 IS HEADING

7.1 The new world

Before we were used to operating in a specific way and following the rules that had been applied in the past. There has not been fear of a radical change until now. The forces of technology and time have created a new set of rules. Industries that are using the same strategic decisions for many years will find their patterns outdated.

The traditional way of thinking has been that the bigger the enterprise the more power it has. In the new world to be small can provide a fundamental economic advantage, because decentralization in a small firm combined with a network of users can give a small company flexibility and power. (Brafman & Beckström 2006, 202.)

This network of users is vital in the new world. Before, the creation of a network effect was difficult but today's technology enables the addition of a new customer almost for free. This creates communities where every single new member creates value to the network and at the same time increases loyalty. (Brafman & Beckström 2006, 203.)

These members are also people who are working in a organization and before were neglected from power. The new world gives the opportunity to every single worker to be part of the decision making and innovation because it understands that the best knowledge is often at the fringe of the organization. (Brafman & Beckström 2006, 204.) The new world also recognizes 'the amateur class' and how they can innovate, because they are able to use the Web to acquire as much information as professionals (Howe 2008, 40).

For industries to survive, they need to take a new approach because in the digital world of today, the faces of industries and societies are changing (Brafman & Beckström 2006, 200). The best way for a company to survive the new world is not to fight against it, but to join it.

7.2 Future of Web 2.0

It is impossible to predict the future of Web 2.0 completely correctly, because technologies are moving fast. Styles are developed and thoughts are exchanged very quickly in the communities. In the future the product cycles will also speed up, because the information is more transparent. (Bernoff & Li 2008, 239.) The best way is to join the Web communities and talk directly to them, because it is a waste of time to predict what consumers want. Today consumers are more empowered than ever and are unwilling to use old-fashioned marketing and as a company it is advisable to talk the same language because this might end up as a huge advantage. (Bernoff & Li 2008, 237.)

For these changes to happen there are a couple of things that need to be present: the right technology and trust amongst users. But the lack of these are not stumbling-blocks, it would just slow down the pace. Because it is quite obvious that technology is willing the communities to improve in the future, companies should be ready for the changes. (M-cause 2009.) The only thing that is missing at the moment is the participation of more companies and individuals. But this will change in the future, because the companies who are not part of it will slowly fall off the pace. (Bernoff & Li 2008, 237.)

There are various ways to engage with Web 2.0 technology because at the moment everything needed is there; communities, blogs, wikis and the rest. For a long-term loyalty from customers the companies need to understand the importance of Web 2.0 and also the use of it in their business. This is a way to understand what is there just for the short term and what in turn is the start of a major trend. (Bernoff & Li 2008, 238.) It should also be beneficial for a company to realize the upcoming changes that new technology might enable. For example, the Semantic Web is something that the companies need to consider when making future decisions. Next we will discuss more in detail how it might alter the tools at the moment.

7.2.1 Blogs

At the moment blogs are very efficient for companies to have, for example, for executive communication, file sharing or when talking about a coming project. Readers can comment in writing and the author can reply, for the whole world to see. There are al-

ready some tools that might be showing the direction in which the blogs are heading. One of them is Lifestreaming. This is a new Web site which is a chronological aggregated view of your life activities both online and offline. It combines all the various activities the user is doing online: pictures, music, interests, and others. If this is done correctly it is an efficient way for a company to promote their business or brand. (Lifestream Blog 2009.)

Another interesting tool that has had interest shown in it is Twitter. This is a micro-blogging site where all your thoughts or links are exchanged with your friends or followers quickly with only 140 characters. With these 'tweets' an instant message goes to everyone who has chosen to follow you. This might build trust and curiosity and also lead to a career. (Godin 2008, 34.) For example, the President of United States, Barack Obama, used Twitter frequently during his campaign.

These new tools are a great way for a company to put more of a human face on the interactions between employees and customers and with the current pace of technology advancement, greater efficiency is not far off. (Knowledge@Wharton 2005.)

7.2.2 Social Networking

The importance of social networking sites will increase because the platforms will expand further. New applications would make it possible to know what the user's actions are but also where they are located at the moment. The information would be more constant and could also educate the community more efficiently. (Schmugar 2008.) It might be that the Web will be like air. That is, that it will be ubiquitous. Thus, if the user's social network is not part of it, s/he will feel inadequate. When this change happens it will also modify some of the key social network components; profiles, relationships, activities and business models. (Ammirati 2008.)

1. The Universal identity

At the moment consumers have various different identities and profiles when surfing online. For example a user can be part of Facebook, LinkedIn and Yahoo and this might be very complex with different usernames and passwords. It might be that in the near future the identities will follow everywhere the user would surf. This means that instead of worrying about maintaining multiple user accounts or passwords the users

could have only one account and one online identity – an OpenID. (Li 2008b.) Through this, companies could grow in the market faster and better by working together (Li 2008a). This would also decrease the costs of password and account management and at the same time increase site visitor registration conversion rates. For a user this means that the user would control their own login and also that the user owns their own personal information. There are already some openIDs present. Some large organizations are starting to provide these, for example MySpace, AOL, Google, Microsoft, among others. *‘It is estimated that there are over one billion OpenID enabled user accounts with over 40,000 Websites supporting OpenID logins’* (OpenID Foundation 2009.)

2. The single social graph

With all the various community identities, the social relationship with different users varies. A user can have working colleagues on LinkedIn but lacks them on Facebook. A single social graph could unite all the relationships in one and when the user would join another community the social graph would join in also. The relationship mapping would be automatic and permission-based. This would make it easier because the user would not have to wait for the other friends to find the user from the community. (Li 2008b.)

For a company this would mean that all the important connections would be more easily available and they might find an important contact from a surprising source. For example a friend on Facebook who is interested in cooking could help a bakery in a tasting for a new product.

3. Activities as a more social context

Consumers are very influenced by external factors when making buying decisions. They are more willing to buy a product when for example a friend or a family member has critiqued it positively first. In the future communities might offer activities that could be related more to what you need to know. For example when buying a ticket to see a film in the theater it would also show the ratings of the film given by your friends or even if it is on their personal blog.

4. The social influence would define the market value

The advertising models that are frequently used today will not work in future social networking sites. The models that are mostly used are CPM (cost per thousand page impressions) and CPC (pay per click) pricing. (Wikipedia n.d.e.)

In the future it will be more based on how valuable the user is in the context of influence. Each user will have their own 'personal CPM'. So the social networks will compete to have the best experience for highly influenced people (Ammirati 2008). This is because an individual's authority on a specific topic plus their network's interest and authority on the topic results in this (Li 2008a.) In social networking each member is a valuable influencer of their own and each member's contribution to a social network. (Ammirati 2008.)

7.2.3 Wikis

Since it was created in 1995, Wikis have evolved a lot and will continue to evolve according to the internet technology. (Wikibooks 2006.) There are a couple of trends that might emerge even more in the future. The first is the 'Future'. This is created in Wikicities (a free Web hosting system) and it has similarities with Wikinomics. Although it is a new phenomenon it already includes some useful information. (Future Wikis 2006.) The other one is ScenarioThinking.org. This is a wiki community that is concentrated on scenario thinking and scenario planning. (Scenario thinking n.d.) Wikis are very popular and it might be the first thing that a new employee faces when starting in a company. It is said that companies will spend more on wikis each year until 2013 than on blog software, podcasting or widgets. (Kirkpatrick 2008.)

7.2.4 RSS

RSS is a new technology that has changed the dynamics to become more on-demand than before (Iskold 2008). It might be that in the future it will emerge amongst the "normal" users because now the users are more concentrated on bloggers. The future RSS will give the opportunity to be the tool with which the users can easily set up personalized searches that are relevant to them; sports, weather broadcasts, stocks to name a few. RSS will also make it possible to subscribe to the results. (MacManus 2005b.)

7.2.5 Tags

Tagging is at the moment a very easy way for the users to organize their opinions and views so that other people can search and also add their ideas on the content. Web 2.0 introduced this phenomenon and it will also grow according to the way in which Internet continues to change. One example where tagging might be growing is a company called Tagcow. They are presenting a tool which makes browsing pictures as easy as browsing information on google. The users can add their pictures to this program and then they are tagged automatically according to their main features. And then the pictures the user is looking for can be found only by writing keywords. (Tagcow n.d.)

7.3 Future of the Internet technology

There are other things that are beneficial for a company to know. It is maybe not only the communities and their components that will change. It is also the whole Internet that will change its form because technology is getting better and better. There are children who are born to the Internet era, known as 'digital natives', who are creating the media that the generation before was just consuming. (Howe 2008, 262.) These young people are not just surfing online; they are also creating the content (Howe 2008, 269). So a company should be ready to be modified according to any transformation, because being up to date has a positive impact. There are forecasts about various changes but in our opinion the most important are: Semantic Web, Virtual World, Mobile Web, Attention Economy and Web sites as Web servers.

7.3.1 Semantic Web

Sir Tim Berners-Lee, creator of the WWW and HTML, has brought up an idea where a net of information is linked so that machines can easily process it globally. (Palmer 2001.) The core idea of Semantic Web is to create meta data, that is data describing data, which then gives the computer the chance to process the meaning of things.

The computer cannot work without a human direction because the computer was assigned to be worked by people, but this new Web enables a person or a machine to begin in one database and then go through all databases. The information would not be connected with wires but with the same information. (W3C 2009.) It is still on its early phases so it is maybe difficult to predict the likely characteristics at this point,

but the building blocks are already here: Resource Description Framework (RDF), Web Ontology Language (OWL), and the rest. (MacManus 2007.) This would again show the “New Alexandrians” phrase in a new light with a faster information search.

7.3.2 Virtual World

It can be that the Virtual World will be one of the future Web systems that will affect us and shape the society in 2015-2020 (Wikia n.d.). Virtual World is an animated three-dimensional world with computer graphics and sound. Chat and instant messages are also part of the virtual world. The virtual world has two basic types, the first was created for gaming and the other one is for virtual communities. (Wise Geek 2009.) Virtual world is not just about the digital world, it is also about making our life more digital. *‘On one hand we have the rapid rise of Second Life and other virtual worlds. On the other we are beginning to annotate our planet with digital information, via technologies like Google Earth.’* (Iskold 2007a.)

7.3.3 Mobile Web

To be connected to a network by using mobile devices, for example a mobile phone or other portable gadget is at the moment very big in some parts of Asia and Europe, but it is said to grow bigger in the ten following years. The problem at the moment for growth is the usability of the small screens and also the format of the information online. In the future the trend might be that the mobile Web gives the opportunity for more location-aware services. For example when a customer walks in to a cloth store, the mobile phone gives the information of all the discounted items. (Iskold 2007a.) A good example of a mobile Web is iPod touch. It offers a widescreen iPod, GPS maps, an internet device with HTML email and desktop-class Web browser.

7.3.4 Attention Economy

An Attention Economy is an economy with a marketplace where consumers agree to receive services in the exchange of their attention. Figure 3 shows that this economy is about to give the consumer a choice: to choose where their attention is spent. (MacManus 2007.) It does not need to be direct or instant selling. The most important thing is relevancy. The user is more likely to come back to a site where the information is interesting and this in turn gives more opportunities to sell. For example, if the user is

reading a blog s/he likes and the site has advertisements, the user is more likely to click on the ad on that site than on another site. But the attention economy goes further because it shows the advertisements that are more likely to be noticed by the user. This is done by recommendation engines. It knows your browsing history, the books you have ordered, the music you listen to and other interest indicators (Iskold 2009).



Figure 3. Attention economy according to Alex Iskold (2007c.)

For example Facebook is showing advertisements that are interesting to the user, snowboarding holidays for someone who has snowboarding as his interest or discount vacations for someone who likes travelling. Relevancy is important in an attention economy but so is privacy. Thus, protecting information and giving the users the chance to control their own information is important. There is an organization called 'Attention Trust' that is helping to understand the idea and to protect the consumers. (Iskold 2009.)

7.3.5 Web sites as Web services

The Web has a lot of information that is hidden from computers. The phase before the creation of Semantic Web is when the big Web sites are going to be transformed into Web services. And this means that their information will be more exposed. There are two different ways that the transformation can happen in the future. One is that the Web sites use REST API. This is an approach that can get information from a Web page that contains an XML that describes and adds the content that you wanted. For example Amazon has already used this. The other way is to keep the information proprietary, but will be opened through mashups. (Iskold 2007b.) A mashup is a Web-page or application combines data from more than two external sources to create new service (Mashups 2009).

8 INTRODUCTION TO THE EMPIRICAL STUDY

8.1 Methodology

The target of this research was to compare small and medium-sized companies' with large companies' approaches to community marketing. One of the research questions concerned which companies outsource the building of communities and which build them inside the company. This was important to find out because AKAD Business AG, the company who this research was carried out for, implements online communities as one of its main business. Another interesting objective was to find out what benefits community marketing has brought to the companies who are using it. To find out, a little bit different method was chosen in order to get responses from companies who already have experience in the field of social media. In addition to sending the questionnaire to companies, it was also posted on different blogs on the Internet.

The questionnaire was sent to different companies around the world without a real concentration on the sampling frame. The reasoning behind this is that the topic of this thesis, community marketing, is not tied to any geographical limitations. It was not so important where the respondent was located because the Internet is accessible everywhere. To select a specific country or region was not important. It was more important to get responses from both the companies that use Web 2.0 technologies in their business strategy as well as companies that are not familiar with the topic. The language of the questionnaire was English. Although the respondents were from all over the world, all of them were able to understand English because the online questionnaire was only sent to blogs written in English.

The blogs were found by using key words such as 'community marketing' and 'Web 2.0' in Google blog search. The link to the questionnaire was sent along with a short covering letter to approximately 30 blogs about community marketing, 20 blogs with the topic entry of Web 2.0, 15 blogs with the topic social networking and about 5 to technology related blogs. The idea was that people who have the knowledge and desire to answer the questionnaire would probably be reading the blogs about these topics. We were also interested to see whether the power of social media could be taken advantage of in this way.

The questionnaire was made and published with a free internet tool called Thesis-Tools.com which provided the link that directed the respondents to the questionnaire. It was fairly easy to post the link onto different blog entries along with a short introduction to our survey topic. The link and the covering letter were also sent forward to different companies via e-mail. Approximately 150 emails were sent out and with this approach either there was no specific sample frame.

We started sending the questionnaires on the 23th of March 2009 and responses were received over the following four weeks. Of the 87 replies that were received, 60 were usable. The rest were without answers or with answers that were not relevant for the analysis. This means that the total amount of replies that were usable was 69%.

8.2 AKAD Businesses AG

We wrote our paper for the company AKAD Business AG which is located in Zurich, Switzerland. It is a higher education institute established in 1960. The company has 30 employees. The main tasks of the company are the creation, implementation and management of closed social networking platforms and building community-marketing strategies for the company and its partners.

8.3 Structure of the questionnaire

The questionnaire was carried out in co-operation with AKAD Business AG and by using a free internet tool. We were given feedback by our enterprise instructor during the writing process. The final questionnaire was also approved by him. An online format was chosen for the questionnaire because of its easiness to the respondents but also because the topic of the thesis is focused on online media. The decision to use the online tool, Thesistools.com, was reached based on that. It is an easy way to construct a questionnaire free of charge.

The questionnaire begins with the background information of the respondents. The questions were about the companies' line of business, the amount of employees, and the respondents' position in their company. They were open-ended questions because of the need to not restrict their possible answers with fixed options.

After the background information the questionnaire continues with three different sections. The first part is concentrated on companies that are engaged in community marketing and the other half is for companies that are not. Companies which were not yet engaged were also important to the study because their attitudes towards community marketing were also researched. The third part is for all the respondents to find out the companies' attitude towards the use of community marketing during working hours.

9 RESULTS OF THE STUDY

9.1 Background information

The questions between 1 and 7 were about the background information. 60 responses were received which were suitable to use in the analysis of the results. The respondents were compared according to the number of employees as well as turnover. 22 respondents did not know or did not want to reveal their company's turnover.

Table 3. The companies were divided according to the following definition

	Employees	Turnover € / year
Small	< 10	< 2 million
Medium	10 – 50	2 – 50 million
Large	> 50	> 50 million

Since there were not so many companies that could be categorized as medium-sized, small and medium sized companies were combined as one group to get a more equal-sized comparison groups. Companies were compared according to the number of employees instead of turnover because so many of the respondents did not give any information about their turnover. Responses were received altogether from 34 small and medium-sized companies and 26 from large companies.

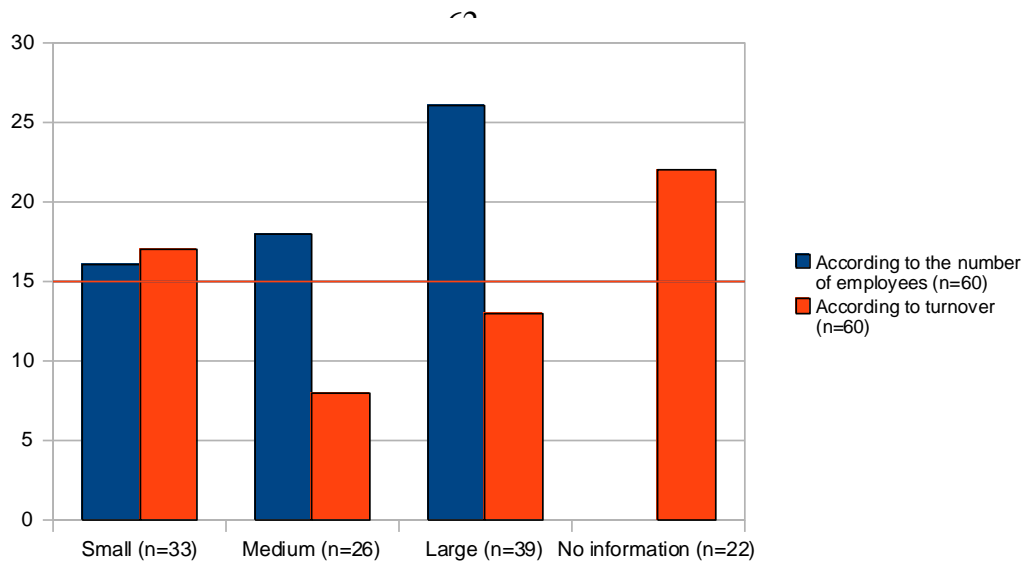


Figure 4. The respondents' size according to the number of employees and turnover

Question 2 was about the line of business the respondents were operating in. Because it was an open-ended question, various lines of business were received. The replies were divided into the industry groups where they belonged to. The largest group was 'other' (24), partly because the question was open-ended. The following lines of business were included in that category: telemedicine, job fairs, safety advisor, student, event production, accounting office, photography/music production/graphic design, trading, textiles, gastronomy, architects, food industry, medical service, reinsurance, printing shop, insurance, lab supply, energy, user experience, industry, global business services, shipping, power plant industry and construction. Some of the replies were difficult to classify into different groups because it was not always easy to realize in which industry they were operating in.

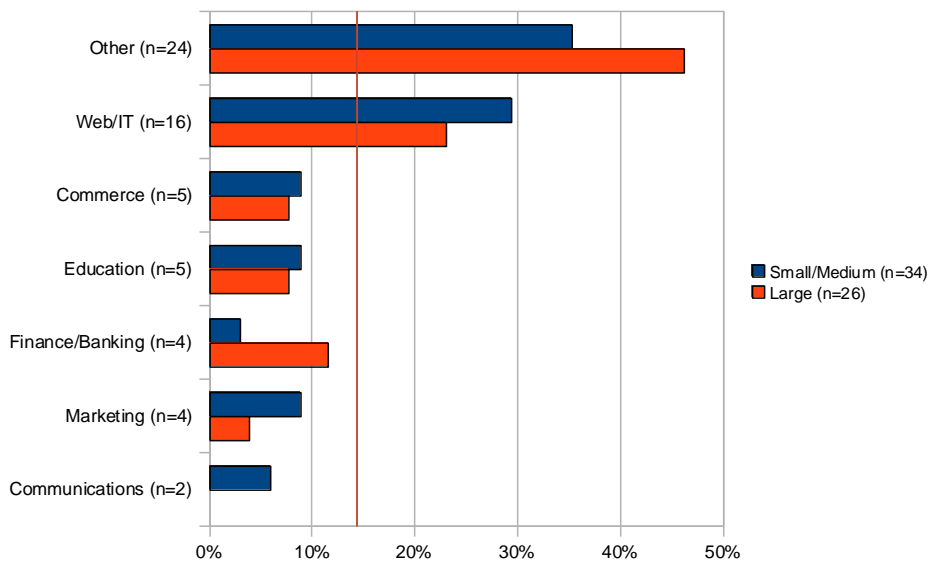


Figure 5. The companies' lines of business

Second largest group was Web/IT related (16). That was no surprise since the questionnaire was mainly sent to blogs that were connected with this topic. Commerce (5) and education (5) were the third largest group. Finance/banking (4) and marketing (4) were the fourth most common industry and after that was communication with two replies.

The positions of the respondents were also categorized into different groups. The largest group consisted of managers, owners and CEOs (31). The other respondent groups were employees (6), consultants (5), assistants (3), analysts (3), interns (3) and coordinator (1). The group “other” consisted of the following answers: software engineer, sales specialist for chromatography consumables and PPE, sales/system engineer and service clerk. Four respondents did not reply to the question about their position.

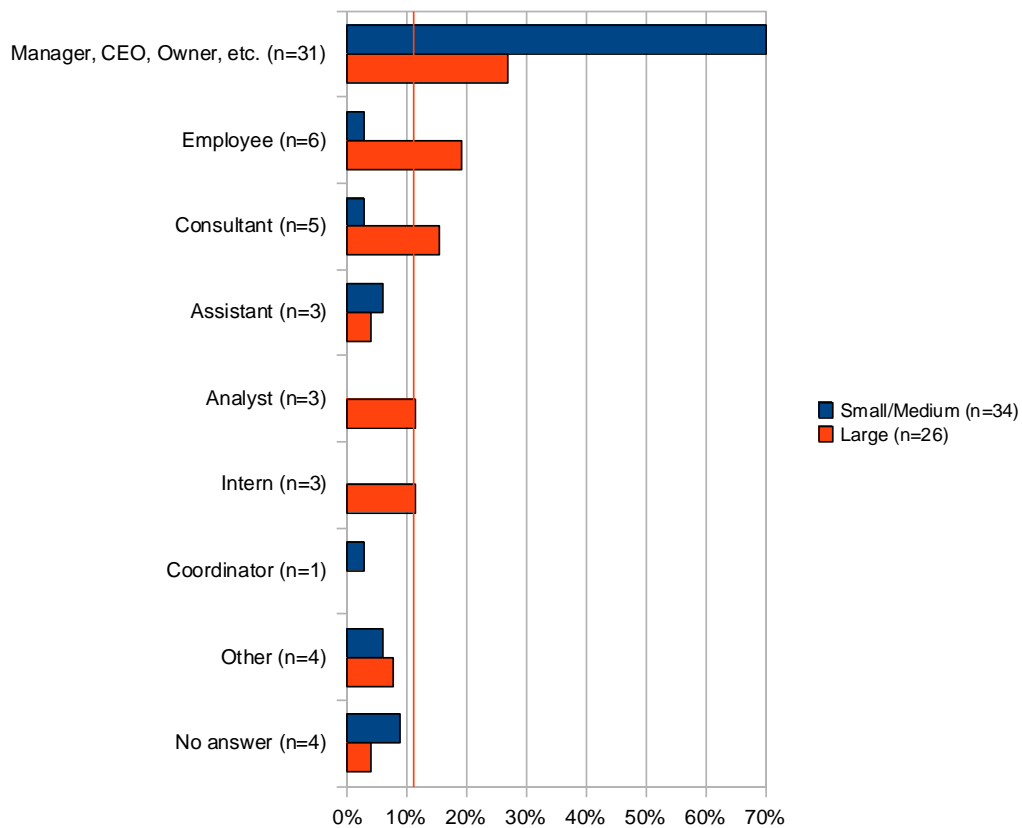


Figure 6. The respondents positions in their companies

9.2 Companies engaged in community marketing

After the background section, questions were asked from the companies which were engaged in community marketing. These were the questions from 8 to 14. Question 8 was aimed to find out if the companies were engaged in community marketing and

what were the ways in which they were operating. Another purpose was to make the difference between small (34) and large (26) companies.

As figure 7 shows, advertising in social networks (14) was the most commonly used community marketing tool for small and medium-sized companies. After that came writing a blog (12), company's own social community (10), intranet (10), advertising in blogs (8), discussion forum on a Webpage (6), wikis (6), online store (5). Other forms of community marketing which were mentioned included Twitter (2), LinkedIn, Constant Contact, word of mouth, Web page, GemTV, Delicious and non-IT related events.

For large companies intranet (13) was clearly the most used form of community marketing. The other forms were writing a blog (6), discussion forum on a Web page (5), company's own social community (5), advertising in social networks (4), advertising on blogs (3) and online store (2). Other forms mentioned which were not included in the questionnaire were Twitter, Facebook, Delicious, Flickr, Eventbrite and blog comments.

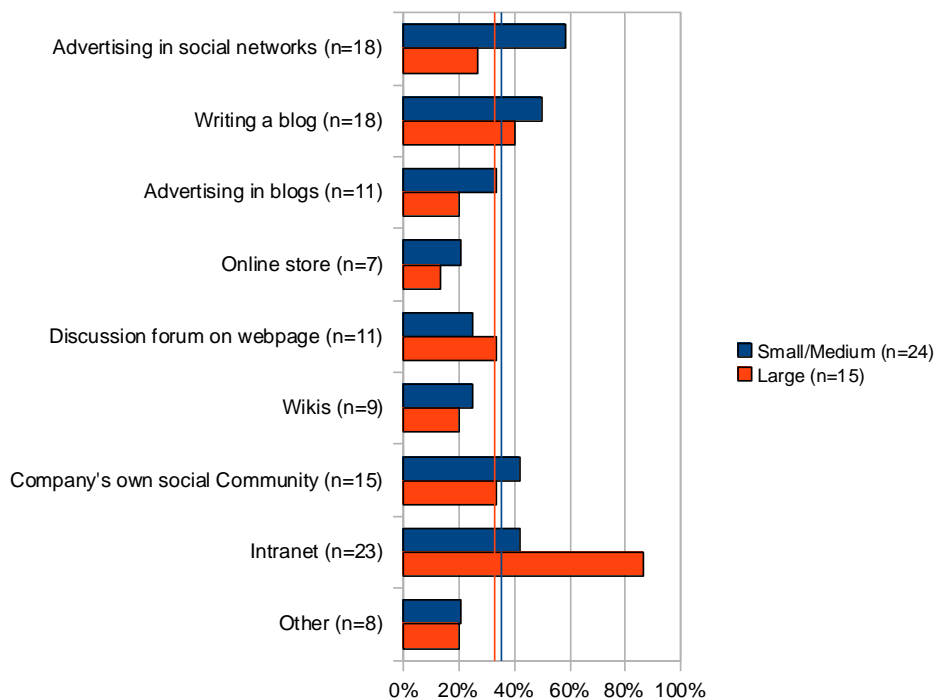


Figure 7. How small and large companies engage in community marketing

The results show that the size of the company has an effect on the way the company is using social media tools. Smaller companies tend to participate more in public social networks and have communities for their customers whereas large companies use the Intranet more. The reason for this could be that large firms need an intranet more to help create networks inside the firm. Small and medium-sized companies also participate more often in wikis, write blogs and have online stores.

The main research question “*Was the community built by the company itself or was the building of the community outsourced to an IT service provider or specialized community marketing agency?*” was asked in question 9. Figure 8 shows that both small and large companies tend to build their communities inside the company rather than outsource. From the 24 small and medium-sized companies 75% had built the community inside the firm whereas 80% of the 15 large companies also built it in-house. It seems that small companies like to outsource their communities more but the difference is not major compared to the large companies.

An open-ended question was used to find out the reasons for outsourcing or building inside the company. We wanted to have different perspectives from companies and did not want our own prejudices to affect the result. The most common reasons for choosing to build inside the company were the affordability and having the know-how and the resources. There were no significant differences between the reasons of small and medium-sized companies compared to large ones.

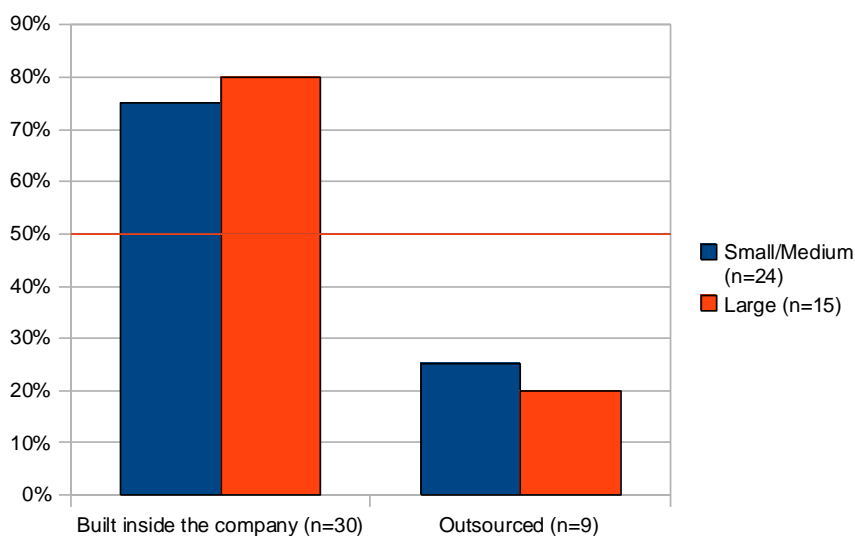


Figure 8. The percentage of the communities built inside versus outsourced

Most commonly used reasons to build the community inside were that the company possessed the skills needed and it was more affordable. The reason to outsource was most commonly because of the lack of expertise in the field. All the reasons which were mentioned are as follows:

Reasons mentioned by small companies to build in-house:

- To have the knowledge in-house for future development work of the service
- Quickest to manage
- Affordability
- We wanted to have features the existing ones did not have
- Because we have the know-how to do it ourselves
- Flexibility and opportunity for further development in shorter cycles

Building social networking technology is our core business

Reasons mentioned by large companies to build in-house:

- Wanted to have full control over it
- Maybe the cheapest
- It is our business
- We are an interactive company which has this as a core business
- Because we are pioneers in social networking and community tools

Reasons mentioned by small companies to outsource:

- We did not have the right skill
- Shortage in expertise
- Lack of internal manpower
- Cheaper and very effective and efficient

Reasons mentioned by large companies to outsource:

- Professionalism
- Partly built inside the company; partly outsourced. Outsourced: because it's a tremendous amount of work to do and it's not our own speciality area. Built inside the company: the ideas come from inside the company and then they are outsourced after the starting the function

In question 11 the respondents were asked if they were happy with the result. The question was asked to see if there are any differences in the satisfaction to their community of the companies who outsourced and those who built inside. From 18 small companies who had used an inside source to build the community 89% were satisfied with the result. Only six firms had outsourced their community and out of those firms 67% were happy with the outcome and 33% were dissatisfied.

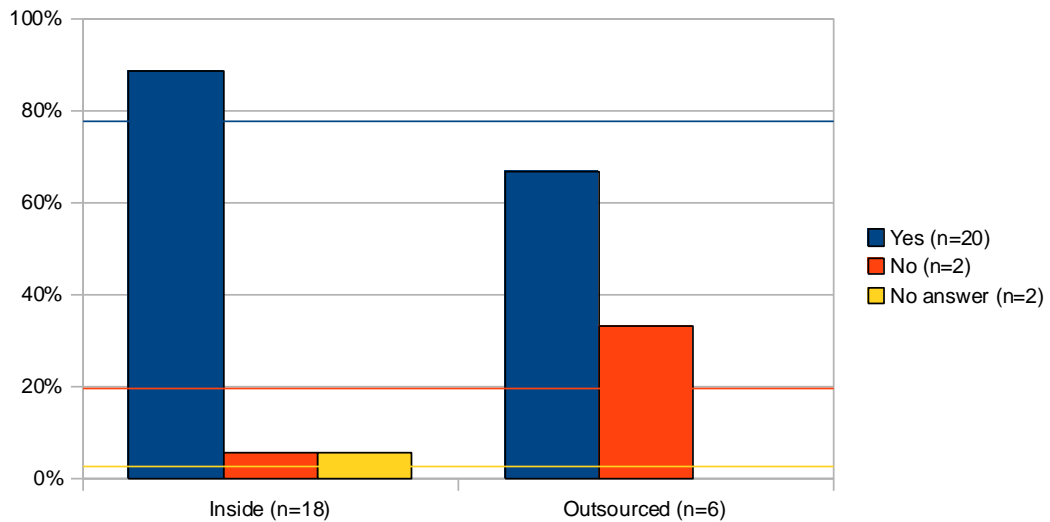


Figure 9. Were you satisfied with the outcome? (Small)

Out of 12 large companies who had built their community in-house 67% said that they were happy with the outcome and 8% disagreed. The remaining 25% did not answer to this question. All the large companies who had outsourced were satisfied with the outcome. From the results it can be concluded that outsourcing especially suits large corporations. It seems that small companies are more often satisfied when the building of the community is done using an inside source.

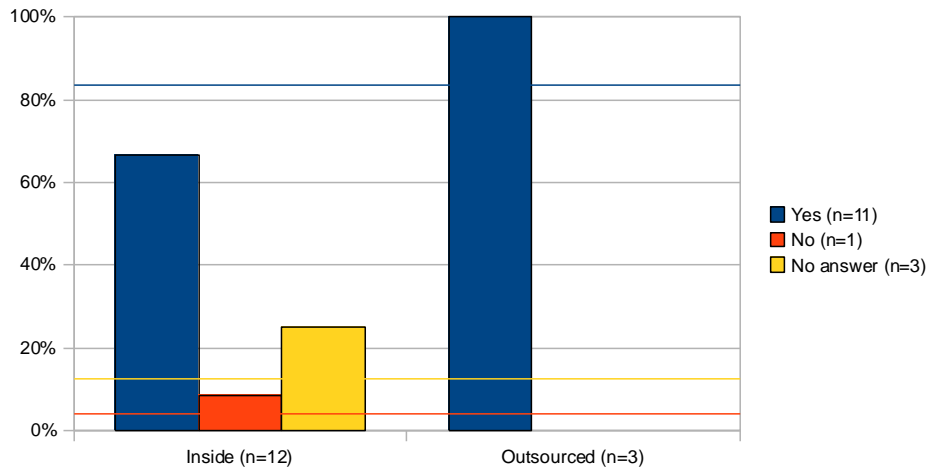


Figure 10. Were you satisfied with the outcome? (Large)

Question 12 was: *“If outsourced, which company was used?”* There were only few answers and therefore no significant findings can be made based on this question. The question would have been more relevant if the research was targeted to a specific group of companies.

In question 13, respondents were asked if they would use the same method now as they did when they first established the community. With this question the aim was to see would the companies who already have engaged in community marketing do it any differently now if they had the current knowledge. The majority of the respondents said they would still use the same method but those who had outsourced the community said more frequently that they would now do it in another way. 89% of the small companies who had built the community in-house said they would build their community in the same way as they did before. The remaining 11% did not reply to this question. 67% of the companies who had used outsourcing would still use the same method, but rest of them would change their approach.

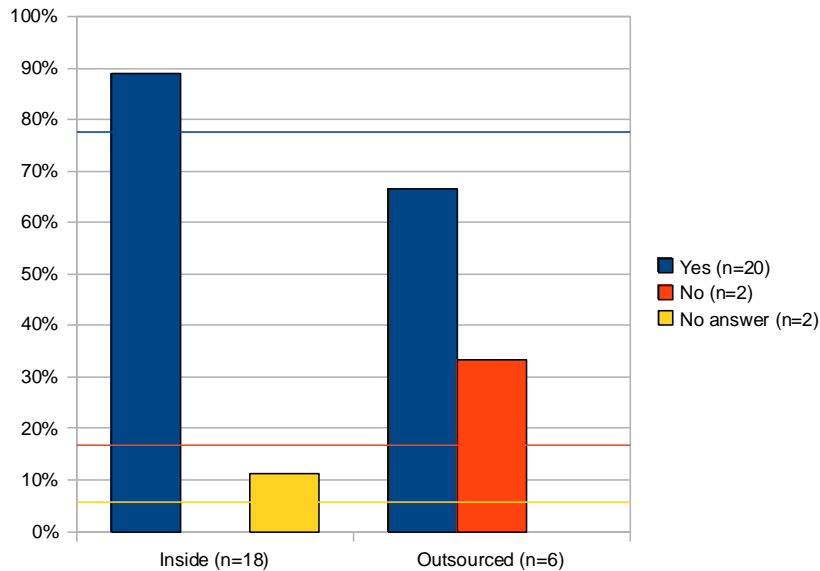


Figure 11. If you would do it again would you use the same method? (Small)

Eight large companies said that they would use an inside source again and only one said that they would not. From large companies who had outsourced all 3 said that they would do it again in the same way.

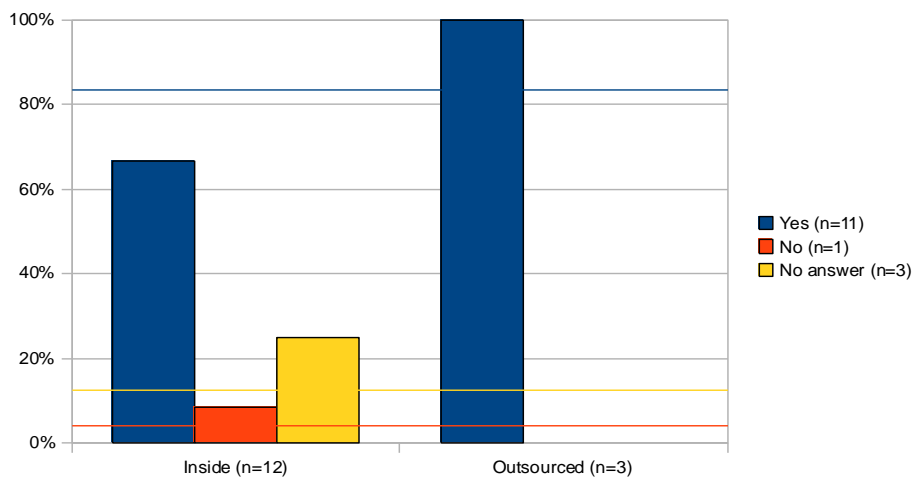


Figure 12. If you would do it again would you use the same method? (Large)

With question 14 the target was to see if it is really true that community marketing can have such a positive effect on a company. The respondents were asked which of the following claimed advantages they had noticed were true for their company. The most positive effect for small and medium-sized companies was that they had more customers (n=14) after participating in community marketing. For large companies the most positive effect noticed was the increase in customer loyalty (n=5).

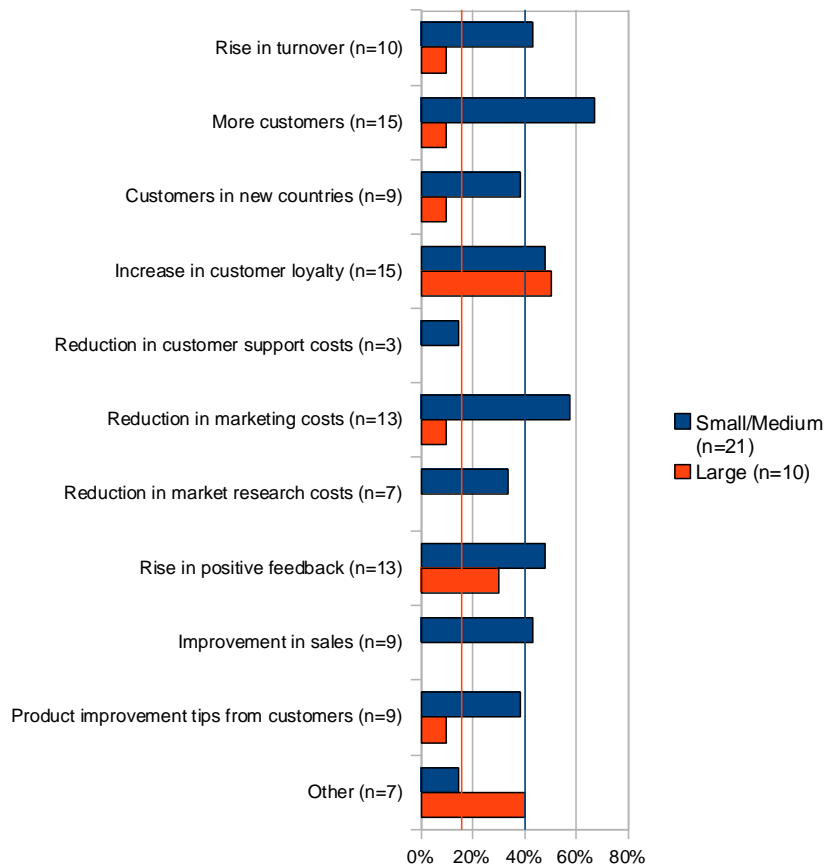


Figure 13. What advantages did you notice after engaging in community marketing?

We had been reading and hearing about the benefits of community marketing while writing the theory part but we were still quite surprised that all the options in this question got ticked at least once. There was also a really good comment by one respondent which in our opinion sums up the main advantage of participation:

“If you stay in touch with your customers using the various means that are available today there is a higher chance of them coming back. Again. And again. And again. And again. Keep your customers happy and they will keep coming back and ask for more. Because they trust you. If they have to spend money they want to spend it on you. That's your profit right there. And they might introduce you their other friends... So you gain more contacts; you get an excellent reputation; you get to expand your social networks... and thus stay in business; even when the rest of the world is crying and whining about a "financial crisis”.

In the box ‘other’ respondents had also answered the following benefits which were not already listed as options: awareness, engagement and honesty. The rest of the respondents who answered “other” did not elaborate their answer.

Small and medium-sized companies noticed more advantages than large companies. There could be many reasons for this result. For one, it might be that the people who answered the questionnaire did not know this information because in large firms with lots of departments and products it could be difficult to tell what effect community marketing has had. In large companies the information is not so easy to access especially if you are not a manager or CEO. In this questionnaire there were more respondents whose position was owner or manager from small companies than from large companies. It was naturally easier to reach the executives of the small companies than the large ones. That could have affected the result when comparing the groups.

9.3 Companies not engaged in community marketing

Questions 15-18 were targeted at companies that were not engaged in community marketing. There were altogether 20 companies who replied that they are not yet engaged in community marketing, 10 small and 10 large companies. One large company who did not participate in community marketing did not reply to any of the questions 15-18 either. With the question 15 “*Has your company been considering taking part in community marketing?*” the objective was to find out how many companies are interested in using community marketing and which ones are not. 10% of the small and 30% of the large companies said that they have been considering participating in community marketing. There were two respondents from small companies and one from a large one who did not reply to this question. Based on the results, large companies are more interested in community marketing.

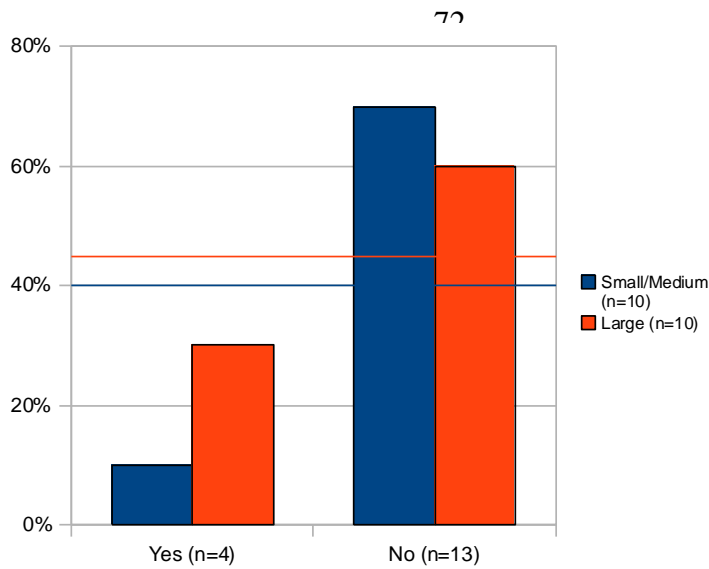


Figure 14. Has your company been considering taking part in community marketing?

The companies' interest to participate in community marketing was also compared with the line of business of the respondents. The most interested and at the same time the least interested companies were in the group "other". The figure 15 shows surprisingly that the Web/IT companies were less interested to consider community marketing in their business than the other groups. Companies whose line of business was commerce and finance/banking also showed some interest towards community marketing.

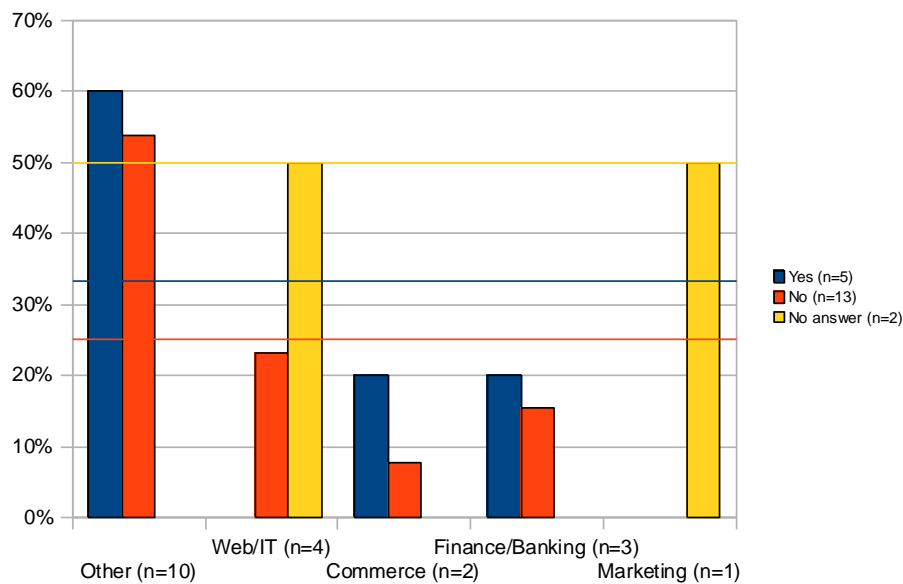


Figure 15. Companies' interest to take part in community marketing (line of business)

Question 16 was about the interest to know more about community marketing and as figure 16 shows, either small or large companies did not show a significant interest towards community marketing. The replies were grouped according to the size of the companies. Only 10% of both small and large companies were interested in getting more information. There were 2 small and 1 large companies who did not answer the question at all. Only one company replied to question 17 on how have they been considering the implementation of community marketing and this was by an online shop. Other replies were;

- Our business is based on face to face marketing. It is almost impossible to manage our business using community marketing
- The business is purely B2B
- Due to the social structure of the clientele, social marketing is taking place in other means than electronic ones.

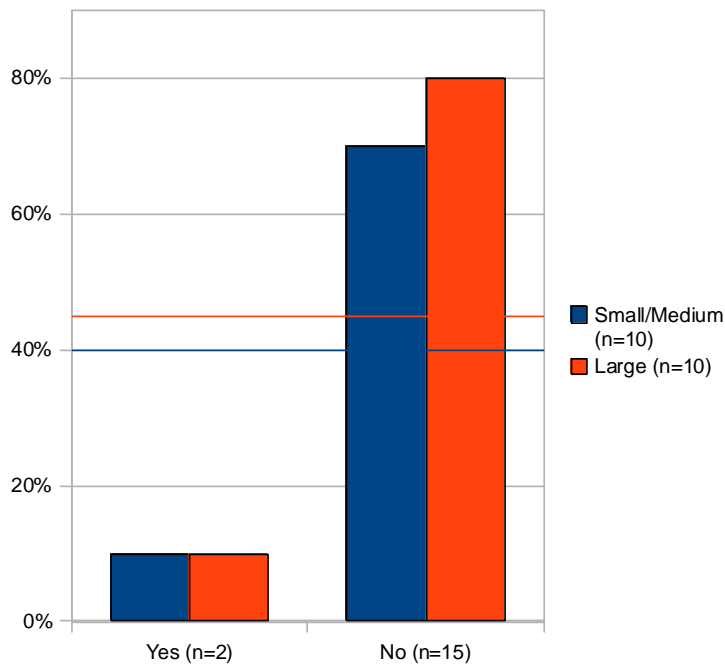


Figure 16. Would your company like to know more about community marketing?

Question 18 was aimed to find out how many of the companies not yet engaged would use an outsourcing for implementation of the community. The answers were again compared according to the size of the company as well as the line of business.

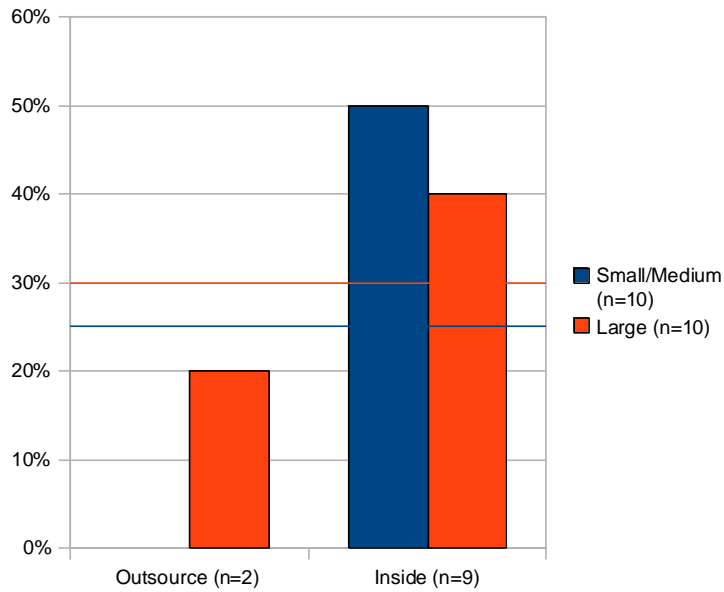


Figure 17. Would you outsource the building of the community or build it inside?

50% of the small companies would build their community by using an inside source. The rest gave no answer. From large companies 40% would build inside and 20% would outsource. The remaining 40% did not give their opinion. From the answers it can be concluded that both large and small firms would prefer using an inside source if engaging in community marketing in the future. The comparison according to the lines of business showed that the most interested in the use of outsourcing were the companies from the field of finance/banking and from the group 'other'. On the other hand they also showed the most interest towards using an inside method.

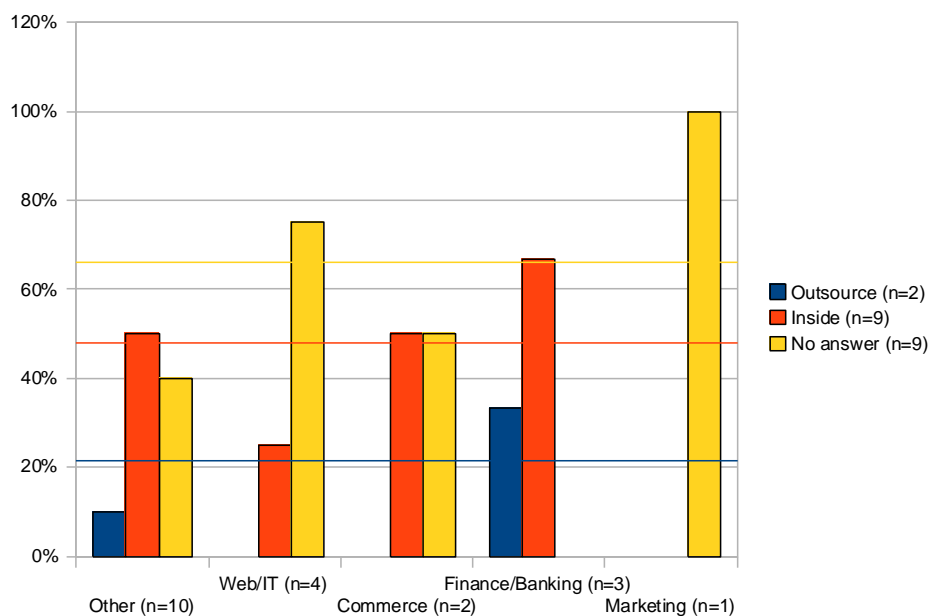


Figure 18. Would you outsource the building of the community or build it inside?

9.4 How companies use social media during working hours

Questions 19-23 were aimed at finding out whether companies are opening up to Web 2.0 technology in work surroundings. This was important for the study because using it might be the first step for a company when implementing their own community marketing, by using inside or outside source. It was also interesting to see which communities are used during the working hours. These questions were for all the respondents, those whose company was engaged in social media marketing and those whose was not. The objective of question 19 was to find out if the companies were allowing the use of any social networking communities during working hours. The replies indicate that 33 companies allow the use of social communities and 7 firms allow only the use of some communities. 14 companies forbid the use of any online communities. The most allowing were small and medium-sized companies with 62%. From large companies 46% were allowing the use of online communities during work.

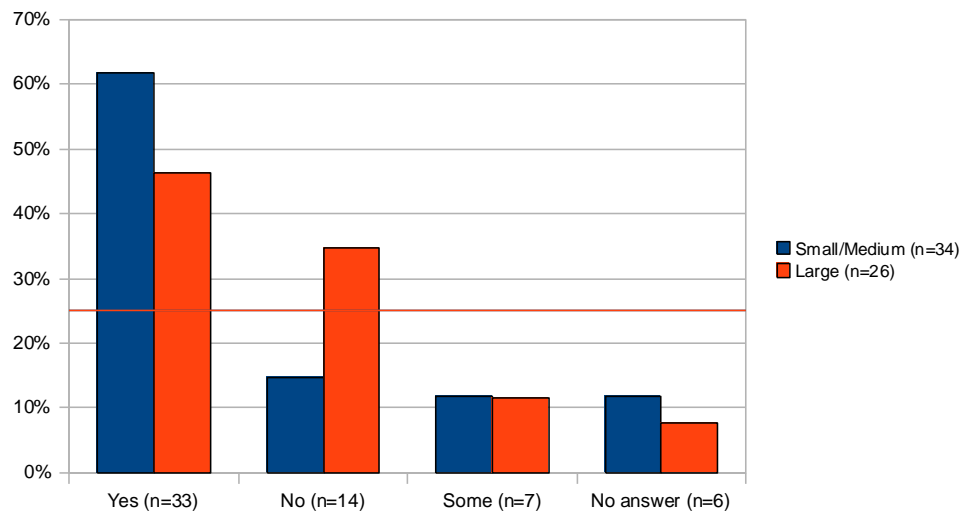


Figure 19. Does your company allow the use of social networking communities during work?

The replies were again divided by the lines of business. The table shows that small companies that were more allowing towards the use of social networking communities were from groups including Web/IT, marketing, communications and commerce and 'other'. Education firms also allowed some social communities.

Table 4. Does your company allow the use of any online social networking communities during working hours? (Small)

Small/Medium	Yes (n=21)	No (n=5)	Some (n=4)	No answer (n=4)
Other (n=12)	12%	12%	3%	9%
Web/IT (n=10)	26%	0%	3%	0%
Commerce (n=3)	6%	0%	3%	0%
Education (n=3)	3%	3%	3%	0%
Finance/Banking (n=1)	3%	0%	0%	0%
Marketing (n=3)	6%	0%	0%	3%
Communications (n=2)	6%	0%	0%	0%

The large companies who were allowing the use of communities during working hours were mostly from the groups 'other' and Web/IT. Marketing companies were also somewhat allowing the use of communities.

Table 5. Does your company allow the use of any online social networking communities during working hours? (Large)

Large	Yes (n=12)	No (n=9)	Some (n=3)	No answer (n=2)
Other (n=12)	19%	19%	8%	4%
Web/IT (n=6)	15%	0%	0%	4%
Commerce (n=2)	4%	4%	0%	0%
Education (n=2)	4%	4%	0%	0%
Finance/Banking (n=3)	0%	8%	4%	0%
Marketing (n=1)	4%	0%	0%	0%
Communications (n=0)	0%	0%	0%	0%

Question 20 asked which social networking sites were allowed the use of during working hours. The replies indicated that there are no specific sites that the companies are restricting their employees from visiting. It was an open-ended question and the answers included the following:

- Anything and everything to advance the company
- There are no filters whatsoever on the network and the employees can access whatever world wide Web site they want
- All, people can use their own judgement
- No restrictions other than legal
- Not encouraged, but OK if not used excessively
- More important are the ones which are discouraged

With question 21 the aim was to find out if the companies were encouraging their employees to use social networking communities. This question was important in seeing if the companies have already opened up for the new era and are actually taking the initial step to encourage the staff to use the new technology. The difference between small and large companies was notable; 47% of the small firms said that they are encouraging their employees to use social media Websites compared to large companies of which only 23% answered that they are encouraging.

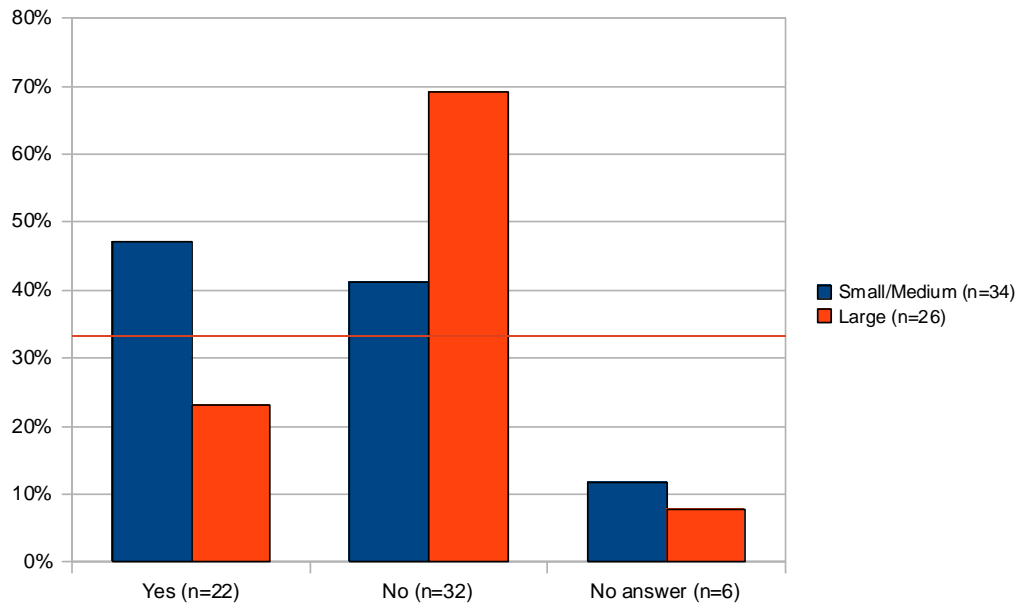


Figure 20. Does your company encourage you to use online social networking communities?

Question 22 was a multiple-choice question asking more specifically which social communities the companies were encouraging their employees to use. Figure 21 shows that Facebook is the most popular among the companies with 78% user rate, then LinkedIn with 48%, MySpace with 35%, Xing with 30% and Bebo and Ning with 9%. Three other options were listed in the questionnaire, Meebo, Orkut and StidiVZ, but they did not receive any replies.

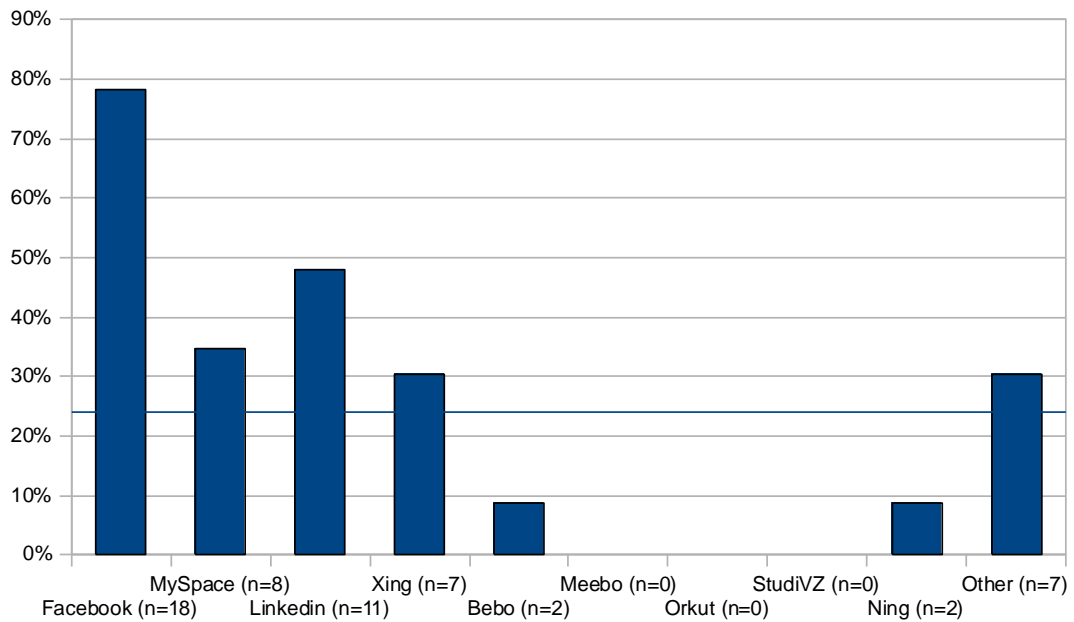


Figure 21. Which social networking communities is your company encouraging the use of?

There was also an option for respondents to reply if the social networking site that their company is urging them to use was not on the list. These replies included:

- Twitter
- Xiha Life
- Jing
- Skype
- Gemilo Social
- Jaiku

In the question 23 the respondents were asked to rate the importance of different community marketing tools on the scale of 1-4, where 1 indicated not important and 4 very important. The tools included in the question were online customer support, advertising banners, advertising pop-ups, chats, e-mail and social media in general (blogs, wikis, forums, social networks).

35% of the small companies regarded online customer support as very important (4) whereas 27% of the large companies did the same. However, 21% of the respondents from small firms also thought that online customer support is not important at all (1).

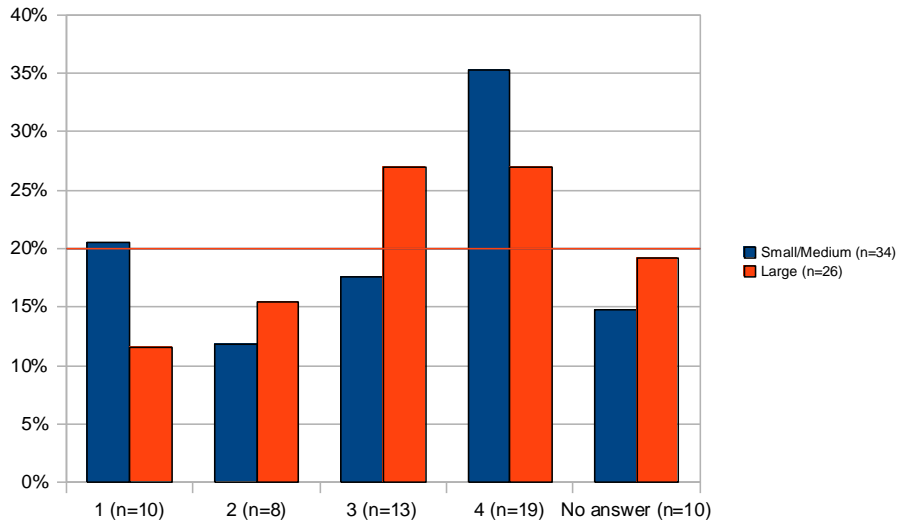


Figure 22. The importance of online customer support

The importance of advertising banners to both small and large companies seems low according to the diagram. 44% of the small firms and 42% of the large firms regarded them as not important (1). Only 12% of the large companies rated them as very important.

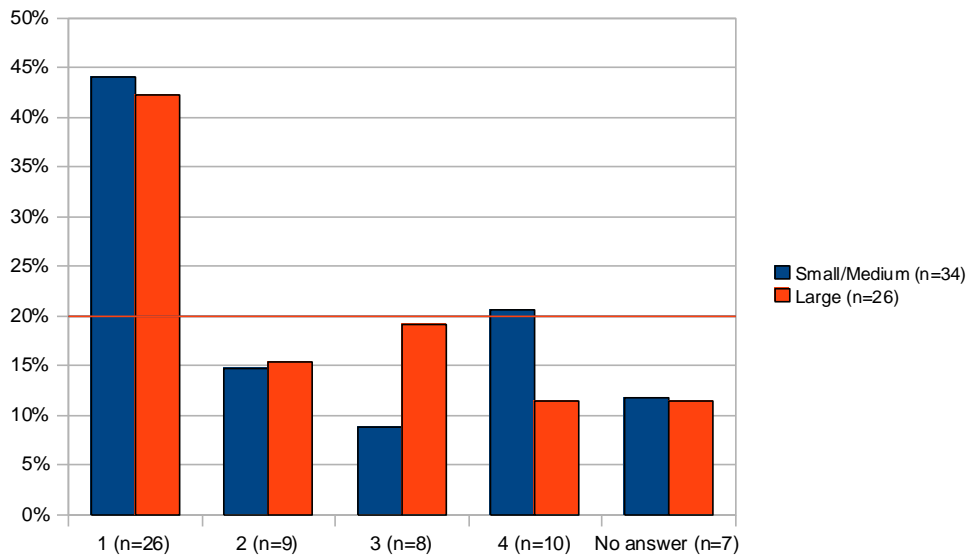


Figure 23. The importance of advertising banners to companies

Advertising pop-ups seem to be the least useful internet tool for companies. 68% of small firms and 58% of large companies rated it as 1, not important. There were only one big and three small companies who considered it to be very important.

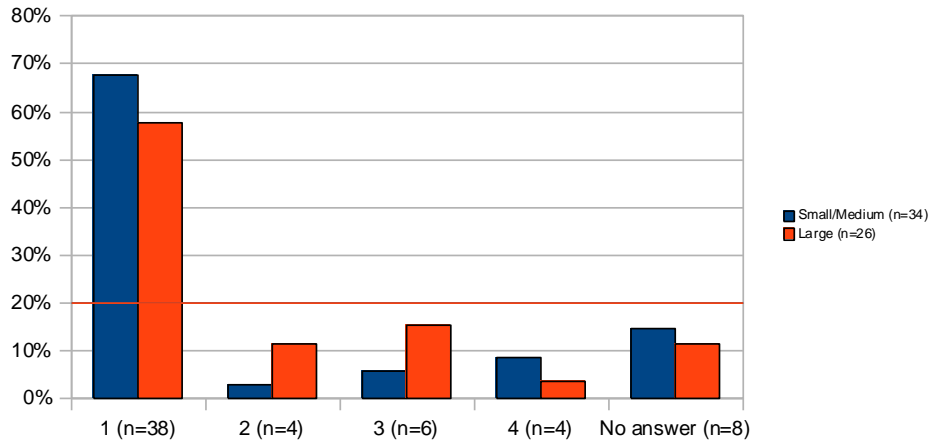


Figure 24. The importance of advertising pop-ups to companies

The majority of all the respondents regarded online chats as not important at all (1). The rest of the answers were distributed evenly between the options. Small companies regarded them as more important than the large ones. According to the research they are regarded as a little bit more important than advertising banners and pop-ups, but not as important as online customer support.

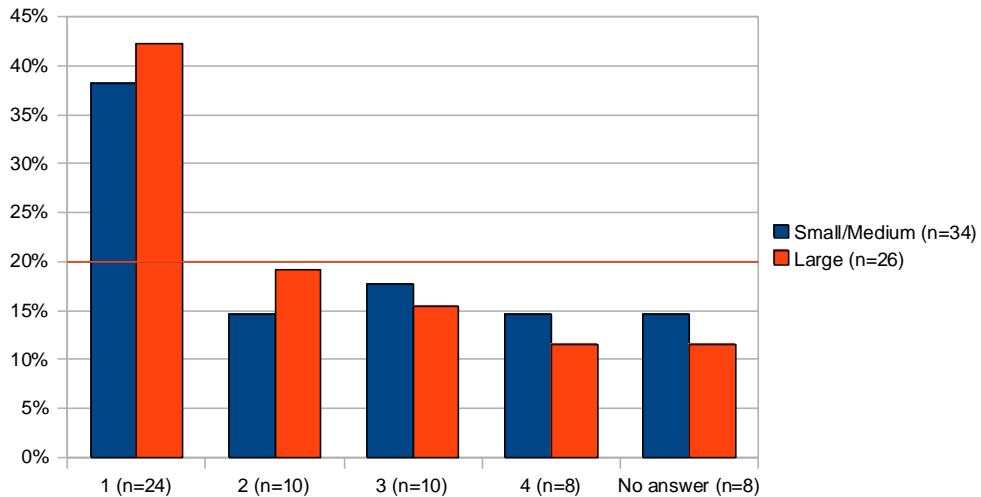


Figure 25. The importance of chats to companies

Not surprisingly e-mail was voted as very important by the majority of respondents. 62% of both small and large companies answered that e-mail was very important for them. Only 4 companies thought it was not important at all.

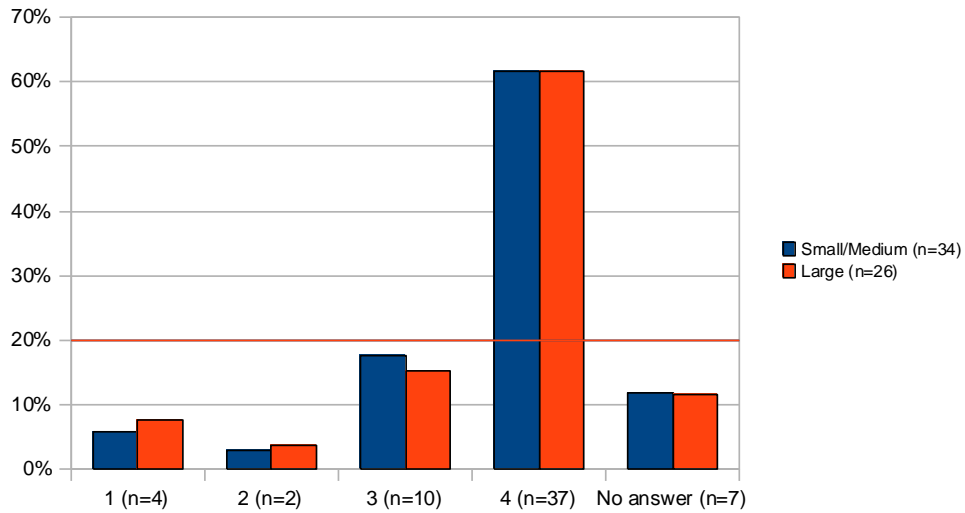


Figure 26. The importance of e-mail to companies

The last option for the respondents to evaluate was social media in general (including blogs, wikis, forums, social networks). The answers were distributed quite evenly between the options. The difference between the small and large companies can be seen in the diagram. Only 8% of the large companies thought that social media is very important whereas 24% of the small firms regarded it as very important for their company.

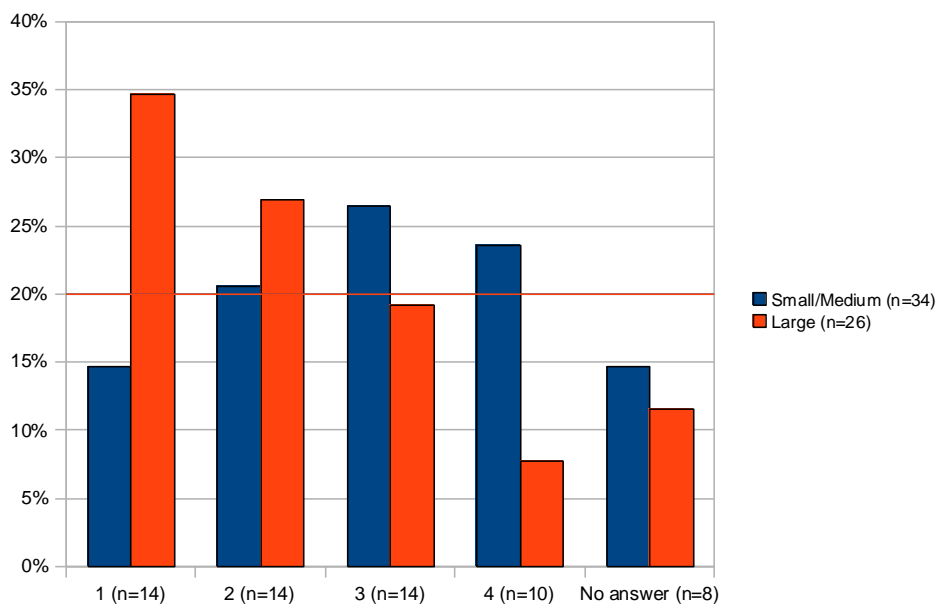


Figure 27. The importance of social media to companies

10 CONCLUSIONS

The goal of this thesis was to find out which companies outsource the building of community marketing and who builds the community inside using their own staff. The study showed that both small and large companies tend to build communities themselves rather than outsourcing to a third party. The difference was that small and medium-sized companies were more satisfied with the result when the community was built by using a source inside the company. Small companies who had outsourced the community were not as satisfied in the end as those who created community in-house. On the other hand, large companies were more satisfied with the result when they had outsourced the creation of the community.

It seems that especially large companies are a good target market for companies whose business is to create and provide online social communities for their customers. It could be quite demanding to get small companies to use an outsourced method if the company has the skills inside to produce a community.

Companies whose management is old-fashioned might feel that it is a better solution to outsource the building because they do not have enough information about it themselves. At the moment and in the near future there could be a good market for companies who can build communities for clients but they should think of ways to make sure that they will also have clients in the future. When the old generations retire and the young take their jobs in companies the attitudes towards social media marketing will be much more open. There will also be more IT skilled labour which means that in the future more and more companies will be able to do this using their own staff.

Because the commitment to a community should be long-term for the strategy to be successful it should also be taken into consideration when developing communities. Companies whose core business is building communities should also think of ways to serve their clients best in the long run. One future strategy for community providers could be that they also educate their clients about social media so that they are able to manage the community by themselves. On the other hand it could also be a good solution that the client company gives ideas and the community provider can maintain the community on the clients behalf based on those ideas and their professional perspective.

Many of the reasons to build in-house for both small and large companies were related to the manageability and control over the community. This could be one area of development for companies that build communities – how to create the community so that the client can have the control over it?

It really seems that community marketing has a positive effect in many ways for those who have taken the step to use it. Small and medium-sized companies seem to be taking more advantage of the Web 2.0 technologies such as blogs and communities more than large companies. Small companies were writing blogs, advertising in social networks, using wikis, advertising in blogs and creating communities more than the big ones. Large companies were leaders in providing discussion forums and intranet. For large companies an intranet could be more useful than for small companies because it makes the information-sharing inside the staff easier. For small enterprises with a few employees this is not so relevant.

The method to use blogs in distributing the questionnaire was not as successful as we had hoped but on the other hand we did get some good replies through blogs.

10.1 Companies not engaged in community marketing

At the moment community marketing is such a new concept that not everybody is familiar with it. The study indicates that not everyone even want to know about it. This might mean that they do not see the importance and benefits, which could mean that knowledge is relatively poor on this specific subject, or that the company's way of doing business is quite old-fashioned.

This can be a challenge for a community provider when it tries to market their service to these companies. Based on the results community marketing really induces positive effects to companies which use it. For example almost 50% of both small and large companies said they had noticed an increase in customer loyalty after starting their community marketing. When marketing their services to possible clients, community providers should point out these facts about the advantages to get the companies' attention and get them to realize what possibilities social media marketing can offer.

What we found surprising was that the small Web/IT businesses were the ones that did not want to engage in the community marketing. This might be due to their size. The

small businesses might be scared to change their business habits to something new and unknown. Also they might be not that secure financially.

What we have found out was that both small and large companies would use an inside source for implementation. Only a few companies would outsource it. This can mean that the companies are not informed about the different companies offering to implement a program and maybe there remains a lack of trust in outsourcing.

We would recommend that a company offering implementation would inform companies more about the service, because it still seems to be a new phenomenon. The safest strategy would be to concentrate marketing to the big companies, because they seem to have a demand for this kind of service. They also have the money to invest. Based on the results of the study, small firms prefer building the company inside so it could be a waste of money and time to focus on them. However, finding the companies who have the money and interest but no know-how could be a challenge worth pursuing.

10.2 Engaged in community marketing during working hours

Based on the findings more companies are allowing the use of social networking communities during working hours rather than restricting it. What the research indicates is that social media (blogs, wikis, forums, social networks) is generally quite an unknown issue, because there was not a huge difference between the replies. E-mail, however, was really important for companies but this is not a big surprise because nowadays all information exchange is done via e-mail. This indicates again that Web 2.0 is still a relatively new phenomenon and that there are various companies that are not familiar with it. On the other hand, another important tool was online customer support. And in this sense the companies have found some ways in which they are already part of the new era. The research indicates that the filtering or blocking of internet access in any way may cause the companies enforcing this prohibition to drop out of the running behind companies that are following the new era.

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Hello!

We are two students from Kymenlaakso University of Applied Sciences, Finland and writing our bachelor's thesis about community marketing and its effects on businesses. We would greatly appreciate it if you would take the time to complete the questionnaire. It consists of 24 questions and should not take more than five minutes to answer.

All the answers will be treated in confidence.

Thank you!

Yours faithfully,

Sirja Melto and Saara Hirn

Background information

1. Name of your company:
2. Line of business:
3. Start year:
4. Number of employees:
5. Turnover:
6. Company's webpage:
7. Your position in the company:

Companies that are engaged in community marketing

Community marketing is a new way of marketing which is based on interaction with early adopters, innovators and potential customers using social networking on the Internet for example in blogs, wikis/online social collaboration sites, social networking sites (e.g. Facebook) and forums.

8. Is your company engaged in community marketing in any of the following ways?

- Advertising on social network sites (e.g. Facebook, MySpace)
- Writing your own blog
- Advertising on blogs
- Online store
- Discussion forum on your webpage

- Wikis
- Company's own online social community for customers
- Intranet
- Other (please specify): _____

If you did not tick any of the boxes above then please move to question 15 on the next page.

9. Was the community built by the company itself or was the building of the community outsourced to an IT service provider or specialized community marketing agency?

Built inside the company

Outsourced

10. Why was this option chosen?

11. Were you satisfied with the outcome?

Yes

No

12. If outsourced, which company was used?

13. If you would do it again would you use the same method?

Yes

No

14. What advantages did you notice after engaging in community marketing?

- Rise in turnover
- More customers
- Customers in new countries
- Increase in customer loyalty
- Reduction in customer support costs
- Reduction in marketing costs
- Reduction in market research costs
- Rise in positive customer feedback
- Improvement in sales
- Usable product improvement tips from customers
- Other, (please specify): _____

Companies that are not engaged in community marketing

If your company is not yet engaged in community marketing, please answer the following questions. If you already answered to questions about community marketing please move to question 19 on the next page.

15. Has your company been considering taking part in community marketing?

- Yes No

16. Would your company like to know more about it?

Yes

No

17. How has your company been considering implementing community marketing?

18. Would the company outsource it or use an inside company source (based on your current knowledge)?

Outsource

Inside company source

Community marketing during working hours

19. Does your company allow the use of any online social networking communities during working hours?

Yes

No

Some

20. If yes/some, which ones are allowed?

21. Does your company encourage you to use online social networking communities?

Yes

No

22. If yes, which?

Facebook

MySpace

LinkedIn

Xing

Bebo

Meebo

Orkut

StudiVZ

Ning

Other: _____

23. How important would you rate the following on a scale of 1-4? (1=not important, 4= very important):

Online customer support	1	2	3	4
Advertising banners	1	2	3	4
Advertising pop-ups	1	2	3	4
Chats	1	2	3	4
E-mail	1	2	3	4
Social Media in general	1	2	3	4

(blogs, wikis, forums, social networks)

24. If you have any comments about this questionnaire or suggestions regarding the research we are carrying out we would be very grateful if you could tell us!
