The purpose of this paper is to examine the use of social media marketing (SMM) by retailers, and to propose research to examine adoption of SMM by top-rated retailers. The growth of social media networks and consumer usage are discussed, from the retailer perspective. A summary of recent applications of SMM by retailers is reviewed, and research propositions are presented.

INTRODUCTION

The current economy poses many challenges for marketers and retailers. A Yankelovich Partners study ("Marketers Must Change How They Appeal to Consumers if They Want to Capitalize on Promise of New Media, According to Study; Yankelovich Unveils New Marketing Receptivity Study at ART Conference," 2005) found almost sixty percent of US customers find marketing to be irrelevant for them personally, and seventy percent are interested in products and services that would help block marketing attempts. Somewhat ironically, the same study also found that customers respond more favorably to marketing when they have control. Consumers are happier being a part of community, rather than the target of a marketing campaign (Cocheo, 2009). As defined by Boyd (Boyd, 2007) social network sites are web-based services that allow individuals to “1) construct a public or semi-public profile within a bounded system, 2) articulate a list of other users with whom they share a connection, and 3) view and traverse their list of connections and those made by others within the system.” Consumers are more likely to buy something that is recommended to them, rather than when it is “marketed” to them; this is even more likely when the recommendation comes from someone that they trust.

GROWTH OF SOCIAL MEDIA NETWORKS

Nielsen reported that global online video has grown 339% since 2003 and time spent viewing has increased almost 2000% ("Online social media and video are growing explosively, Nielsen says," 2009).
In addition to the growth in the use of video, the number of online social media users has grown 87% since 2003, and the time spent on these sites has increased 883%. In 2008 time spent on social networking sites increased 73%. A large percentage (85%) of social media networking users want companies to interact with them using social media applications, but just half (51%) want companies to interact “as needed (Nail, 2009). A 2006 comScore Media Metrix report (Trusov, Bucklin, & Pauwels, 2009) indicated every second, online users in the US had visited at least one of the top fifteen social networking sites, and that approximately fifty social networking sites each had more than one million registered users. In 2007 Oser and Adepiju (2007) reported that 37 percent of the US adult internet population and 70 percent of teens used online social networking at least once per month. Predictions show that the total US social networking audience will grow to 105 million in 2011. According to Neilsen Online research, ("Two-thirds of the global online population visit social networks and blogs," 2009), use of social networks and blogs is now the fourth most popular online category. Alex Burmaster, of Neilsen Online, stated “social networking is not just growing rapidly, it’s evolving in terms of a broader audience, and compelling in functionality.” One-third of Internet users report comments by consumers provided on the social media sites have been influential when they make a purchase decision, (Deatsch, 2009a), but just 11% considered advertising to be as effective. During the past year, almost half of Americans had consulted social media while shopping, and more than one-third, (37%), had done so in the past three months.

Based upon the usage rate and statistics, there is no question that retailers are quickly incorporating the use of social networking sites into their marketing lineup. Many have recognized that social networking is about linking people with common interests. As a means of promoting a specific brand, Newman (2008) pointed out that brands are part of that interest. Companies such as American Eagle, Gap, Ice.com, Victoria’s Secret, Macy’s and Nike have experimented and/or incorporated the use of social networking, (Reda, 2008). The challenge for companies is learning how to use social networks to the greatest benefit. For example, Victoria’s Secret hosted a contest inviting customers to submit videos of themselves dancing to Fergie’s “Here I Come” and asked viewers to vote for their favorite. The winner received a $500 shopping spree.

Results of research conducted by a team of Fellows of the Society for New Communication Research (Barnes, Cass, Getgood, Gillin, & Goosieaux, 2008) found evidence to support the significance of social networking to current promotional mix decisions. Consumers 25-55 years old, college-educated, and earning $100,000 or more are among the most savvy and sought after consumers. The same group is using social media to research companies when making purchase decisions. As companies become more and more involved in developing social media and participating in the most popular social networks, they must also attempt to recognize those variables that have a causal relationship between customer attitudes about the information and their willingness to become or remain a loyal customer. Because of this significance, retailers utilizing the social media platform must also be aware of the dynamics of this environment. This includes not only the benefits of participating, but also pitfalls and vulnerabilities of the online environment. Regardless of the benefits social networking sites such as YouTube offer to the new marketplace, companies must also remember these platforms are open communities where users send in their thoughts and comments about product, service, or brand experiences (positive or negative).

**IMPACT OF ECONOMIC CONDITIONS**

The US economy and slower-than-expected revenue growth has had a negative impact on overall spending on social networking sites. Although consumer usage of social networking sites continues to flourish, the ad support has not kept pace (Williamson, 2009b). Spending in 2008 was an estimated $1.2 billion and expected to rise to $1.3 billion in 2009. Although US marketers are expected to spend $1.6 billion on social network advertising by 2013, this is a significant reduction from earlier forecasts. As growth in social network ad spending slows, its proportion of total US online ad spending will also decrease. In 2009, it will account for 5% of the $25.7 billion US online ad market. By 2013, its proportion is expected to fall to 3.9% of the projected $42 billion in spending. According to a report by Forrester
Researchers have recognized social media as a marketing category worth long-term commitments. About three-fourths indicate they spend less than $100,000 per year, and about one quarter indicate that budget is “scraped together” rather than a formally planned budget item. Another 26% indicate the budget is based on previous spending regardless of whether the spending level was effective. Although there is concern about spending levels, marketers that have had success with social network advertising will continue to spend money on that medium. However, companies that have had poor results or have stayed on the sidelines over the past couple of years may take their ad dollars elsewhere rather than experiment when budgets are tight. It is likely that some marketers will choose to stop development or use of standalone sites and move to the larger social network platforms in order to reach larger audiences. 

**HOW RETAILERS USE SOCIAL MEDIA MARKETING**

Internet Retailer’s 2009 Top 500 Guide (“Getting Social,” 2009) devoted an introduction to this year’s report on the prevalence of online retailers participation and use of social media networks. Approximately three-fourths of the Top 500 retailers had a presence on at least one social network by early April 2009. Facebook was the most popular, 57% participating; 41% having posted a video or commercial on YouTube; 29% were on MySpace, while 20% were linked to followers in Twitter. Finally, 10% were on the social shopping site, Kaboodle.

**Facebook**

Facebook has been termed the world’s most popular social network and the social gorilla (Schonfeld, 2008). Owyang (2008) reported that more than 120 million active users made Facebook the fourth most-trafficked website in the world. It is visited by 3 in 10 people monthly (“Two-thirds of the global online population visit social networks and blogs,” 2009) and has more than 75 million members in more than 80 countries (Leader-Chivée, Hamilton, & Cowan, 2008). Furthermore, Zuk (Trusov et al., 2009) reports Facebook has 150 million active accounts, with nearly 600,000 new accounts opened daily. Facebook (Facebook, 2009) had 175 million active users (as retrieved April 6, 2009) with the fastest growing demographic segment those 35 years and older. Worldwide more than 3 billion minutes are spent on Facebook each day. Facebook also reports that there are more than 28 million pieces of content (web links, news stories, blog posts, notes, photos, etc) shared each month. With this level of activity, it is no surprise that a recent study of social media (“Social Media Study Shows 59 Percent of Retailers Now Using Facebook ”, 2009) found that up to 59% (59 of leading 100) of retailers are now using Facebook through the use of fan pages. These retailers have recognized the need to focus on what customers are looking for on a site, what the company wants to communicate, and the role the fan page can play in communicating their message. The actual number of retailers on Facebook doubled in only five months.
The 2009 Internet Retailer’s Top 500 Guide shows that 56.8% of all retailers, or 284 companies, have a presence on the social networking site Facebook.com, including 70 of the top 100 ("More than half of 2009 Top 500 e-retailers have a presence on Facebook," 2009). Other than simply having a presence, many of these retailers have more than one page on Facebook. For example, Dell Inc. has more than 20 pages on Facebook (Wagner, 2009).

Kaboodle

Kaboodle was launched in 2005 when Manish Chandra and his wife grew frustrated trying to buy home improvement products (Kaboodle, 2009). Because they believed shopping is a social process, the social shopping site Kaboodle was developed, where consumers can find, recommend and share products, sources for products, and other relative shopping experiences. As of fall 2009, Kaboodle has over 14 million monthly visitors, and 900,000 registered users, who had added 10 million products to the site. In mid-year 2006, Kaboodle simplified the process of adding products to the website by creating a “Add to Kaboodle Wish List button for retailers to add to their respective web sites. Kaboodle launched a holiday portal in 2008, Holiday Kit ‘n Kaboodle (O’Grady, 2008). On Cyber Monday, site traffic to Kaboodle showed an 177% increase in visitors over 2007, and a 200% increase in November 2008 traffic over November 2007. A December 2008 Wish-A-Day Giveaway included prizes provided by JC Penney and New York and company, among others. During the 2008 holiday season, Kaboodle boasted more than 260,000 vendors, and was considered one of the top 25 Networking media companies.

MySpace

MySpace is a regular destination of approximately 55% of teens (Maughan, 2007) and links 100 million users in more than 20 countries (Leader-Chivée et al., 2008). As more young people choose online communication and social media, they want to share via text messaging, e-mail, and now social networks like MySpace, the things that are important to them and their friends. According to Jeff Berman, (Newman, 2008) president of sales and marketing for MySpace, TJ Maxx and Target have reached consumers effectively, based on an expressed interest in fashion or a specific genre of music. These applications provided increases of up to 300% when compared to standard demographic targeting. Another example of company response to effectiveness of social media is Wet Seal’s addition of a community when it noticed 15% of its traffic was coming directly from MySpace (Deatsch, 2009a).

While MySpace has been the largest social networking site with regard to ad spending, things have changed drastically in the past few months (Williamson, 2009a). From October 2008 to March 2009, traffic fell 8%, to 70.1 million people, while Facebook’s unique visitor numbers grew 33%. Current indicators suggest Facebook is poised to replace MySpace, however, demographic differences may be substantial enough on MySpace for more targeted strategies to remain effective for some retailers.

Twitter

Twitter attracted 14 million unique visitors in March, 2009, compared to only 1.1 million a year earlier (Deatsch, 2009b). This social medium has exploded so quickly that online retailers have just begun to consider how this medium could be used effectively to communicate with millions of potential customers. The key to making Twitter effective for a retailer is to get users to sign up and “follow” the retailer. Thus, updates on popular products, special sales or discount offers might turn low volume Twitter traffic into a high-value communication channel. For example, Delight.com reports a conversion rate 15% higher than average, and order size that is 20% above average. This site had 100,000 unique monthly visitors generating about $1 million in sales during 2008. Indigo Books and Music, the largest book retailer in Canada, opened a Twitter account when it launched its electronic books and publication entity, Shortcovers (Williamson, 2009a). The Twitter account has attracted 1000 followers in less than three months.

Dell began using Twitter in March of 2007, and now has more than 11,000 followers. While most social network participation is about brand-building, Dell has effectively used Twitter to generate sales and revenue (Williamson, 2009a). By using Twitter-only promotions, Dell reports more than $1 million in

(Wagner, 2009).
sales over the past two years from the network (Wagner, 2009). While the original intent was not to generate immediate sales, this social network has proven to be a financial boost, as well as providing Dell the opportunity to be part of consumer conversations. Dell’s strategy has been to be upfront about the purpose of the Twitter account. It is important to get consumers’ interest before hitting them with marketing messages. Thus, it is important to follow what is being said about the company. On Twitter, they can offer consumers advice and generate good will, along with generating publicity.

YouTube

Reda (2008) found YouTube participants to be engaged, capable of influencing purchases of others, and seeking online opportunities that offer rich entertaining experiences. Users of the social networking sites actually control and determine what is the most popular. Jones (2009) found YouTube to have about 258 million users logging in weekly. According to the YouTube site, the average user base is broad in age range, 18-55, evenly divided between males and females, and spanning all geographies. Fifty-one percent of users go to YouTube weekly or more often, and 52 percent of 18-34 year-olds share videos often with friends and colleagues. With such a large and diverse user base, YouTube offers something for everyone (YouTube, 2009). Internet Retailer reports 41% of top e-retailers have placed a video on YouTube or are mentioned in a video posted by users (“More than half of 2009 Top 500 e-retailers have a presence on Facebook,” 2009). According to Sonia (Sonia, 2007), the most used social networking tool (65%) is online video through social media sites such as YouTube.

WHERE DO WE GO FROM HERE?

While SMM appears to be the overwhelming accepted word of mouth medium for consumers, just how are retailers using social media? Anecdotal data has been reported in previous discussion in this paper, but objective research and analysis of which retailers and what social network(s) they have adopted is minimal at best. Furthermore, little or no research identifies if, or how, different networks may be more effective for different consumer segments. Thus, the researchers have developed the following propositions and future methodology for further research and analysis.

Propositions

1. Retailers will increase their use of social media for holiday season promotions.
2. Online retailers will be more likely to use SMM to drive consumers to their website.
3. Multi-channel retailers will be more likely to use SMM to drive consumers to the brick and mortar store.
4. Retailers rated higher by accepted publications such as Internet Retailer and Stores will be more likely to use SMM promotion.
5. Retailers rated higher by accepted publications will be more likely to use multiple SMM networks.
6. The SMM network employed by retailers will differ based upon the merchandise category sold by the retailer.

Proposed Research Design

The researchers propose the following research design to answer the research propositions. Identify top retailers that are currently employing one or more of the major SMM sites. Determine the number of “subscribers” to each of the individual retailers’ SMM channels, and then track the number of consumer “subscribers” weekly through the holiday retail season. In addition, to determine how retailers employ SMM during the holiday season, the number of promotions/messages posted to the individual SMM channels should be tracked. Further analysis of the type of message and/or promotion posted should be analyzed to determine the channel consumers were directed/driven toward.
SUMMARY

Successful retailers will continue to employ SMM, and consumers are expected to be responsive. This paper attempts to establish a framework to begin evaluating how and what SMM is employed by these retailers through the financially important holiday season. It is expected that the results of such a study could be applied to future promotional programs, and to refine effective market segmentation and target marketing tactics. This paper serves as a foundational piece to begin a long-term review of how retailers are integrating and employing social media in their marketing mix, as well as identify which retailers are taking the lead with social media marketing.

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