CSE 306 Research

Portfolio Part 1

Research Paper

Impact of Social Networking on e-Business

Abstract

The advent of the web2.0 has resulted in the upsurge of users onto the internet through their daily activities on social networking sites. Business firms in search of suitable means to strengthen the relationship between their customers and suppliers have sought to achieve this through such social networks. This paper examines the impact of social networks on e-business within firms, discussing some opportunities and possible risks firms could be exposed to.

1.0 Introduction

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ince the advent of web2.0, the internet has evolved from static screenfulls to real time interactions between users, resulting in a new internet ecosystem characterized by social collaborative technologies. The advancement of such technologies has led to the emergence of new subsidiaries of network sociology based on traditional and modern complex networks such as social network sites (SNSs), blogs, wikis, folksonomy etc. the fast pace at which these SNSs are growing in recent years has resulted in several Online Social Networks (OSN) such as Facebook, Friendster, Hi5, MySpace, to mention but a few.

Social networking (SN) may be defined as an internet based collection of individuals, organizations or other social entities that are interconnected through meaningful relationships that allow them to share profile information, resources and expertise amongst their circle of connections as well as view and traverse their list of connections and those made by others within the system. (Lea et al., 2006; Boyd & Ellison, 2007)

The emergence of OSNs has and continues to attract a large number of the general public onto the internet. Millions of users, having joined SNSs such as Facebook, MySpace, Friendster and the likes, have integrated the usage of these sites into their day to day activities. Records show that, a sizeable percentage of users join SNSs each year and this number continues to escalate due to SNSs gaining popularity amongst all demographics. As identified by Steinfield et al. (2009) based on Comscore estimation, Facebook and MySpace have each boosted their user population by 100 million users since 60million in 2008.

Undoubtedly, Social Networking (SN) has become the widely accepted means of communicating and sharing information over an online community. This presents an opportunity and a challenge for e-business operations within organizations. Indeed, the situation serves as an opportunity for organizations because it provides a global audience for relatively lower advertising cost than conventional advertisements on radio, TV, newspapers etc. It has also created the medium for users to share information about products and services offered by organizations thereby increasing the popularity of businesses online (Harris et al, 2009).

On the other hand, it is a challenge because these social networks usually have several applications which members become so engrossed into hence, the probability that they may not even notice the advertisements. Nonetheless, the countless risks involved as to whether organizations will thrive on the web front is an issue on its own.

This paper intends to examine the impact of SN on E-Business. It achieves this purpose with a background study on SN and then proceeds to list out some opportunities, benefits and risks that its applications offers. Afterwards, an evaluation of its impact on e-business and e-commerce is presented stating both negative and positive impacts. Finally, a conclusion is drawn regarding the major issues in the paper.

2.0 History of Social Network Sites

2.1 History

E-mails were one of the dominant means of communication even before the internet came to exist. Several other technologies have contributed to the communication principles present amongst current social networking sites. One of these technologies is Usenet. Established in 1980 even before the World Wide Web, it is one of the oldest internet based communication systems(Schelling,

2007). Its advent allowed users to post 'articles' organized into categories called 'newsgroups'.

In 1988 a Finish programmer, Jarkko Oikariene invented the Internet Relay Chat which out classed Usenet due to its feature of real time conversation amongst users. Joining IRC required users to create accounts and specify user names.

However, Mirabilis, an Israeli company took over the competition from IRC due to its unregulated nature with the creation of ICQ in 1996. ICQ offered anonymity and allowed users to control whom they communicated with. The later years of 1998 after ICQs acquisition by AOL saw a stampede of IMs flooding the internet.

People afterwards started creating homepages and blogs to express themselves online. This however required technical experience. This led to organizations creating community sites for users to indulge in online activities. One of the first social network services to dominate the market was SixDegrees.com in 1997. The diagram below details out the various dates some major SNSs were launched.
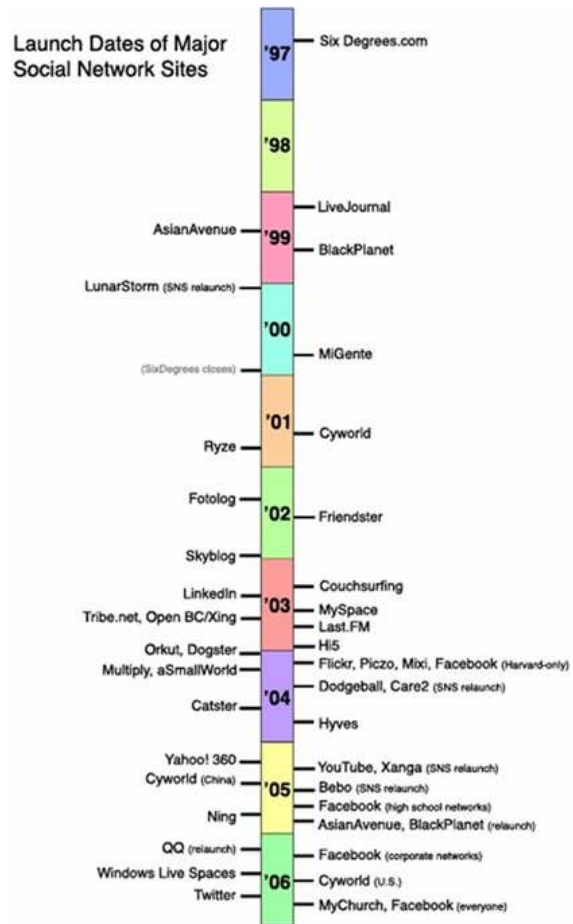

Figure 1: "Timeline of the launch dates of many SNSs and the dates when community sites re-launched with SNS features." retrieved from: http://jcmc.indiana.edu/vol13/issue1/boyd.ellison.html

Today, advances in software development have played a vital role in stimulating the emergence of social networking sites, making the medium more sophisticated yet easily accessible. There is no doubt that the marvelous experiences of the new age of web2.0 has resulted from the improvement of earlier advancements made towards internet communities.

Since the launch of Friendster in 2002, many social networking services have emerged to take over the social converging scenes of the internet. Yahoo360, Facebook, Hyves, FanBox, Tribe.net, MSN Space, MySpace, Orkut and Cyworld are

just a fraction of the various sites competing over the social mass for online communities. Whereas the above mentioned few may be noted for their users sharing broad personal profiles, some popular few are more specific in terms of users sharing a common interest. Some examples include Last.FM which has a target market for music addicts, Xing for business purposes as well as LinkedIn, Plazes for geotagging and Flickr for photo sharing.

3.0 Impact of Social Networking on e-Business and e-Commerce

The advent of web2.0 together with the increasing growth of SNSs has brought about new e-business opportunities. Waters et al (2009) indicates that, about 275 profiles of non-profit organizations found on Facebook are constantly leveraging the popularity of the site to further improve the objectives of their organization. He further pointed out the fact that many companies continue to launch products as well as affirm their existing brands with the use of SNSs.

The increasing popularity of SNSs amongst businesses and casual users alike is a standing proof that the social collaborative tool based on the ground breaking web2.0 technology has come to stay for good. However, businesses need to take caution about the way they utilize this media alongside their ecommerce operations due to the effects involved.

From a business perspective, SNs within organizations have proven to enhance the ability of organizations e-business operation by offering significant competitive advantage as elaborated in the opportunities below. Such positive impact has resulted in unassailable success within organizations. (Amazon)

3.1 Opportunities

- **Expand Market Reach**

The increasing population of users on social networking sites presents an outstanding opportunity for businesses to broaden their domain of contacts. Having an organization create an online profile on a social network such as Facebook could help converge their intended market as well as capture other customers beyond physical reach. Haris, et al., (2009), identified some businesses that promoted their growth through collaboration and dedication to social networking. An example of such businesses is "Wiggly Wigglers" which managed to build up a global audience of 10,000 Facebook users. A presentation transcript by Frost & Sullivan (2010) revealed that, about 54% of organizations have gained additional customers from social networking sites.

- **Customer Relationship Development**

Businesses have become more focused on customer relationship management thereby losing sight of opportunities offered by SNs that allow the creation of actual personal relationships with their respective customers. With the use of OSNs, organizations can facilitate a level of communication that feels real with their prospective customers thereby improving customer satisfaction and strengthening loyalty. A study by Coleman Parks Research (2010) disclosed that, two thirds of companies see improved customer satisfaction from the adoption of social media. Whereas that of Frost & Sullivan (2010) indicated that about 54% of organizations witnessed increased

customer satisfaction from social networking.

- **Improve Business Reputation**

It is with no doubt that businesses are in constant challenge of being noticed if not maintaining or aggrandizing their level of popularity. This has therefore become a notion of a 'survival of the most popular'. Organizations consequently spend significant resources on advertising campaigns in an attempt to create awareness of their products. With platforms such as SNSs, organizations would be able to market their products to a large network of their potential customers. This helps create a strong business reputation about the organization. Improved customer satisfaction can also elevate the reputation of businesses since customers involved are more likely to recommend products and services to people within their network. Coleman Parkes Research (2010), which involved data analyzed from several countries revealed that, over 60% of businesses in these countries had improved market reputation through social media.

3.2 Benefits

- **Cost Saving**

Companies have yielded extensive profits and saved significantly with their transactions online. A typical example in this case is Cisco (www.cisco.com). According to Harris et al., (2009), Cisco's customer community helped save significant cost of customer support due to the involvement of customers as they compete with one another to answer queries posted by other customers. Businesses have utilized advertising opportunities available through SNSs

thereby lowering their marketing cost. Frost & Sullivan (2010) disclosed that, about 52% of organizations have reduced operational cost, having implemented social networks in their system of operation.

- **Recommendations**

Recommendation plays a vital role when it comes to decision making especially when it involves the purchasing of a new product. Research has proven that, people are more likely to purchase products recommended to them by a close relation or people they trust (Li et al., 2008; Makgosa et al., 2007; Ray et al., 2010). The implementation of SNs have generated substantial incomes for several organizations particularly Amazon. According to Harris et al., (2009), Amazon, one of the primary developers of collaborative filtering utilized this process by recommending books to customers based on what other customers buying the same book also bought. This led to the widening of Amazons scope as well as increasing total sales.

- **Increased Sales**

Implementing SNs within organizations business operations has been noted to generate increased implacable sales. The use of SNSs as marketing grounds, directing traffic to point of sales, improving customer loyalty and adding innovation can and has led to the generation of large sums of revenue for the respective organizations. A typical example is how Amazon was able to increase sales with the implementation of a collaborative social network. Results from a research by Coleman Parkes Research also affirmed increased sales

amongst every 2 out of 5 organizations, which attributed such growth to the application of new forms of social media.

3.3 Risks

❖ **Security Issues**

Regardless of the fact that SNSs is a mining field of opportunities and benefits for organizations, it could as well be 'hell' regarding its security issues. According to Mansfield-Devine (2008), the vulnerable part of SN environments is installed on users' machines – 'the Browser'. The nature of web browsers makes it easy for malicious attacks to be sent through SNS. In view of this, most organizations are skeptical about transforming their businesses online. Whether their operation online would be fruitful is a thing they ponder over, nonetheless the lack of security measures on SNSs which is likely to shatter their businesses.

Security issues such as identity theft, malicious or virus attacks, bad employee habits, fraud etc. over SNS can prove very costly for organizations. According to Coleman Parkes Research (2010), an alarming 76% of companies have concerns about security when it comes to SNs, most of which are less likely to implement social networking in their organizational operations. Despite organizational worries about security threats, there is the fear that employees are very likely to reveal high profile business information about the organization due to lack of security and monitoring.

❖ Productivity Issues

One of the particular reasons why organizations refuse SNs is the adverse effects it has on employee productivity. Employees turn to focus on their SN profiles rather than their designated work in the office. Research results quoted in Wave Crest Report (2009) revealed that, employees have been less productive by 1.5% within companies that allow the use of Facebook within work premises. Other sources such as Coleman Parkes Research (2010) pointed out that, about 49% of organizations fear a negative impact on employee productivity should they implement SNS within their organization and it's a risk they aren't willing to take.

❖ **Tarnish Company Reputation**

Regardless of the fact that SNs can boost an organizations reputation, organizations also stand the risk of having their reputations tarnished through SNs. According to Haris et al. (2009), a "vigilante website www.united.com" was devoted to passing negative comments about the customer services provided by United Airlines. Such incidents could prove very costly for organizations since their reputation means everything to their success.

4.0 Conclusion

It is fascinating observing the phenomenal growth of the internet and how SNSs have grown alongside with it to play vital roles within this current information age. A typical example is how Facebook started out as SNS for Harvard students and has developed into a SN platform for both casual and business use. Despite such innovative measures with the advent of Web2.0, the big question still remains as to whether businesses are utilizing the web fronts for the success of their organizations.

4.1 Lessons Learned

It can however be deduced that SNSs have had some sort of influence on e-businesses within

organizations. While some organizations have benefited greatly, others made great losses where as some sizeable number of them are still considering whether or not implementing SN in their e-business operations is the right choice. As seen in the earlier sections of this paper, SNs have their pros and cons and it depends greatly on how organizations implement it in accordance to their businesses which determines their success.

4.2 Recommendations

Considering what tough decision it is for organizations to implement SNs into their e-business operations, it would be most probable for them to consider their organizational factors and develop polices to govern the use of social networks within their e-business operations. While this may not be a complete solution, it can serve as a foundation. However the extent to which this policies would work depends on how it is communicated to the entire work force.

Businesses could further integrate the use of e-commerce applications within their e-commerce website to facilitate and enhance their e-commerce services on SNS. Besides that, cooperating with leading e-commerce solution developers so as to improve the accessibility and design of e-commerce operation which is one of the growth related areas in e-commerce as indicated by (Murakami and Ke, 2006).

Furthermore, businesses should also consider the implementation of uprising standards such as XML which offers a wide range of document formats, enabling interoperability with different systems. According to (Noonan, 1999), formatting a document with XML standards grants it the capability to work on different platforms. Incorporating such standard can allow forms required for e-commerce transactions to be easily integrated with variety of SNS.

Looking at the trend of innovation in various sectors of the IT industry and how it has influenced our way of life, It can be said that social networks have a long standing innovative role to play within e-commerce and as such it would be beneficial for businesses to engage or further seek to broaden their understanding to define potential applicable areas within their establishments.

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