THE IMPACT OF SOCIAL MEDIA ON THE RELATIONSHIP BETWEEN BUSINESSES AND CUSTOMERS

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Abstract: *The progress of technology is imminent and fast so the speed of the changes impacts every area of our life both professional and personal, in the role of customer or manager. Social media is one of the biggest innovation of the XXI century and keeps evolving. Social media is not only a sum of websites for entertainment and interaction between users but a collection of platforms which engage businesses and customers in the same place beyond e-mail and telephone. Before the rise of social media, customers were forced to write e-mails in order to receive an answer to their requests or complaints from the companies. Never before the boundaries between clients and companies were so low, the interaction so close and the access in real time to the customer's favourite brand. All types of businesses can find directly what their clients want, their opinions about current and future products for free. Likewise, clients can address directly to their favourite companies as to those which disappointed them. This paper aims to provide insights from literature review relating to the impact that social media platforms have on the relationship between businesses and their customers. Questionless, it's interesting and important to present first of all what is social media, why these platforms are important for businesses and show the risks and benefits in the management of the customers. Social media has an ugly face too. Businesses are exposed to the criticism or individuals who want to harm the image of the brand and not all the business which are engaged in social media are successful. The statement that social media is trendy is true as the fact that social media is not a panacea. At the end of the paper is presented a general conclusion after balancing the risks and benefits of social media for the relationship between businesses and customers.*

Keywords: *social media; customer relationship; interaction; business development; collaboration.*

JEL classification: *L14; M31.*

1. Introduction

Nowadays, companies face tremendous challenges, such as the high competitive rivalry among existing firms, the unpredictable changes in consumption trends, and more sophisticated customer demands (Porter, 2008). The channels of communication changed but the needs of the customers are the same and social media has the power to offer a medium where business can be closer to their customers. According to Kaplan and Haenlein (2010), social media is a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content. According to Bloomberg (2010), social media is a relevant marketing tool because of the rogue approach it offers to the communication process. Specifically, it allows for rich, relevant consumer experiences that can grow strategically. Erdogmus and Çiçek (2012) define Social Media as the activities, practices and behavior met in the communities which gather to share information, knowledge and opinions by means of conversational environments.

2. Social media revolution

From ancient times, communication was essential for the relationships between people, whether we refer to family, commercial or political relationships. Nowadays we face unbelievable possibilities of communicating with others. According to Oxford Dictionaries (2017), to communicate means ,,*the imparting or exchanging of information by speaking, writing, or using some other medium*". If the traditional media channels are fading away, where are all the people going? The *social web*. Social media platforms like Facebook, Twitter and Pinterest are becoming the new town squares to exchange news, photos, videos, and our personal events (Schaefer, 2014: 11). Below, in Table 1 are shown the main differences between traditional media and social media.

Table 1. Differences between media and social media

Social media	Traditional Media
Two-way conversation	*One-way* conversation
Open system	*Closed* system
Transparent	Opaque
One-on-one marketing	Mass marketing
About you	About ME
Brand and User-generated Content	Professional content
Authentic content	Polished content
Metric: Engagement	Metric: Reach/ frequency
Actors: Users/ Influencers	Actors/ Celebrities
Community decision-making	Economic decision-making
Unstructured communication	Controlled communication
Real time creation	Pre-produced/ scheduled
Bottom-up strategy	Top-down strategy
Informal language	Formal language
Active involvement	Passive involvement
Deep Analytics	Poor analytics
Paid, Owned, Earned	Paid

Source: Haufman, 2012

Social media is built of content, communities and Web 2.0 technologies. Social media refers to applications that are either completely based on user generated content or in which user generated content and the actions of users play a substantial role in increasing the value of the application or service. (Kangas et al., 2007). Facebook is by far the largest media entity in the history. (Schaefer, 2014). Another definition is that *social media are web-based communication tools that enable people to interact with each other by both sharing and consuming information (Nations, 2017).* Aceto (2010) mentioned that social media is nothing new; it is a *dialogue* and a form of *engagement*. Mayfield (2008) defined social media "*to be a group of new kinds of online media, which share most or all of the following characteristics: participation, openness, conversation, community, and connectedness. A good way to think about Social Media is that all of this is actually just about being human beings sharing ideas, cooperating and collaborating to create, art, thinking and commerce, vigorous debate and discourse, finding people who might be good friends, allies and lovers*". Ahlqvist et al. (2008) defined social media as the means of *interactions* among people in which they create, share, and exchange information and ideas in virtual communities and networks. Throwbridge (2013) synthesized 5 characteristics of social media from the literature:
(1) *Social media is technology-enabled*. Through web-based applications that are accessible through personal computers as well as mobile devices, social media is dependent upon Internet technology.

(2) *Social media is communication-driven.* The exchange of information and the sharing of content, including opinions, insights, experiences, and perspectives among users is a dominant characteristics of social media.

(3) *Social media is user-controlled*. Unlike traditional mass media where content is controlled through a structured hierarchy of publishers and producers, social media provides each user with the general ability to make decisions to personalize the media content they consume.

(4) *Social media is user-generated content*. Unlike traditional mass media where the content is created and distributed by authorized representatives of the media institution, social media provides a publishing and broadcast platform for original content from any user. As a result, users are able to produce, as well as consume, content.

(5) *Social media is relationship-centred.* Building and maintaining the connections among individuals who interact through social media is a primary focus.

In Table 2, Kaplan and Haenlein (2010) present a classification of social media. The authors rely on the social presence theory (Short, Wiliams & Christie, 1976) which claims that media differ in their degree of social presence (acoustic, visual, physical contact). The higher the social presence, the stronger the social influence the communication partners have on each other's behaviour. Concerning media richness, the authors refer to media richness theory by Daft and Lengel (1986) which sustains that media differ in the degree of richness they possess (amount of information provided in a given time interval). Self-presentation refers to people's desire to present themselves and control other's opinion of them, and self-disclosure refers to the conscious or unconscious revelation of personal information (Kaplan and Haenlein, 2010: 62).

Table 2. Social media classification

Social presence/ Media richness				
		Low	Medium	High
Self-presentation/ Self-disclosure	High	Blogs	Social networking sites (e.g., Facebook)	Virtual social worlds (Second Life)
	Low	Collaborative projects (Wikipedia)	Content communities (Slideshare, Youtube)	Virtual game worlds (e.g., World of Warcraft)

Source: Kaplan and Haenlein, 2010: 59-68

Another perspective over the types of social media is offered by Safko (2012) in his book entitled *The Social Media Bible.* He splits social media into 15 categories: *Social Networking, Photo Sharing, Audio, Video, Microblogging, Livecasting, Virtual Worlds, Gaming, RSS, Aggregators, Search, Mobile, Interpersonal, Publications, Productivity applications* (Safko&Brake, 2012). In their report, Radicati and Levenstein (2013) concluded that Social Networking will grow from about 3.2 billion accounts in 2013 to over 4.8 billion accounts by the end of 2017. The majority of social networking accounts still come from the Consumer space, however, business-oriented Enterprise Social Networks are also showing strong adoption. If business owners argue, "Why would my business need to use social media, or why would this make sense for me?" the answer would be; "*because, that is where the money is*" (Bottolfsen, 2012). Even if we live in a digitalized world humans buy from humans (Schaefer, 2014). Altimeter conducted a research entitled *Social Business Survey* in 2016, with 523 respondents from organisations with more than 500 employees. To meet customer experience objectives, the social business team's role is shifting from an innovator to a multi-business practice integrator. After all, while the social team may have been the first to test social platform innovations, they were infrequently in a position to scale them (Terpening and Littleton, 2016).

Table 3. Customer experience replaces other business objectives

	Very important	Somewhat important	Neither important nor unimportant	Unimportant
Customer experience. Improvement in relationships with customers, experience with the brand	40%	42%	16%	2%
Innovation. Increase in product R&D and innovation	38%	43%	15%	4%
Operational Efficiency: Reduction in company expenses, e.g., customer service	36%	44%	17%	3%
Brand Health: Improvement in attitudes, conversation, and behavior toward our brand**.**	36%	43%	16%	5%
Revenue Generation: Increase in actual product revenue, leads, conversions	34%	43%	20%	3%
Marketing Optimization: Improvement in effectiveness of marketing programs	32%	46%	19%	3%

Source: Terpening and Littleton, 2016

3. The ugly face of social media in business-customer relationship
There are conversations taking place about companies or brand 24 hours a day, seven days a week in social media so a business should be there. Shih and Shalett (2013) sustain that a business which is a social media holdout risks:

1. ***Having the business reputation defined by others:*** People are talking about the company and brand, and stakeholders expect companies to pay attention in real time, especially when they have a customer service complaint or positive feedback to give.

*2. **Being invisible and less credible:*** The social Web is changing how people communicate and access information. People are increasingly turning to social networks as the easiest way to get their questions answered. Potential buyers are going online to research products or services before they purchase them, or new contacts before they meet them.

3. ***Being perceived as behind the curve:*** As consumers embrace new technologies, they expect businesses to do the same. Companies (and their representatives) that aren't using social networks will not be perceived as forward-thinking and, in the long term, will risk losing

customers who want business partners who speak their language. Social Media provides the average person with 4 factors empowering bad behavior, particularly against companies.

No Guilt. There is no remorse about bullying a brand. It's much easier to do because no one gets "hurt".

The Mob. Lots of other people are doing it. Whether they are the instigator with a real story or a troll making them up, it's easy to find others who will join you.

Relative Anonymity. Anonymity strips many people of fear. "No one will know if I say this" is the common feeling and easily overwhelms any feelings of restraint a person might normally have.

No Accountability. Probably the most significant factor is the sheer lack of accountability in anything said in social media. Without accountability as a "natural check" on actions, you get an environment devoid of any punishment (Wilson, 2012)

On the same topic, Popescul and Georgescu (2013) mention possible dangers once with an online presence such as:

- Creating fake profiles – which might lead to identity theft;
- Rummaging Facebook posts to find out information such as phone number, email and other sensitive data and information;
- Attacking on Facebook chat;
- Click jacking – a type of attack conceived to make the users click on links which lead to pages from where the hackers are able to obtain confidential information or compromise privacy;
- Unrequired posts on the wall, sending messages in Inbox or chat, invite users to join groups or community pages promising to offer prizes or enter competitions. Also, some messages created by spammers aim to take compassion on counterfeit medical or social cases, so that money would be sent to the fake victims.
- Games on Facebook which might hide spyware applications behind an apparently legitimate interface

4. Benefits from business-customer relationships

Besides these danger, today's focus on customer centricity is translating into increased use of social data for innovation. Additionally, it is important for companies to foster innovation. Overcoming barriers to social media adoption and use will require leaders to continuously balance potential risks with benefits, keeping a finger on the pulse both inside and outside the company, and building business cases for social media across their organizations (Bradley & McDonald, 2011; De Hertogh, Viane & Dedene, 2011).

The Social Media revolution is a consumer revolution. The *democratization* of media has shifted power away from corporations and media owners and into the hands of the general public. Today, brands are *co-owned* by consumers. A social organization, as defined by Anthony J. Bradley and Mark P. MsDonald (2011), is the one that strategically applies mass collaboration to address important business challenges and opportunities. Its leaders recognize that becoming a social enterprise is not about incremental improvement. They know it demands a new way of thinking, and so they're moving beyond tactical, one-time grass-roots efforts and pushing for greater business impact through a thoughtful, planned approach to applying social media. (Logofatu, 2012). Levitt (2006) explained that it has become increasingly necessary for companies to understand how their customers view them and what they have to offer.

Vargo and Lusch (2011) have argued that people should be the focal point of and active participants in a service-centred model, based on a relationship between the business entity and its customers that goes beyond a simple marketing exchange. Deepening the relationship with the consumer base is perhaps the most discussed and the most significant contribution of social media to marketing efforts (Brogan, 2009). Social media tools can provide businesses with the means to listen to the needs of customers. Social media tools

can effectively engage the audience, as well as empower a group of fans to promote the products for free through their social networks. Referrals are crucial elements to a company's generation of new sales, a marketing strategy that can be built around taking care of existing customers (Alameddine, 2013). This can be done by increasing what Vemuri (2010) called "*the stickiness of the brand*", whereby consumers instantly recall, prefer, and patronize a brand. According to Vemuri (2010), social media channels are a market researcher's dream come true, as users provide critiques, new ideas, and suggestions for improving products. Social consumers are king and clever, willing to pay and participate. (Paniagua and Sapena, 2014). Active social customers set social trends and agendas in a varied range of topics, from economics to environment and entertainment industry (Shirky, 2011). Conversation, sharing and presence resources are conveyed into financial capabilities through the revealed preferences channel. Through sites like Twitter or Facebook, potential customers express their "likes" or the tastes that rationalize an agent's observed actions (Beshears, Choi, Laibson & Madrian, 2008). Through "*likes*" and "*follows*" companies pulse the market and anticipate demand for product and services. Costa (2010) stated that the building of closed groups provides valuable insights for marketing campaigns. Retailers always have recognized the need to invest in the right marketing approaches to remain competitive. While, traditionally, companies have invested a lot of effort and money into reaching their audience, this personal referral approach can be achieved through a minimal financial investment (Brogan, 2009). After all, social media marketing needs to help increase sales and revenue. That's why it's called social media marketing and not simply social media public relations. The ability to target particular audiences is one of the greatest benefits of social media marketing. Social networks know a lot about consumer interests and demographics, so even though there are hundreds of millions of fans, marketers can accurately target the right people with the right message (Roesler, 2014).

5. Conclusions

In this digital age, innovation and open innovation management present significant challenges to managers due to dynamically changing customer demands, individualized consumer requirements, market uncertainties and fierce competition in the global markets (Li&Li, 2014). The impact of social media can't be denied anymore. Even if there are risks for businesses to be exposed and harmed, the benefits of adopting social media in the business strategy are overcoming any attempt made before to improve the relationship between businesses and customers.

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