

# THE BUSINESS ADVANTAGES OF SOCIAL NETWORKING

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The attached article was published in the July/August 2009 issue, no.168, of *Finance & Management*, the monthly magazine of the ICAEW's Finance and Management Faculty.

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BRIEFING: INFORMATION TECHNOLOGY

# THE BUSINESS ADVANTAGES OF SOCIAL NETWORKING

The burgeoning use of social networking sites by individuals is well-documented, but such sites can also be used to the advantage of those in business. **Matthew Fraser** and **Soumitra Dutta**, co-authors of the new book *Throwing Sheep in the Boardroom\**, explain how.

The explosion of social networking sites like Facebook and MySpace has profoundly transformed the way people interact socially. Not surprisingly, the popularity of these sites – Facebook boasts 300 million members – has now made them attractive to businesses and brands.

While the lines are blurring, there are two main categories of such networking sites. The first comprises essentially ‘social’ sites – eg Facebook – where people collect ‘friends’, post photos of themselves, update their ‘status’ etc. The second category covers strictly ‘business’ sites – such as LinkedIn, Plaxo, and Xing – that people join mainly to make professional contacts.

Sites in the first, ‘social’, category have struggled to build a solid business model that can ‘monetise’ – ie make profit from – their membership. One of the main reasons for this is the sites’ basically ‘social’ architecture. Facebook members do not like their social interactions to be cluttered with ‘commercial’ intrusions.

**Members are the commodity**

On sites like LinkedIn, however, the motivating factor to join is strictly business, so commerciality does not seem intrusive. LinkedIn actually derives most of its revenues by selling information about its members to companies and recruitment firms willing to pay steep subscription fees to find potential employees. In other words, the members themselves are the commodity being sold.

Currently, sites like LinkedIn are booming as business people who have lost their jobs are also rushing online to network and build social capital. LinkedIn’s membership rocketed from 28 million to more than 35 million in the six months following the September 2008 onset of economic collapse.

**Branding and marketing**

Corporations and major brands do successfully use the more purely ‘social’ networking sites, however, to market themselves. Most major brands have ‘fan’ pages on sites like Facebook, and social platforms like Twitter are being used as an effective way to virally market products through ‘buzz’ campaigns. In some cases, companies are finding that their own customers are taking the initiative and starting Facebook ‘fan’ pages.

In effect, customers are taking control of branding campaigns. Coca-Cola discovered this when a Facebook ‘fan’ page with soaring membership was created by two customers who did not work for the company. Coke decided to approach the Facebook page’s creators and struck a deal to co-

create the page. The Coca-Cola page on Facebook now has more than three million ‘fans’ – second only to Barack Obama’s. (Facebook, meanwhile, does not make a penny from that page. At the moment it only sells advertising, which is not very profitable).

Nor is it only big brands which can effectively leverage social media platforms. Since there are virtually no barriers to entry to launch a marketing campaign on Facebook, YouTube or Twitter, any company can be a player.

A good example of this was the ‘Will It Blend?’ video campaign launched by kitchen blender maker Blendtec. The company made a series of comical videos featuring CEO Tom Dickson sticking all manner of things – cellphones, golf balls – in a blender and turning it on. When the videos were posted on YouTube, they became an instant hit, and its blender sales quadrupled. Other brands, like online clothes retailer Zappos, have been using Twitter and blogging to connect with customers to listen and learn and discover their needs. Social media tools are becoming customer service platforms.

**Attitudes are changing**

Ironically, some big corporations and governments are still disciplining or dismissing employees for using social networking sites like Facebook at the office – usually citing ‘time wasting’. But as companies realise that social media tools can boost productivity and increase profits, values and attitudes about Web 2.0 platforms are changing. ■

\* *Throwing Sheep in the Boardroom* by Matthew Fraser and Soumitra Dutta Hardback, 344pp, John Wiley & Sons ISBN: 978-0470740149 £15.99



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