

Co-Creation of Value through Social Network Marketing: A Field Experiment Using a Facebook Campaign to Increase Conversion Rate

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Abstract. The concept of social network marketing has gained much interest in both applied and academic marketing. While several studies have demonstrated the use of social network marketing, research on the actual effect on business value is scarce. A field experiment was prepared where applicants for IT bachelor studies were invited to join a Facebook group related to the subject of interest. Each Facebook group was assigned a contact person who received training in answering questions from the applicants and to create activities on the social network site. The results showed that the conversion rate for applicants who apply for a Facebook group was 88.8 %, which is significant higher than for those who did not apply for a Facebook group (43.3 %). We suggest that social network sites, such as Facebook, can be used as an arena for co-creation of value.

Keywords: Social Network Marketing, Co-Creation of Value, Facebook Campaign, Field experiment.

1 Introduction

There is much hype about social network marketing and its potential impact on business, and many companies are diligently establishing presences on Facebook, YouTube, Second Life, and other social platforms. According to an article in McKinsey Quarterly by Zeisser [1], the actual business value of social network marketing remains unclear, and while common wisdom suggests that they should be tremendous enablers and amplifiers of word of mouth, few companies have unlocked this potential.

Morans [2] defines social network marketing as “any way to get attention for your message using people connected to the Internet.” In addition, he categorizes social network marketing in four types of social media: content, personality, interest and fantasy. Content-based social media marketing is built around individual messages. For example, YouTube hosts videos designed to be shared with others. Other content-based social media sites don’t host the content – they just link to it. Personality-based

social networking sites allow each member to create a profile description, which again can be linked to the profiles of colleagues and friends, forming a network. Facebook, Twitter and LinkedIn have become significant personality-based networks for targeting segments. Interest-based social media marketing is communities organized around specific subjects on message boards, blogs etc. These communities give companies the opportunity to interact with consumers, and most importantly, to listen and learn from their experience and ideas about product improvements. Specialized search sites like Twingly allow category searches for blogs on a specific topic. Finally, virtual worlds such as Second Life are also a social medium. Marketing through a virtual world is denoted fantasy-based social media marketing. However, it is not easy to define exactly how these social networks can contribute to create business value.

2 Co-Creation of Value

The marketing concept of co-creation of value provides a shift from a company-centric view to a more balanced view of a company and clients interacting and co-creating experience with each other [3-6]. Prahalad and Ramaswamy [7] who introduced the concept say that, thanks largely to the Internet, customers are fundamentally changing the dynamics of the marketplace. The marketplace has become an arena where consumers play a much more active role in creating value. Moreover, the authors [7] state that the characteristic aspect of the new marketplace is that consumers become a new source for competence for the company. The competence that customers bring is a result of the knowledge and skills they possess, their willingness to explore and learn, and their ability to engage in an active dialogue.

Co-Creation of value is short for collaborative creation. It creates business value by employing the experience of people from both inside and outside the company. The consumers' desire for this type of activities is not new. Alvin Toffler, an American writer and futurist, has written about the principle 30 years ago in his book "The Third Wave". Toffler [8] states that people do not want to consume passively; they would rather participate in the development and creation of products meaningful to them. The type of collaborative engagement described by Toffler is now possible for example through social network sites on the Internet.

Prahalad and Ramaswamy [3] delineate a perspective of co-creation value emphasizing on the interaction between the company and consumers as the locus of value creation and value extraction. Today's consumers are increasingly active information seekers and are no longer dependent on information from the company. Furthermore, consumer-to-consumer communication and dialogue provide consumers an alternative source of information and perspective. Prahalad and Ramaswamy [3] suggest that companies must focus on personalized interactions to co-create value with their customers. In their view, co-creation of value not only describes a trend in business of jointly creating products. It also describes a movement away from customers buying products and services as transactions, to those purchases being made as part of an experience. Prahalad and Ramaswamy [3] claim that consumers seek freedom of choice to interact with the firm through a range of experiences.

Furthermore, consumers want to define choices in a manner that reflects their view of value, and they want to interact and transact in their preferred language and style.

So what does it mean to co-create value in a world of virtual conversations enabled by social networks? Personality-based social networking sites such as Facebook, Twitter and LinkedIn allow each member to create a profile description, which again can be linked to the profiles of others, forming a network where companies and clients can interact. Social networks can, therefore, function as an arena where companies and customers interact and co-create value with each other [9]. The following study describes how a university college in Norway manages to co-create value as a result of interacting with applicants on Facebook. This paper is structured as follows: In the first section we give a presentation on how the Facebook campaign was organized and conducted. Second, there will be a short presentation of the results. Third, we discuss the results from the Facebook campaign in relation to co-creation of value between the company and consumers. Finally, our last section contains concluding comments on the use of social network marketing for value creation and value extraction.

3 Study Description

The Norwegian School of Information Technology (NITH) is a private university college specialized in information technology. Like many other companies, NITH wants to adopt social network marketing as part of its marketing campaign. The recruitment period begins in January and ends when the semester starts at the end of August of the same year, with most applications being submitted during February to April. One challenge that the marketing manager of NITH faces is given by the relative low conversion rate from applicants. The conversion rate of the previous years was around 43% (of applicants becoming registered students), and the marketing manager recognizes that an increase of conversion rate would have a considerable impact on the company's income. It was therefore decided to try social network marketing to increase conversion rates, and the experiences in this undertaking are reported in the present paper.

To decide what to study and which college to apply for is for most people a high-involvement situation. It is an extensive problem solving [10], and consumers in a situation like this need a great deal of information to establish a set of criteria on which to judge specific study alternatives and a correspondingly large amount of information concerning each of the alternatives to be considered. Accordingly, NITH decided to create a personal relation with all applicants by the use of personality-based social media. The social media arena was meant to be a place where the school and the applicants could interact and hence co-create experience. The assumption was that when a personal relation was immediately established after the applicant submits his/her application it would increase the likelihood that the applicant accepts the offer and becomes a student.

Since NITH did not have any experience with social network marketing, the campaign was design like a field experiment. It was decided that the target group for the campaign was given by applicants for each bachelor program: Digital Marketing, E-business, Programming, Interactive Design, Game Design and Game Programming.

A Facebook group was established for each bachelor program. Each group was assigned a contact person who received training to enter into dialogue with applicants and create activities. In order to have a low barrier to engage in activity it was decided to use NITH students from each of the bachelor programs as contact person. NITH administration, marketing department and lecturers were not allowed to participate. The social network activity began in February 2009 and was completed towards the end of July 2009.

4 Results

All Facebook groups received members immediately after they were published. Some of the groups, like Game Design and Interactive Design, recruited more applicants than other groups. The dialogue between applicants and the contact person was related to the content of the study program at NITH. The contact person managed in varying degree to facilitate interaction in their respective Facebook groups. It was obviously easier to achieve a good dialogue in groups with a certain amount of members (e.g., Game Design and Interactive Design) than in groups with few members. The applicants were curious and asked questions about program related topics, technology and tools that are used in the program. Some questions were related to job opportunity after finishing a specific bachelor program and others to the social activities at the campus.

The dialogue in each Facebook group was totally transparent. All members of the group could take part in the other's experience. We observed dialogues between the applicant and contact person, however, in some groups we also observed interaction between the applicants. Some applicants started to share information about their interests and technological skills, their experience as an applicant and how complex it was to decide what and where to study. Some applicants were more emotional and expressed how much they looked forward to start studying at NITH.

But what about the conversion rate from applicants to student? Table 1 shows the conversion rate from applicants who did not apply for a Facebook group. Column one shows bachelor programs (Game Programming is not included due to missing data). Column two shows the number of applicants and column three the number of applicants who became a student. Column four shows conversion rate for each of the bachelor programs.

Table 1. Conversion rate from applicants who were not on Facebook

<u>Bachelor programs</u>	<u>Applicants</u>	<u>Applicants who become a student</u>	<u>Conversion rate</u>
DigitalMarketing	21	5	23.8 %
E-business	42	23	54.8 %
Programming	28	3	10.7 %
InteractiveDesign	59	30	50.8 %
Game Design	81	39	48.1 %
Total	231	100	43.3 %

As indicated in Table 1, the conversion rate of applicants who did not apply for a Facebook group was 43.3 %, which is much the same as in previous years. Table 2 shows the conversion rate from applicants who applied for a Facebook group.

Table 2. Conversion rate from Applicants who were on Facebook

<u>Bachelor programs</u>	<u>Applicants</u>	<u>Applicants who become a student</u>	<u>Conversion rate</u>
DigitalMarketing	8	7	87.5 %
E-business	21	21	100 %
Programming	11	9	81.8 %
InteractiveDesign	24	21	87.5 %
Game Design	43	37	86.0 %
Total	107	95	88.8 %

As Table 2 shows, conversion rates for those applicants who applied for a Facebook group was 88.8 %, which is significantly higher than for those who did not apply for a Facebook group. This is 49 more students than if the conversion rate was 43.3 %. This gives NITH an income around 7260000 Norwegian Kroner (approximately US\$ 1265309) spread over three years. The cost was estimated to be around 6000 Norwegian Kroner (approximately US\$ 1046) that mainly covers salaries.

5 Discussion

Prahalad and Ramaswamy [3] suggested that companies should focus on personalized interaction to co-create value with their customers. To reach this aim the authors define four main building blocks of interactions between the company and their consumers that facilitate co-creation experiences: Dialogue, access, risk-benefits, and transparency. Dialog includes the conversations between consumers and the company to jointly define and solve the consumer's problems, while the company at the same time acquires knowledge about the consumer. One of the success criteria behind a Facebook campaign is probably the use of students as contact persons in the dialog between NITH and the applicants. As stated by Prahalad and Ramaswamy [3], "it is difficult to envisage a dialog between two unequal partners." Hence, to achieve an active dialogue, the company and the customer must become equal and joint problem solvers. The NITH students and applicants are equal partners and, thus, joint problem solvers. The dialogue was centered around issues of interest to both – the NITH student and the applicant.

It is hard to achieve dialogue if consumers do not have the same access and transparency to information. Companies have, according to Prahalad and Ramaswamy [3], "traditionally benefited from exploiting the information asymmetry between them and the individual consumer." Because of the ubiquitous connectivity (computer or mobile) that a personality-based social networking site offers, it was possible for an

applicant to get access to as much information as he/she needed from the other applicants on the Facebook group as well as from NITH. Prahalad and Ramaswamy [3] emphasize that both access and transparency to information are critical to have a meaningful dialog.

Prahalad and Ramaswamy [3] states the following: “For active participation in co-creation, the company’s information has to be available to the consumers, including information search, configuration of products and services, fulfillment, and consumption.” By the use of a personality-based social network site, NITH helps the applicant’s through their extensive problem solving situation. Dialogue, access, and transparency enhance the applicant’s assessment of the risk-benefit of his/her decision (what and where to study). Should I start studying at NITH? What are the benefits and the risks? Instead of only depending on information given by the marketing department at NITH through advertisements, catalogue, and contact with sellers, applicants could now get information from other students and other applicants, and, in addition share his/her experience with others. This is, according to Prahalad and Ramaswamy [3], a personalized understanding of risk-benefit.

A personalized co-creation experience reflects how the individual chooses to interact with the environment that the company facilitates. This is a totally different process – one that involves individual consumers on their terms [11]. The use of co-creation experiences as the basis for value creation was possibly the key to success for NITH’s social network marketing campaign.

6 Conclusion

Traditional marketing is about “the achievement of corporate goals through meeting and exceeding customer needs better than the competition” [12, 13]. However, marketing has in recent years moved from a goods-dominant perspective, in which tangible outputs and discreet transactions were central, to a service-dominant perspective, in which intangibility, exchange processes, and relationships are central [4]. The emergence of social media has given companies a powerful tool to create business value. However, successes are not simply setting up a Facebook page or create and publish a YouTube video. It remains critical to know what the end goal of the company is [14]. Why is your company considering social network marketing? Who is your company’s targeting segments? What are you going to say in the social media space? The study described in this paper demonstrates, through a field experiment, how a company can co-create value through a social network marketing campaign. The NITH’s campaign on Facebook demonstrates that social networks can be used as an arena for co-creation experience as a basis for value creation.

Types of social media are emerging fast. What is important, according to Moran [2], is the need to pay attention, so that when a new type of social media appears, a company can recognize it and consider whether it could work for its next marketing campaign. To realize the marketing potential of social media marketing, your company has to make them an arena for co-creation of experience.

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