

University of Economics, Prague
International Business – Central European Business Realities



MASTER'S THESIS

Social Media- A New Instrument to Influence Brand Value

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Declaration

I hereby declare that I am the sole author of the thesis entitled „Social Media- A New Instrument to Influence Brand Value“ I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague, 30 August, 2012

A handwritten signature in blue ink on a light pink background. The signature is stylized, featuring a large, sweeping loop on the left and a smaller, more intricate mark on the right.

Author's signature

Acknowledgement

Here, I would like to thank my advisor Prof. Dr. Peter Kral for his supervision, his support, guidance and motivation during the process of elaboration of the submitted paper.

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Table of contents

Declaration.....	ii
Acknowledgement.....	iii
Table of Contents.....	iv
List of Tables.....	vii
List of Figures.....	viii
List of Graphics.....	x
ABSTRACT	xi
INTRODUCTION.....	1
I. A New Media Behavior.....	3
II. A New Way of Understanding Brand Equity.....	4
III. Design and Limitations of the Thesis.....	7
1. THE RISE OF VIRTUAL SOCIALIZATION.....	8
1.1. World Wide Web.....	9
1.1.1. Web 2.0.....	11
1.1.2. Social Web.....	13
1.1.3. Social Media.....	14
1.1.3.1. Blogs.....	17
1.1.3.2. Social Networking.....	18
1.1.3.3. Facebook.....	20
1.1.3.4. YouTube.....	21
1.1.3.5. Twitter.....	21
1.2. World Internet Usage Statistics.....	22
1.2.1. Media Use Patterns.....	23
1.2.2. Internet Activities Patterns.....	25
1.3. Brands and Social Media.....	27

1.4. Need for Social Media Monitoring.....	32
1.5. Implications.....	33
2. BRAND.....	34
2.1. Characteristics of the Brand.....	35
2.1.1 Brand Architecture or Brand Structure.....	36
2.1.2. Functions of a Brand.....	41
2.1.2.1. Brand Functions for the Consumers.....	42
2.1.2.2. Brand Functions for the Companies.....	44
2.2. Brand Equity.....	46
2.2.1. Measuring Brand Equity – Financial Approaches.....	48
2.2.1.1. Cost-based Approaches.....	49
2.2.1.2. Market-based Approaches.....	49
2.2.1.3. Economic-use Approaches.....	50
3.2.1.4. Implications of Financial Approaches.....	50
2.2.2. Measuring Brand Equity – Consumer Based Approach.....	52
2.3. Brand Value.....	53
2.3.1. Measuring Brand Value - Alternative Approach.....	53
2.3.2. Implications of Brand Value Approach.....	55
3. SOCIAL MEDIA INFLUENCE ON BRAND VALUE.....	56
3.1. Negative Influence.....	57
3.1.1. Case Study: BP.....	57
3.1.2. Case Study: Nestlé.....	62
3.1.3. Conclusion.....	67
3.2. From Negative to Positive.....	69
3.2.1. Case Study: Dell.....	69
3.2.2. Conclusion.....	74
3.3. Positive Influence.....	75

3.3.1. Trust in People Instead Trust in Brands.....	75
3.3.2. Case study: Old Spice.....	78
3.3.3. Case study: HP.....	82
3.3.4. Conclusion.....	85
CONCLUSION.....	86
References.....	88
Appendixes.....	100

List of Tables

Table 1: Web 1.0 vs. Web 2.0.....	12
Table 2: Definitions of Social Media.....	15
Table 3: World Internet Usage and Population Statistics.....	23
Table 4: Global Social Media Statistic.....	25
Table 5: Brand Architecture Spectrum.....	38
Table 6: Brand Functions.....	42
Table 7: Most Valuable Global Brands 2011.....	45
Table 8: Brand Equity Definitions.....	47

List of Figures

Figure 1: Nestle’s brand KitKat.....	1
Figure 2: Nestle’s brand KitKat.....	1
Figure 3: Nestle’s brand KitKat.....	1
Figure 4: Protest against Nestlé.....	2
Figure 5: Protest against Nestlé.....	2
Figure 6: Decentralized Site-Network for the management of general information.....	10
Figure 7: Social Networking by Age.....	20
Figure 8: European Media Use by Age.....	24
Figure 9: Your Favorite Browser? Massive Demand Beyond PC.....	26
Figure 10: Mobile Internet Continues to Grow & Usage Impacts Home.....	27
Figure 11: Global Companies Using at Least One Social Media Platform.....	28
Figure 12: Percent of Fortune Global 100 Companies Using Four Main Accounts.....	30
Figure 13: US Interactive Marketing Forecast. (US only), 2009 to 2014.....	31
Figure 14: Virgin as Branded House.....	39
Figure 15: P&G A House of Brands.....	40
Figure 16: Microsoft Subbrands.....	40
Figure 17: Brand Value.....	54
Figure 18: Users-made BP_ ID_ account.....	59
Figure 19: @BPGlobalPR.....	59
Figure 20: New Image of BP.....	62
Figure 21: New Image of BP.....	62
Figure 22: Greenpeace Campaign “Ask Nestlé to give rainforests a break”	63
Figure 23: Greenpeace video.....	64
Figure 24: Greenpeace video.....	64
Figure 25: Greenpeace video.....	64
Figure 26: Nestlé Facebook comments.....	65
Figure 27: Nestlé’s Sentiment Trend (Blogs).....	66

Figure 28: New Greenpeace campaign against KFC.....	67
Figure 29: Jeff Jarvis “Blog Daddy” on MSNBC.....	71
Figure 30: Jeff Jarvis on CNN.....	71
Figure 31: Isaiah Mustafa in "Smell like a Man, Man" commercial.....	80
Figure 32: HP HDX Dragon Notebook.....	83
Figure 33: "31Days of the Dragon" campaign.....	84

List of Graphics:

Graphic 1: BP “popularity” splash by Media (last182 days).....	60
Graphic 2: BP’s Sentiment Trend (Blogs).....	61
Graphic 3: Nestlé “popularity” splash (overall popularity for 182 days).....	66
Graphic 4: Graphic 4: On Social Media I’m Most Influenced by.....	76
Graphic 5: Women and Man preferences according to spending on time and money on enhancing their appearance.....	79

ABSTRACT

With the rising power of Internet and especially social media which includes different communities, blogs, portals¹, etc., nowadays brand value, - its creation and control, is not in the hands of the companies anymore, but is shifted to the consumers. One aim of this paper is to investigate and try to prove the existence of social media influence on brand value. Another goal is to introduce a different vision of brand value in connection with Internet and the rise of social media's influence on consumer's minds.

For the purpose of this research the terms brand value and brand equity would bear equal meanings. My theory, which I would like to introduce, was borrowed from biology and physics, namely from I.P. Pavlov's studies and his conditioned reflex theory² and the physics part is based on the dispersion of light theory which was first introduced, as we know, by Isaak Newton³. I dare to say, that nowadays creation of brand value in consumer minds works the same way. When someone, man or woman, hears a brand name, a picture and a feeling, either positive or negative is immediately formed in the person's mind from personal experience with this brand. If not, then the brand is an unfamiliar one, thus we have to rely on a provided opinion, which was previously usually conveyed to us by family, relatives and close friends while recently, also by our growing virtual community.

At the beginning of the thesis, I will present the theoretical background and data on World Wide Web and social media, followed by a concise description of some of the existing brand equity models, afterwards introducing my own vision on significant brand value components, elaborating on this theory with the help of relevant case studies and researches.

¹ Nielsen Company, *The social media report: State of the Media.*, Q3 2011, p. 3

² Simon Brian., *Psychology in the Soviet Union.*, Butle & Tanner Ltd Frome and London , 1957 , p. 11

³ Nugent, Edward., *A treatise on optics; or, Light and sight, theoretically and practically treated; with the application to fine art and industrial pursuits*, 1968, p.77, [Online] Available from:

<http://books.google.de/books?id=4DQDAAAAQAAJ&pg=PA77&dq=dispersion+of+light+Newton&hl=de&sa=X&ei=GtnDT5m9I8zxsgb3-qDkCg&sqi=2&ved=0CDkQ6AEwAQ#v=onepage&q=dispersion%20of%20light%20Newton&f=false> [Accessed 19 November 2012]

Brand equity has generally been defined as “a brand's power derived from the goodwill and name recognition that it has earned over time, which translates into higher sales volume and higher profit margins against competing brands”⁴. Further on in the third chapter I will bring together more definitions on brand equity/value to be able to propose a modified one, components of which will be discussed thoroughly in the same chapter.

The main goal of my Master Thesis is to analyze the existence of a dependency between social media and brand value. A second goal is to assess whether the impact is a positive or a negative one or is a mixture of both.

Key words: Brand equity, brand value, social media, soft values, brand management, brands on the Internet.

⁴ Business Dictionary, [Online] Available from: <http://www.businessdictionary.com/definition/brand-equity.html>
[Accessed 19 November, 2011]

Introduction

Social Media has demonstrated to be a great instrument to build customer loyalty¹. Brands can interact openly with their followers and build an emotional connection with them. But this direct communication hides a lot of threats. A hard built brand value can easily be damaged by choosing the wrong social media strategy².

For the famous company Nestle a disaster concerning its brand image broke out in March 2010³, when in just a few days the company had lost hundreds of thousands of its customers. It all started with a rather ordinary request from “Greenpeace”, which sent a mail to Nestle, asking it to change its policy of purchasing palm oil from Malaysia and Indonesia. The main concern consisted in the fact that Nestle was purchasing this specific palm oil used in its products from organizations, which were extracting the oil from illegally cut wood. Despite this clearly reasonable and proper petition from “Greenpeace”, Nestle completely ignored this mail and went on doing business as usual. Nevertheless, members of “Greenpeace” didn’t give up on their mission and decided to enlist the help of a vast social media community to aid them. Already famous for their past daring videos they decided to make the world see the hidden truth using Nestle’s brand KitKat (Figure 1, 2, 3) as their target.

Figure 1: Nestle’s brand KitKat; Figure 2:Nestle’s brand KitKat; Figure 3:Nestle’s brand KitKat



Source: <http://gruppen.greenpeace.de/>; <http://www.utalkmarketing.com/>; <http://www.thevine.com.au/>
[Online] [Accessed 21December, 2011]

¹ Jue Arthur L., Marr Jackie Alcalde, Kassotakis Mary Ellen ., *Social Media at Work: How Networking Tools Propel Organizational Performance*, John Wiley & Sons, 2009, p. 100

² <http://getmindsmart.com/>[Online] <http://getmindsmart.com/> [Accessed 21 December,2011].

³ Baur ,Daniel., *Nestlé und das Social Media Desaster*, 25.03. 2010, [Online]
Available from: www.social-brand-value.com/de/2010/03/25/nestle-und-das-social-media-desaster/ [Accessed 21 December, 2011].

On completing the video, they uploaded it on – YouTube. Within the first hours of the video's presence online, it accumulated thousands of views. Naturally, as a result of viewing the video, quite a lot of people started to post their comments on Nestlé's facebook page.

The comments contained protests against Nestlé's policy and called for to stop the company of purchasing the oil, so that no demand would be present and no wood would be cut by those illegal organizations⁴.

Figure 4: Protest against Nestlé



Figure 5: Protest against Nestlé



Source: Greenpeace, www.greenpeace.com Source: Simon Lim, www.greenpeace.com
[Online] [Accessed 21December, 2011] [Online] [Accessed 21December, 2011]

In 2010 there were a lot of activists, demonstrating on the streets (Figure 4, 5) and appearing on the different media. A new form of protests took place, which was performed on Facebook and other social media platforms. The main problem for the most firms is the lack of resources, qualified employees, information and clear strategy to handle such critical situations. It's not enough anymore, to just organize a media conference or bring out a several page article. Nowadays internet community posts a large numbers of comments about the companies in different platforms.

⁴ Baur ,Daniel., *Nestlé und das Social Media Disaster*, 25.03. 2010, [Online]
Available from: www.social-brand-value.com/de/2010/03/25/nestle-und-das-social-media-desaster/ [Accessed 21December, 2011]

It is obvious that companies lack qualified employees, the so called community managers, who could properly and professionally communicate with this new social media phenomena, with their own language and rules.⁵

New communications channels of the Web 2.0 give people around the globe an opportunity to be active and be heard. For businesses, this means they no longer can work the way they did in the past. Supply chain executives have to be careful by choosing their business partners and not just focus on the cheapest prices. New PR strategies have to be made to react correctly to the attitudes in the new web platforms. “This means the trend is heading to a world where the consumer gets to say – where, what and how he wants his products”⁶.

Does Social Media have any impact on Brand Value? Is it possible to damage or even destroy the brand through the social media? These and a few other significant questions related to the topic of this master thesis will be addressed in chapter three.

I. A New Media Behavior

To have an idea and to really understand the new usage patterns of the Web 2.0 and social media let's examine how it works. Females make up the majority of visitors to social networks and blogs, and people aged 18-34 have the highest concentration of visitors among all age groups.⁷ Internet is an essential part of their everyday life, as according to Forrester Research 2010, they spent twelve hours on it every week⁸, and this time continues to increase. They communicate via e-mail and utilize smartphones to manage their time. Facebook is the most exciting and favorite web platforms used by the female group⁹. With over 845 million people registered on Facebook¹⁰, they find old

⁵ Baur ,Daniel., *Nestlé und das Social Media Desaster*, 25.03. 2010, [Online] Available from: www.social-brand-value.com/de/2010/03/25/nestle-und-das-social-media-desaster/ [Accessed 21 December, 2011].

⁶ <http://getmindsmart.com/>[Online] [Accessed 21 December, 2011]

⁷ Nielsen Company, *The social media report: State of the Media.*, Q3 2011, p. 3.

⁸ Forrester Research 2010, *Media Consumption by Age (Europe)*, European Technographics Benchmark Survey Q2 2009, [Online] Available from: http://blogs.forrester.com/reineke_reitsma/10-04-16-data_digest_media_consumption_age_europe [Accessed 15 January, 2012].

⁹ Nielsen Media Research., *Social Media Matters*, 2010, p. 20, [Online] Available from: www.blogger.com/files/Social_Media_Matters_2010.pdf [Accessed 15 January, 2012].

¹⁰ Facebook, Newsroom, [Online] Available from: <http://newsroom.fb.com/content/default.aspx?NewsAreaId=22>, December 2011

friends and build virtual relationships. They discovered a new web channel called Twitter where, with a registered account they are now able to send, as well as receive, short messages of no more than 140 characters to other users on the network¹¹. Day by day around 50 million messages from over 130 million registered users are sent via Twitter so one can judge the scope of this network¹².

Twitter's 140 characters are not always enough. To overcome this limit, there is a possibility on the internet, to create and write a digital journal (also known as "blog") where one can publish thoughts and feelings accessible to any person. According to Blog Pulse Research 2010 there are over 145 million blogs registered¹³. Blogs become an important source of information and are influential in several situations of our life¹⁴. Using the video sharing service YouTube people can find new shows, instructions, tips and additional useful information on any topic they are interested in. Every minute, 48 hours of video material is uploaded to YouTube¹⁵. Digital channels are an important part of our life. We are influenced on a daily basis and it is important to understand the impact of these channels. This master thesis aims to measure the influence of word of mouth of digital channels on a global scale.

II. A New Way of Understanding Brand Equity

Branding has been used for centuries to differentiate the goods of one producer from those of another. For instance, Paul Stobart the Director of "Interbrand Group PLC" in his book "Brand Power" describes this fact as follows: "the word 'brand' derives from the Old Norse word *brandr*, which means to burn".¹⁶ Brands were, and still are, a way which is used by owners of cattle to mark the latter as their own. From branding cattle

[Accessed 15 January, 2012].

¹¹ Twitter Help Center, [Online] Available from: <http://support.twitter.com/articles/127856-about-tweets-twitter-updates>

¹² Sanford, Matt., *Growing Around the World - The official Twitter Blog*, 2010, [Online] Available from: <http://blog.twitter.com/2010/04/growing-around-world.html> [Accessed 15 January, 2012].

¹³ BlogPulse.com., BlogPulse Statistics, Total Identified Blogs 2010, [Online] Available from: <http://www.blogpulse.com/> [Accessed 17 January, 2012].

¹⁴ Nielsen Company, *The social media report: State of the Media.*, Q3 2011, p19

¹⁵ YouTube Statistic , 2011., [Online] Available from: http://www.youtube.com/t/press_statistics [Accessed 17 January, 2012].

¹⁶ Stobart, Paul. *Brand Power*. London: The Macmillan Press LTD, 1994.

and other livestock, early men started to brand all their belongings, for example, a potter labeled his products by imprinting his mark into the wet clay, usually, at their bottom. The thumbprint symbolized a proof of origin of the product and played a huge role for the customers who wanted to purchase the products from that particular potter. On one hand marking his goods this way, the potter, could support his purchasers in a way of “recognizing and specifying his products¹⁷”. On the other hand, for consumers, this imprinting provided them with important information which helped them to avoid unwanted products purchases.¹⁸

The idea of brand equity has fascinated the academic world and professionals for the last 30 years, especially considering its increasing importance in today's world where building, managing and using brands is being made with mostly one reason in mind - to get a strategic advantage. Despite the fact that we have a numerous number of scientific books on brand value, there is no standard method to evaluate it. In Germany, for example, there are more than 30 different methods available. Each and every one of those approaches tracks down different objectives and besides that, has a diverse interpretation of brand value and provides us with different outcomes.¹⁹

Economic use approach or income-based approach is based on the valuation of future net earnings directly related to the brand to conclude the value of the brand at the current moment²⁰. Two other approaches, for instance, are the market-price-oriented approach that attempts to elicit the sale value of the brand in today's market perspective, and the cost-based approach, which estimates the cost factors of a brand reproduction.²¹

In the late 1980s the brand equity topic started to receive more attention, however at the beginning, most experts were not hundred percent sure if it really was something substantial or just another management trend, which would decrease in less than two years. But with time one industry after another finds out that, such characteristics as:

¹⁷ Stobart, Paul. *Brand Power*. London: The Macmillan Press LTD, 1994.

¹⁸ Stobart, Paul. *Brand Power*. London: The Macmillan Press LTD, 1994, page 1 – 3.

¹⁹ Schimansky, Alexander. *Der Wert der Marke - Markenbewertungsverfahren für ein erfolgreiches Markenmanagement*. München : Vahlen, 2004. Page 1- 20

²⁰ Keller, K.L., *Strategic brand management: building, measuring, and managing brand equity*, Prentice Hall, New Jersey, 1998

²¹ Bamert, Thomas. *Marken Wert*. Wiesbaden: Der Deutsche Universitäts- Verlag, 2005., page 135 -140

brand awareness, perceived quality, customer loyalty, strong brand associations and personality are essential in market competition. Some organizations, like medical institutions, oil field delivery companies as well as software firms, experienced a creation of brands for the first time. Others, for example, financial institutions or automobile manufacturers faced an enormous challenge to refresh not just their brands, but also their brand management philosophy to stay up to date with the constantly changing competitive environment.²²

Companies are constantly forced and challenged by strong competitive environment in to creating strong brands with positive equity. It is important to note, that, besides features mentioned above, a company's reputation was, and still is, one of the most significant key drivers of brand value. Nowadays we can observe a fundamental shift, which took place during the last 30 years, with the rise of understanding, that actually *soft or intangible values*, which identify and characterize the brand are the underlying stones of brand equity or in another words - social brand value for each and every person. This Thesis shares, prolongs and modifies the idea made by Kevin Lane Keller, that the value of a brand lies in the mind of the consumer and it is still unclear, exactly how exactly the brand equity is fostered, managed, and maintained.²³ The wide part of research on brand value has been made in the context of traditional goods in the “real world”, but the importance of brand equity in “digital or virtual world” is also being realized.

The invention of first Web 1.0 and then Web 2.0 platforms brought the companies not just enormous brand communication opportunities (now the company can reach almost everyone, almost everywhere), but also enormous risks to lose the control, which were brought by this new environment, where unrestrained and unfiltered interaction (communication) within numerous communities, has already largely slipped away from the companies.

²² Aaker, A. David. *Brand Leadership*. New York: The Free Press. 2000., page 1- 3

²³ Keller, Kevin Lane. *Marketing- Management: Strategien für wertschaffendes Handeln*. 12. Auflage. München, Pearson Education. (2003). pp. 5- 18

This master thesis attempts to integrate some of the recent key perspectives on brand equity and provide an alternative view on its intangible structure segment, give some recommendations for future brand value research in an environment where the internet brands represent a new reality.

III. Structure of the Thesis

Introducing the topic, I will first begin with theoretical background and a full description of the World Wide Web phenomenon and the Social Media in the second chapter of the thesis. In particular in subchapter 1.1.3 “Social Media”, new communication patterns within five channels will be described and it will be shown how they can be used for companies in advertising and building customer relationship. Subchapter 1.3 “Brands and Social Media” will present some statistical figures on social media.

Further, in chapter 2 “Brand”, I would like to introduce a theoretical overview of the brand architecture or brand structure as well as functions of a brand. In Subchapter 2.2. “Brand Equity” different methods of evaluating the brand equity, performed by different academics and practitioners will be discussed. This will show that they are all quantitative and it is very hard to use these methods for my evaluation. In my opinion, today, new factors which are qualitative (*soft or intangible values such as: image, trust, reputation, purchase decision*) have an enormous influence on online brand equity of companies. Thus, in subchapter 2.3. “Brand Value”, I will present four alternative parameters, which I deem crucial to consider while building a sustainable, positive and effective online brand image, as they basically comprise together into the latter. To support this theory of mine, I propose an outline of case studies in Chapter 3 “Social Media Influence on Brands” which will prove this theory and will further illustrate the fact that the four above mentioned characteristics heavily influence the creation of the brand value. After each case, intermediate conclusions will be made and lastly, in “Conclusions and Recommendations”, a final summary of these will be presented, as well

as important recommendations for companies, relating to the development of their online brand value.

1. The Rise of Virtual Socialization

“That's really funny... around my house we had an old internet/mp3/divx machine in our living room and it got to the point where we started calling the Internet "God"... sitting around, arguing about some piece of trivia... "Just ask God!"”

- Comment by Slashdot²⁴

Since the beginning of time the strong need to socialize was an essential characteristic of human society, which helps them to survive through the centuries. Socialization, according to the Great Soviet Encyclopedia, is defined as “(from Latin *socialis*- public, social), the process by which an individual acquires specific knowledge and values and accepts standards that enable him to function as a full and equal member of society.”²⁵ In the modern literature, for example, in the Dictionary of Media and Communication Studies the definition, taking into consideration the change of environment, is slightly expanded to “the shaping of human behavior through experience in and knowledge of certain social situation: the process by which individuals are made aware of the expectations others have of their behavior; by which they acquire the norms, mores, values and beliefs of a social group or society; and by which the culture of a social group or society is transmitted. Socialization continues throughout life as individuals change their roles and membership of social groups.”²⁶

²⁴ [Online] <http://ask.slashdot.org/comments.pl?sid=80682&cid=7106303> [Accessed 17 February, 2012]

²⁵ *Great Soviet Encyclopedia- Большая Советская Энциклопедия*. Москва: Издательство Советская Энциклопедия, 1976, Том 24/ Книга 1, Стр.221

²⁶ Watson, James., Hill, Anne. *Dictionary of Media & Communication Studies*. Oxford University Press, Fifth edition, 2000. p 293

Socialization implies a kind of non-material social exchange, which affects the formation of personality and its own opinions. Because of this chain connection, the process of socialization, is not just only direct human interaction, but the whole network of society's relations. The subjects of socialization are the pushing drivers and creators of a new social order.

The success of socialization depends on the extent to which a human being is involved in the creative social action that transforms the society in the desirable manner. Virtual communities constitute an important attribute through which social dialogues are mediated. The emergence of online communities is the outcome of the prevalence of web based technologies. In the world of inter and intra connectivity individuals have the prerogative to get connected to the virtual community of their choice.

Virtualization, from my point of view, is a very appealing and at the same time, ominous topic. Appealing – when we think about the size and involvement; and ominous - when we realize the power of information exchange which is hidden behind.

1.1. World Wide Web

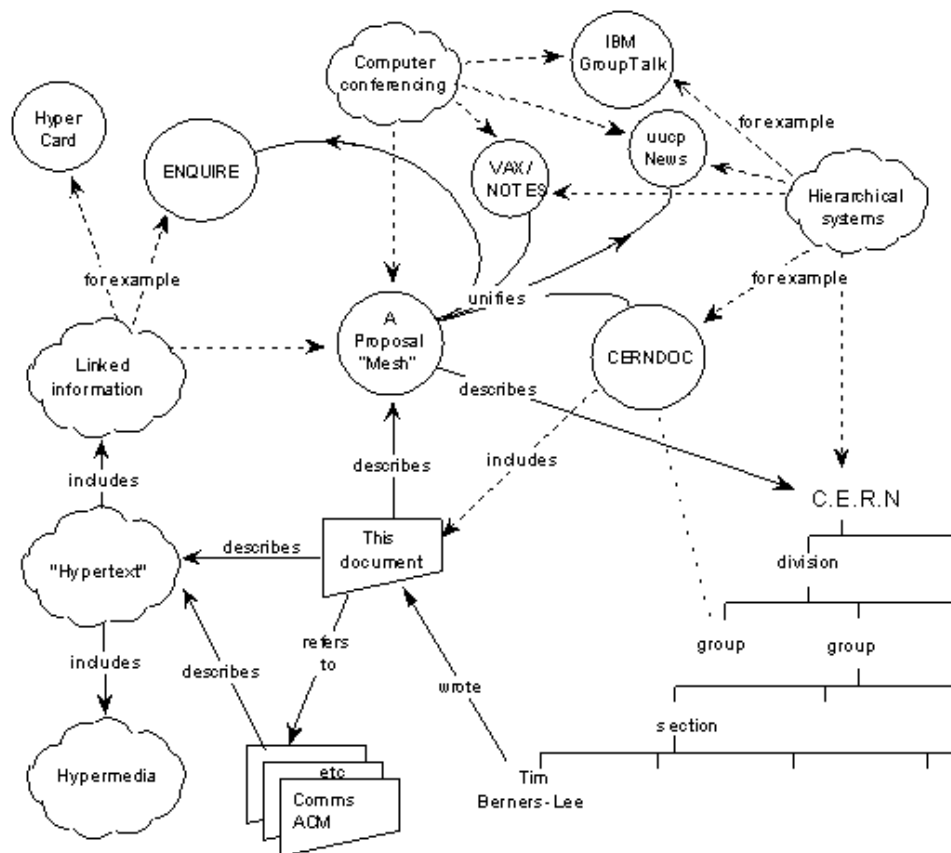
“I have a dream for the Web...and it has two parts. In the first part, the Web becomes a much more powerful means for collaboration between people. I have always imagined the information space as something to which everyone has immediate and intuitive access, and not just to browse, but to create. Furthermore, the dream of people-to-people communication through shared knowledge must be possible for groups of all sizes, interacting electronically with as much ease as they do now in person.”

- Tim Berners Lee

Weaving the Web, p 157, 1999

The inventor of the Usenet or so called WWW is the Englishman Tim Berners-Lee, who in 1989 in the CERN-Laboratory near Geneva submitted the paper *Information Management: a Proposal*. Based on his previous work on simple hypertext system he proposed a decentralized Site-Network for the management of general information which is schematically shown on Figure 6. After the usual fights for research grants, he finally got the green light to go ahead, and developed on a NeXT-Machine, the first browser, which was called World Wide Web²⁷.

Figure 6: Decentralized Site-Network for the management of general information



Source: Tim Berners-Lee, CERN, March 1989, May 1990

What was once a non-comprehensible scheme now became a global phenomenon.

²⁷ Möller, Erik., *Die heimliche Medienrevolution- Wie Weblogs, Wikis und freie Software die Welt verändern*, 2. Auflage, Heise Zeitschriften Verlag GmbH & Co KG, Hannover, 2006, p.34

1.1.1. Web 2.0

“Limitation encourage creativity.

Never rue the limitations of a design problem – a too-small site, an inconvenient topography, an overlong space, an unfamiliar palate of materials, contradictory request from the client... Within those limitations lies the solution to the problem.”

- Matthew Frederick, *101 Things I Learned in Architecture School*, # 97

First the term Web 2.0 appeared during the brainstorming while planning an event. Dale Dougherty, vice president of O'Reilly Media, and Graig Cline from Media Live, prepared a conference in 2004, on Internet issues and during this preparation the new term, "Web 2.0" emerged. As it was the first time, when they used this term, the conference was named after it: Web 2.0 Conference²⁸. The event was a great success and many participants commented afterwards that it had become clear to them that the World Wide Web is on a turning point. So they settled on the term "Web 2.0". After almost one year of using this new term in different contexts, Tim O'Reilly saw a danger that it could be diluted by the marketing departments of many software companies, and wrote the article "What Is Web 2.0"²⁹, with the most important description of the Web 2.0.

“Web 2.0 is the business revolution in the computer industry caused by the move to the internet as platform, and an attempt to understand the rules for success on those new platforms. Chief among those rules is this: Build applications that harness network effects to get better the more people use them”.

- O'Reilly Tim, *Web 2.0 Compact Definition - Trying Again*, 2006

O'Reilly sees the bursting of the dotcom bubble as a turning point for the whole Web.

²⁸ [Online] <http://www.web2con.com> [Accessed 8 March, 2012]

²⁹ O'Reilly, Tim., What Is Web 2.0, 30/09/2005, [Online] Available from: <http://www.oreillynet.com/lpt/a/6228> [Accessed 8 March, 2012]

Those companies that survived during the crisis have one thing in common; the right to use the term and to speak about Web 2.0, while he sees Web 2.0 as a platform with the following characteristics³⁰:

- Service instead of software in the package: Web 2.0 applications are independent of each device and operating system and can be scaled cost-effectively.
- Miscible data sources and data transformation: not the applications are valuable, but the data that they aggregate. It must be accessible so that the applications can be combined with other sources.
- Architecture of participation: users become developers, website owners become authors. Users provide their data not by filling out a form, but by being active online. Web applications store the results of these activities permanently.

“Web 2.0 does not refer to a specific version of the Web, but rather a series of technological improvements”³¹. To show the difference between “old” and “new” web clearer, O'Reilly provided a number of examples (Table 1).

Table 1: Web 1.0 vs. Web 2.0

Web 1.0	Web 2.0
Private Websites	Blogging
Content- Management- System	Wikis
Directories (taxonomy)	Tagging ("folksonomy")
Publishing	Participation

Source: O'Reilly, Tim., [Online] <http://www.oreillynet.com/> [Accessed 8 March 2012]

³⁰ O'Reilly, Tim., What Is Web 2.0, 30/09/2005, [Online] Available from: <http://www.oreillynet.com/lpt/a/6228> [Accessed 8 March, 2012]

³¹ [Online] <http://www.techterms.com/definition/web20> [Accessed 8 March, 2012].

Two more explanations on the Web 2.0 are given, in order to offer perceptions from several other sources and present a clearer picture of what this phenomenon comprises.

“Web 2.0, as a perceived or proposed second generation of Internet-based services, such as social networking sites, wikis, communication tools, mash-ups and “folksonomies” that emphasize on online collaboration and sharing among users.”

- Lytras, M. D., Damiani, E., de Pablos, P.,
Web 2.0 Business Model, 2009, p.55.

“Web 2.0 provides interaction between consumers and companies, and among consumers, which has empowered consumers and allowed them to collaborate and share information online”.

- Chitty. W., Barker. N., Valos. M., Shimp. T.,
Integrated Marketing Communications, 2011, p.223.

To sum up, the term Web 2.0 refers to the ideas and principles that give rise to social media and the social web.

For the purpose of this research the term “Web 2.0” would be used as an umbrella term.

1.1.2. Social Web

The Social Web therefore should be understood as a part of Web 2.0, which, however, uses its technologies and ideologies. "The concept focuses on the areas of Web 2.0, which are not new program formats or architecture, with the support of social structures and interactions over the network"³², but which "consist of applications, active users and user-generated content "³³.

³² Ebersbach, Anja., Glaser, Markus., Heigl, Richard., *Social Web*, UVK Verlagsgesellschaft, Konstanz, 2008, p. 29

³³ Kamps, Christoph., Liebl, Franz., *Social Media – Wie PR den Medienwandel verpasst. Eine Studie zum Umgang und Einsatz von Social Media durch deutsche PR-Verantwortliche*. Helios Media Publishing House, Berlin, 2008, p.13

From my point of view, the Social Web is a generic term which summarizes all the social media, social networks and social software that exist within the World Wide Web.

The "social web" consists of³⁴:

- (in the sense of the WWW) Web-based applications,
 - made for people,
 - information sharing, relationship building and its maintenance, communication and collaborative cooperation,
 - assist in social or community context,
- Data that is acquired through them,
- Connections among people who utilize these applications.

The Social Web as a generic term summarizing all the Social Medias, Social Networks and Social Software that exist within the WWW.

1.1.3. Social Media

It is interesting, that the term “Social Software” is often very closely used with a term “Social Web”. Exactly like with Web 2.0 we can ask 10 experts, what is Social Software, and get 10 different answers.³⁵ This exists since the early 1990s, however, for the first time it appeared in 2002 in connection with the concept of Web 2.0 during conference in New York, where it was used to describe the communication, interaction, collaboration and networking between people³⁶.

³⁴ Ebersbach, Anja., Glaser, Markus., Heigl, Richard., *Social Web*, UVK Verlagsgesellschaft, Konstanz, 2008, p. 31

³⁵ Szugat, Martn., Gewehr, J, E., Lochmann, C., *Social Software – Blogs, Wikis & Co*, Software & Support Verlag GmbH, 2007, p.16

³⁶ Hippner, Hajo., *Bedeutung, Anwendungen und Einsatzpotenziale von Social Software*, HMD – Praxis Wirtschaftsinformatik, Nr.252, 2006, p. 6

According to Hajo Hippner, in his book *Bedeutung, Anwendungen und Einsatzpotenziale von Social Software*, he says that “Social Software” can be structured into three different target dimensions³⁷:

- (1) Distribution and publication of information
- (2) Communication that takes place between the users
- (3) Establishment and maintenance of relationships between users

Nevertheless, the term “Social Software” should be understood as "web-based applications that support human information exchange, relationship building and communication in a social context"³⁸. As for “Social Media” there are many different definitions available (Table 2).

Table 2: Definitions of Social Media

Author	Definition
NETLINGO Dictionary	<p>“Primarily, social media depends on interactions between people as the discussion and integration of words builds shared-meaning, using technology as a conduit. Among overall online users, reading others' comments on a Web site and reading blogs are the most popular social media activities”³⁹.</p> <p>“Social media can take many different forms, including social networks, blogs, vlogs, social bookmarks, user reviews, video sharing, podcasts, rating systems, collaborative ranking, wikis, comments, message boards, and online forums. Technologies include: picture-sharing, wall-postings, e-mail, instant messaging, music-sharing, crowd-sourcing, VoIP, ect”⁴⁰.</p>
Kaplan, A. M., Hänlein, M, 2010, p. 60	<p>“A group of Internet-based applications that build on the ideological and technological foundations of the Web 2.0 and allow the creation and exchange of user-generated content”⁴¹.</p>

³⁷ Hippner, Hajo., *Bedeutung, Anwendungen und Einsatzpotenziale von Social Software*, HMD – Praxis Wirtschaftsinformatik, Nr.252, 2006, p. 8

³⁸ Hippner, Hajo., *Bedeutung, Anwendungen und Einsatzpotenziale von Social Software*, HMD – Praxis Wirtschaftsinformatik, Nr.252, 2006, p. 7

³⁹ NETLINGO., [Online] Available from: <http://www.netlingo.com/dictionary/s.php> [Accessed 28 March, 2012].

⁴⁰ NETLINGO., [Online] Available from: <http://www.netlingo.com/dictionary/s.php> [Accessed 28 March, 2012].

⁴¹ Kaplan, Andreas M., Hänlein, Michael., *Users of the world, unite! The challenges and opportunities of social media*, Business Horizons, Vol.53, No. 1, 2010, p. 60

Michelis, D., Schildhauer, T., 2012, pp.21-24	<p>“At the individual level, the term social media refers to the participation of users in the design of online services. The extent of this involvement varies greatly, ranging from the simple assessment of existing content to the creation of their own web pages in full”⁴².</p> <p>“On the technological level, the term social media is recordable Internet services, which are composed of content and technical modules. With open interfaces, these modules can be exchanged automatically and variably combined to new offerings”⁴³.</p> <p>“On the socio-economic level, the term social media is new information and communication, behavior-based relationships between different actors in the economy and society. The basis for this new behavior is universal access to social technologies, which leads to the dissolution of traditional structures of power and hierarchy”⁴⁴.</p>

Own Source

More suitable, from my point of view, is the definition of the term “Social Media” made by Alex Newson, Deryck Houghton and Justin Patten, namely “a variety of online communication channels”⁴⁵ which appeared as a result of technology development and Internet use. It’s more a question of different platforms within the Social Web, where people and, increasingly, organizations, are present, and can build their own networks and publish their own content, forward and recommend content to other users, as well as share information and opinions with other members of their network. Through social media, former recipients obtain the possibility to publish their own content and thus become a sender. Moreover, social media provide recipients and senders with the interactive feedback opportunity within network and share with each other. The crucial

⁴² Michelis, Daniel., Schildhauer, Thomas., *Social Media Handbuch - Theorien, Methoden, Modelle und Praxis*, 2. aktualisierte und erweiterte Auflage, Nomos Verlagsgesellschaft, Baden-Baden, 2012, p.21

⁴³ Michelis, Daniel., Schildhauer, Thomas., *Social Media Handbuch - Theorien, Methoden, Modelle und Praxis*, 2. aktualisierte und erweiterte Auflage, Nomos Verlagsgesellschaft, Baden-Baden, 2012, p.23

⁴⁴ Michelis, Daniel., Schildhauer, Thomas., *Social Media Handbuch - Theorien, Methoden, Modelle und Praxis*, 2. aktualisierte und erweiterte Auflage, Nomos Verlagsgesellschaft, Baden-Baden, 2012, p.24

⁴⁵ Newson, Alex., Houghton, Deryck., Patten, Justin., *Blogging and other Social Media. Exploiting the Technology and Protecting the Enterprise*, Gower Publishing, Burlington, 2009, p.49

difference of Social Media as opposed to Social Web is the focus on content, such as user-generated content.

For the purpose of this master thesis we will generally use the term “Social Media” instead of “Social Software”. Since this expression is frequently used in scientific articles, “Social Media” seems intuitively more focused on the interactive aspect of Internet communication channels, and we try to investigate how people can influence companies by using these channels to share information, feelings and thoughts on those companies.

To better analyze and evaluate the social brand value later on, we will look into the most important social media services offered on the World Wide Web, as well as consider how they function, and how people use them.

1.1.3.1. Blogs

According to the Article “Meet Joe Blog” published in TIME Magazine on October 28, 2005- “In a way, blogs represent everything the Web was always supposed to be: a mass medium controlled by the masses, in which getting heard depends solely on having something to say and the moxie to say it.” Justin Hall is said to be a first blogger, who, in 1994, regularly published links to interesting websites on his own site – “Justin's Links from the Underground”⁴⁶. For the first time, the term “weblog” appeared in 1997 on Jorn Barger's Website “Robot Wisdom”⁴⁷, which he had moderated for years in the style of today's blogs. Two years later, Peter Merholz wrote “we blog” as a motto in his blog “peterme.com” and thereby created a common abbreviation – “blog”⁴⁸. Larry Weber defines “Blog” as “a user- generated website on which the writers (bloggers) print their thoughts in chronicle way, which then appear in reverse chronological order. Blogs often provide news, comments or ideas on a particular topic, such as food, politics, or sport,

⁴⁶ [Online] <http://www.links.net>- this Blog is not available anymore [Accessed 28 March, 2012].

⁴⁷ [Online] <http://www.robotwisdom.com> [Accessed 28 March, 2012].

⁴⁸ Szugat, M., Gewehr, J. E., Lochmann, C., *Social Software – Blogs, Wikis & Co*, Software & Support Verlag GmbH, 2007, p.20

besides that also some function as more private online diaries. A lot of blogs also invite users to comment on the posts, including comments about other readers' posts. A typical blog combines text, images, and links to other blogs, web pages, and other media related to its topic. The vast majority is primarily text, although some focus on photographs (photo- blog), video (vlog), or audio (podcasting), and are part of a wider network of social media"⁴⁹. Anna Buss and Nancy Strauss provide an easy and simple description to all accompanying terms⁵⁰:

- *Blog* – synonymous of Weblog
- *Blogger* - author of a weblog
- *Bloggng* - writing entries in a weblog
- *Posting* - publishing of a content in journal form
- *Blogosphere* - the totality of weblogs or "Blogs Universe"

According to Blog Pulse Research 2010 there are over 145 million blogs registered⁵¹. Blogs become an important source of information and as will be shown later on, also are influential in numerous situations of our life⁵².

1.1.3.2. Social Networking

Social networks comprise open platforms and applications which could be assigned to social software as well as social media, but are also detached from them, where users permanently connect with each other and interact, communicate and share content. What makes social network sites unique are the cross-linkages with other users and organizations, which is not like in Social media, where the publication and wide-spreading of contents stands in the focus. Through social networking websites internet

⁴⁹ Weber, Larry., *Marketing to the Social Web: How Digital Customer Communities Build Your Business*, 1. ed. New York NY: Wiley, 2007, pp.168- 169

⁵⁰ Buss, Anna., Strauss, Nancy., *Online Community Handbook: Building Your Business and Brand on the Web*, New Riders, Berkeley, CA, 2009, pp.7-8

⁵¹ BlogPulse.com., *BlogPulse Statistics, Total Identified Blogs 2010*, [Online] Available from: <http://www.blogpulse.com/> [Accessed 2 April, 2012].

⁵² Nielsen Company, *The social media report: State of the Media.*, Q3 2011, p19

users could become a part of a virtual community⁵³. Nowadays there are two most popular sites: Facebook and MySpace. There, users have a possibility to create their own profile with text and upload their pictures. A very simple profile normally includes:

- Basic user information
- One or more photos
- Possibility to blog or comment the posts of other users

Advanced profiles, besides the above mentioned basic functions, could also provide:

- Upload of videos
- Creation of photo albums
- Different online applications
- Custom layouts

After creating a profile, members can invite friends, create and send messages to others, as well as post comments directly on friends' profiles. These options give an opportunity to build blocks for organizing online communities⁵⁴. Social networking websites allow users to share their lives with other people without the need to develop their own home pages. These sites are an important linking element between users and let friends communicate directly with each other. Our friends are often spread all over the world and social networking sites offer a prominent opportunity to keep in touch with old friends and to make new. One's profile is available for any user.⁵⁵

To sum up, the Social Networks could be defined according to Boyd and Ellison as follows:

“We define social network sites as 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. The nature and nomenclature of these connections may vary from site to site”⁵⁶.

⁵³ Haythornthwaite, C., Social networks and Internet connectivity effects. *Information, Communication, & Society*, 2005, 8 (2), pp.125-147.

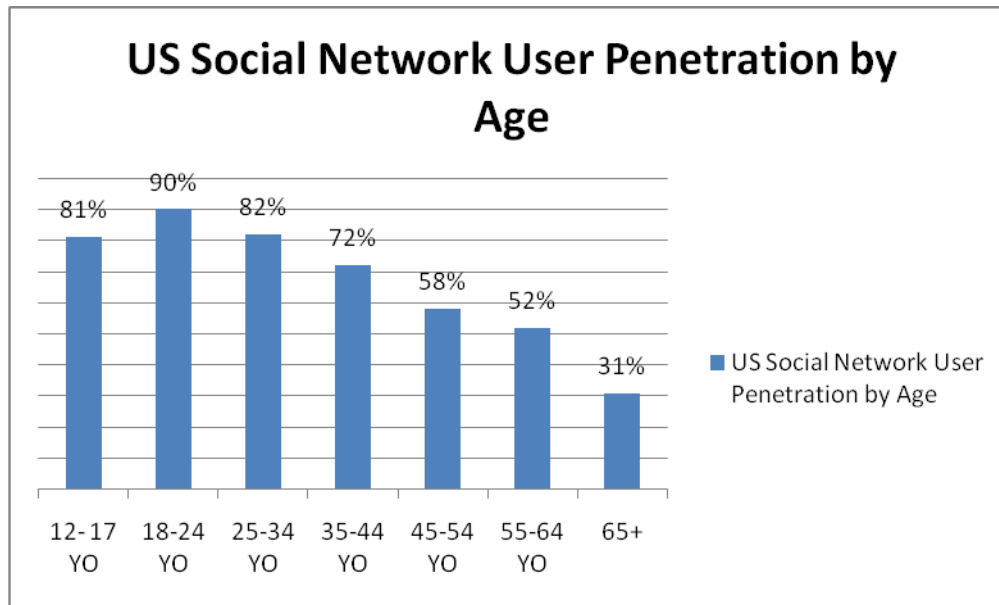
⁵⁴ TECHTERMS, [Online] <http://www.techterms.com/definition/socialnetworking> [Accessed 5 April, 2012].

⁵⁵ TECHTERMS, [Online] <http://www.techterms.com/definition/socialnetworking> [Accessed 5 April, 2012].

⁵⁶ Boyd, d. m., & Ellison, N. B., *Social network sites: Definition, history, and scholarship*, *Journal of Computer-Mediated Communication*, 2007, 13(1), article 11, [Online] Available from: <http://jcmc.indiana.edu/vol13/issue1/boyd.ellison.html>

Almost 2/3 of US Internet users frequently use a social network and the number is increasing every year. Internet users now include all age groups even the smallest age group (65+) still has almost 1/3 of its members networking online⁵⁷ (Figure 7).

Figure 7: Social Networking by Age



Source: <http://www.twincreekmedia.com/blog/2011/10/social-media-part-1/> [Online]
[Accessed 5 April 2012]

1.1.3.3. Facebook

Facebook was created in 2004 by Mark Zuckerberg⁵⁸ and quickly became one of the most widely-spread sites on the Internet. The service allows members to create a personal profile, gives them an opportunity to connect with friends and exchange written messages. United States is the largest user of Facebook in the world, with more than 152 million users.⁵⁹ According to Global Research 2011 the Facebook as social media

[Accessed 5 April, 2012].

⁵⁷ Social Media Marketing: Intro (Part 1), 2012, [Online] Available from: <http://www.twincreekmedia.com/blog/2011/10/social-media-part-1/> [Accessed 5 April, 2012].

⁵⁸ Hirschorn, Michael., *About Facebook*, ATLANTIC MAGAZINE, October 2007, [Online] Available from: <http://www.theatlantic.com/magazine/archive/2007/10/about-facebook/6181/> [Accessed 7 April, 2012].

⁵⁹ [Online] <http://comm2336.wordpress.com/2011/05/21/35/> [Accessed 7 April, 2012].

service is used by over 750 million people and 50% of the users connect on any given day. An average user has 130 friends and people spend there over 700 billion minutes every month⁶⁰ which can be seen on the Graf in Appendix 1.

1.1.3.4. YouTube

Founded in February 2005, YouTube gives an opportunity to billions of people across the globe to search, watch online and share originally-created videos. YouTube provides a platform for users to join, inform, share and encourage others across the globe and acts as a sharing platform for unique content creators and promoters big and small⁶¹. “Over 800 million unique users visit YouTube each month. Around 60 hours of video are uploaded every minute, or one hour of video is uploaded to YouTube every second. Over 4 billion videos are viewed a day. In 2011, YouTube had more than 1 trillion views or almost 140 views for every person on Earth. 500 years of YouTube video are watched every day on Facebook, and over 700 YouTube videos are shared on Twitter each minute. 100 million people take a social action on YouTube (likes, shares, comments, etc) every week”⁶².

1.1.3.5. Twitter

“The fastest, simplest way to stay close to everything you care about”.

- About Twitter, <https://twitter.com/about/>

“Twitter is a real-time information network that connects you to the latest stories, ideas, opinions and news about what you find interesting. Simply find the accounts you find most compelling and follow the conversations. At the heart of Twitter are small bursts of information called Tweets. Each Tweet is 140

⁶⁰ Global Research 2011, [Online] Available from: <http://www.livescience.com/15693-gofigure-facebook-global-reach.html>
[Accessed 5 April, 2012]

⁶¹ [Online] http://www.youtube.com/t/about_youtube [Accessed 9 April, 2012]

⁶² [Online] http://www.youtube.com/t/press_statistics [Accessed 9 April, 2012]

characters long, but don't let the small size fool you — you can discover a lot in a little space. You can see photos, videos and conversations directly in Tweets to get the whole story at a glance, and all in one place”⁶³.

Nowadays Twitter is the most popular micro blogging service and an influential driver of electronic word of mouth. According to Twitter 2011 “the average number of Tweets people sent per day reached **140 million** during the March 2011. **456** Tweets per second (TPS) were sent when Michael Jackson died on June 25, 2009 (a record at that time) and **6,939** is current TPS record, set 4 seconds after midnight in Japan on New Year's Day 2011”⁶⁴.

1.2. World Internet Usage Statistics

The Internet World Usage Statistics 2011 shows that there are currently **2,267,233,742** Internet users worldwide⁶⁵. It is about **32,7%** of the world population. It is worth noting, that in some regions, like North America, Oceania/Australia and Europe the Internet penetration is higher than 50%, while regions such as Africa, Middle East, Latin America, or Asia have strong growth rates, and the number of users has increased in 2011 in comparison with year 2000, however the penetration rates are still not very high. For instance, in Africa it is just 13,5%, Middle East 35,6%, Latin America 39,5% and Asia 26,2%. The reason is that population has limited access to digital channels.⁶⁶ (Table 3)

⁶³ [Online] <http://twitter.com/about> [Accessed 9 April, 2012]

⁶⁴ [Online] <http://blog.twitter.com/2011/03/numbers.html> [Accessed 10 April, 2012]

⁶⁵ Internet World Stats., INTERNET USAGE STATISTICS, 2011, [Online] Available from: <http://www.internetworldstats.com/stats.htm> [Accessed 10 April, 2012]

⁶⁶ Internet World Stats., INTERNET USAGE STATISTICS, 2011, [Online] Available from: <http://www.internetworldstats.com/stats.htm> [Accessed 10 April, 2012]

Table 3: World Internet Usage and Population Statistics December 31, 2011

World Regions	Population (2011 Est.)	Internet Users Dec.31.2000	Internet Users Latest Data	Penetration (Population %)	Growth 2000-2011	Users % of Table
Africa	1,037,524,058	4,514,400	139,875,242	13,5%	2,988.4%	6.2%
Asia	3,879,740,877	114,304,000	1,016,799,076	26,2%	789.6%	44.8%
Europe	816,426,346	105,096,093	500,723,686	61,3%	376.4%	22.1%
Middle East	216,258,843	3,284,800	77,020,955	35,6%	2,244.8%	3.4%
North America	347,394,870	108,096,800	273,067,546	78,6%	152.6%	12.0%
Latin America/Carib.	597,283,165	18,068,919	235,819,740	39,5%	1,205.1%	10.4%
Oceania/ Australia	35,426,995	7,620,480	23,927,457	67,5%	214.0%	1.1%
World Total	6,930,055,154	360,985,492	2,267,233,742	32,7%	528.1%	100%

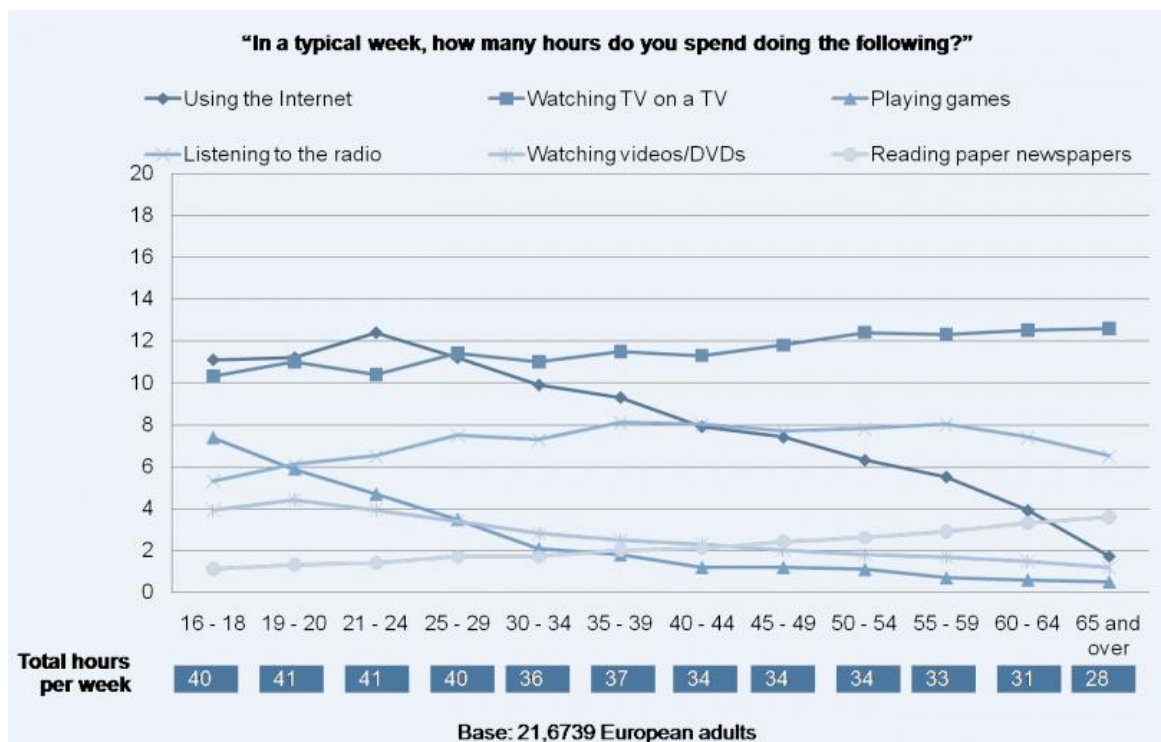
Source: Internet World Stats., <http://www.internetworldstats.com/stats.htm> [Online]
[Accessed 10 April 2012]

It is important to stress the fact that regions like North America, Europe, and Oceania provided high Internet usage data, so most significant research on customer usage patterns is made in these countries. In such regions like Asia or Africa it is rather difficult for the marketing research companies to collect customer data. This research will be focused on Internet usage data for North America and Europe, as it is the most available source.

1.2.1. Media Use Patterns

Virtual activity has become an integral part of our daily life. As one could imagine there is a clear dominance of the young generation in the usage of different media channels. According to Forrester Research 2010 the amount of time per week which young European adults spend on different media channels has reached almost 40 hours. We can also clearly observe that the media usage declines with the increase of the age of consumers. The older group of 55+, for instance, prefers more radio and TV over the Internet⁶⁷. (Figure 8)

Figure 8: European Media Use by Age



Source: Forrester Research (2010): *The Data Digest: Media Consumption By Age (Europe)*

[Online] http://blogs.forrester.com/reineke_reitsma/10-04-16-data_digest_media_consumption_age_europe [Accessed 14 April 2012]

⁶⁷ Forrester Research (2010): Media Consumption by Age (Europe), European Technographics Benchmark Survey Q2 2009, [Online] Available from: http://blogs.forrester.com/reineke_reitsma/10-04-16-data_digest_media_consumption_age_europe [Accessed 14 April, 2012]

1.2.2. Internet Activities Patterns

The widespread delusion about social media websites is that only young generation uses them. According to data provided by market research company comScore⁶⁸ in February 2010, approximately 1.2 billion people used the Internet at least once. Usage statistic shows (Table 4) that Facebook is not just the most popular web-site among Internet user group of **15- 24** (male as well as female), with almost *42 percent* of them accessing the personal social networking site, but within all age groups. About *38 percent* of **25- 34**, **45- 54** age groups use Facebook as well, and almost *36 percent* of the **35- 44**, **55+** age groups. Like Facebook, YouTube has high usage rates across all age groups (Table 4).

Table 4: Global Social Media Statistic

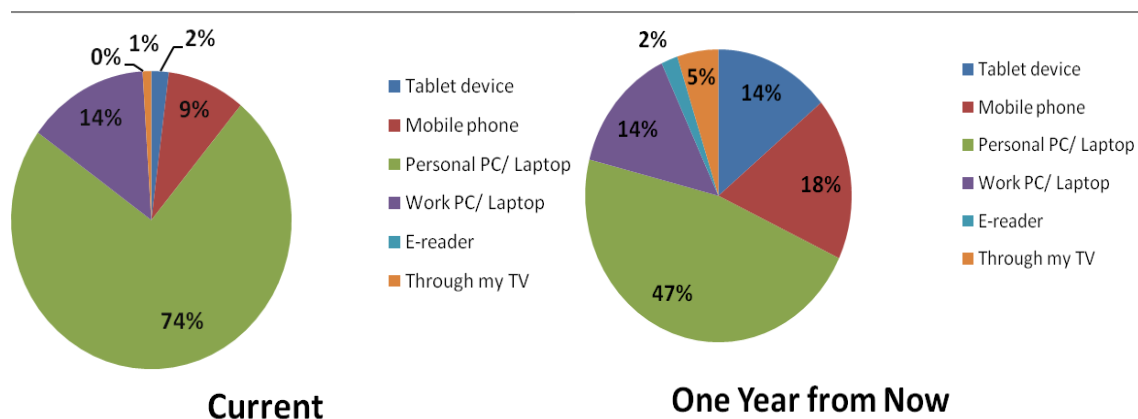
Social Media Channels	Male Age				
	15-24	25-34	35-44	45-54	55+
Facebook.com	40.21%	35.79%	32.87%	34.66%	30.79%
Twitter.com	5.99%	5.21%	5.31%	5.94%	6.34%
YouTube.com	44.24%	36.11%	34.67%	37.63%	34.74%
	Female Age				
	15-24	25-34	35-44	45-54	55+
Facebook.com	43.79%	41.06%	39.22%	42.41%	42.17%
Twitter.com	6.78%	5.28%	5.35%	5.70%	6.52%
YouTube.com	41.73%	34.05%	35.44%	36.90%	38.03%

Source: <http://www.careerify.net/social-hr/tag/statistics> [Online][Accessed 15April 2012]

⁶⁸ comScore is a global leader in measuring the digital world and the preferred source of digital marketing intelligence. Through a powerful combination of behavioral and survey insights, comScore enables clients to better understand, leverage and profit from the rapidly evolving worldwide web and mobile arena., [Online] Available from: http://www.comscore.com/About_comScore [Accessed 15 April, 2012]

What is also very important to mention, is that all internet activities are not stationary anymore, meaning that you can exercise them via your tablet or laptop. The information is getting mobile, it follows you everywhere and it is accessible everywhere. The worldwide rise in the number of mobile devices provides people with an access to the Internet and all platforms. According to the forecast made by GlobalWebIndex (Figures 9) an enormous growth in tablet devices is expected, from 2 percent to 14 percent till the end of this year while also the number of mobile phones will double from 9 percent to 18 percent. The current use of personal computers and laptops will decrease from 74 percent to 47 percent, but nevertheless it will be partly replaced by expanding functions of our TVs from 1 percent to 5 percent.

Figure 9: Your Favorite Browser? Massive Demand Beyond PC

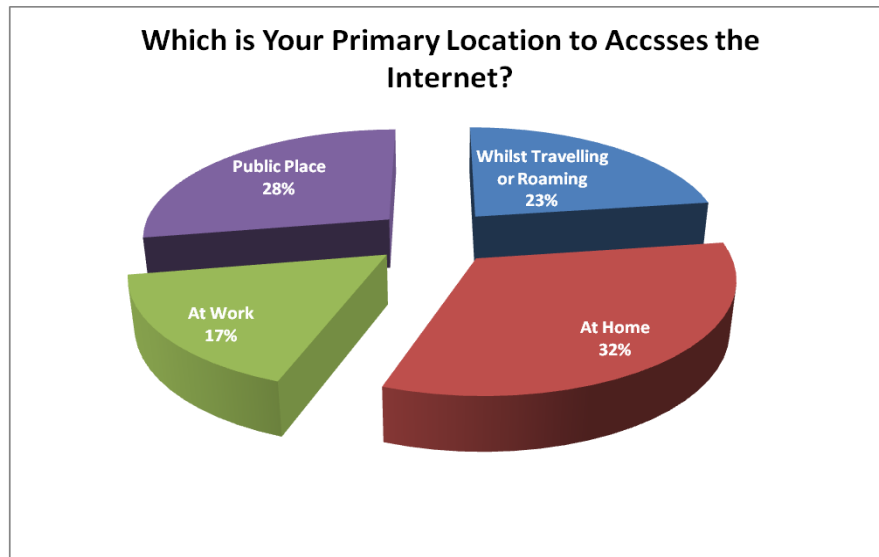


Source: GlobalWebIndex, GWI.6 Trends Report 2011, [Online]

<http://globalwebindex.net/report-page/gwi6trends/> [Accessed 16 April]

GWI.6 Trends Report 2011 shows us a clear global internet mobile growth trend (Figure 10). It also depicts that the primary location for internet use is still our home with 32 percent, followed by public places with 28 percent, traveling and roaming with 23 percent and lastly by workplace with 17 percent.

Figure 10: Mobile Internet Continues to Grow & Usage Impacts Home



Source: GlobalWebIndex, GWI.6 Trends Report 2011, [Online] <http://globalwebindex.net/report-page/gwi6trends/> [Accessed 17 April 2012]

According to the Nielsen Media Research⁶⁹ 313 million people visit a social media site every month. Nowadays people worldwide spend **113'062** million minutes on social media channels every month. The time spending on social media platforms is around 6 hours every month.

1.3. Brands and Social Media

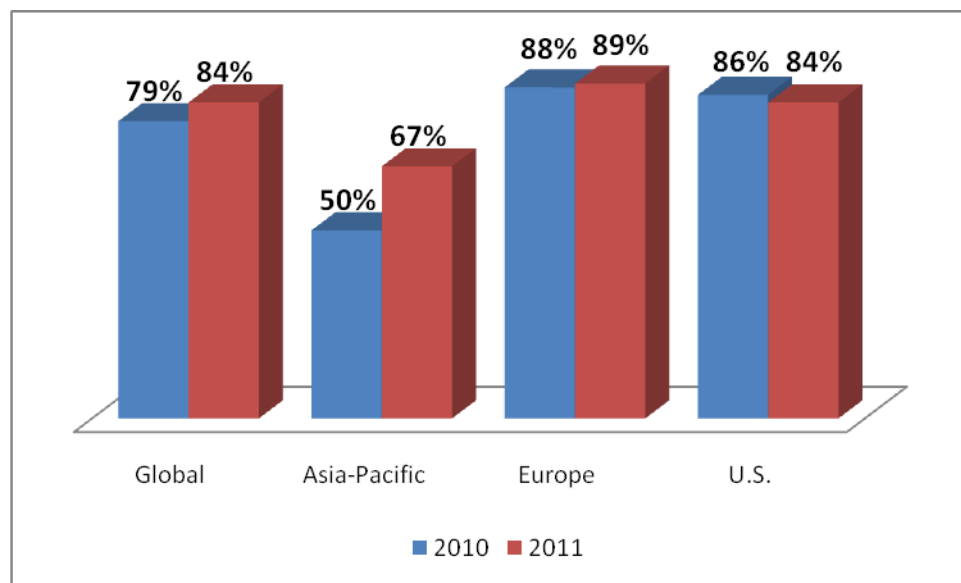
Internet suddenly burst into our life. It was comparable with a groundbreaking discovery, when time, distance and language do not really matter anymore. The creation of Social Media platforms gave virtual audience a unique opportunity to be reunited again with their old friends, provided a chance to find new ones, exchange messages, photos and chat with them in real time.

⁶⁹ Nielsen Media Research (2010): Social Media Matters, [Online] Available from: www.blogger.com/files/Social_Media_Matters_2010.pdf [Accessed 17 April, 2012].

Because of an enormous change in media usage patterns, companies slowly started to try and communicate with their customers through Social Media channels. For these purposes social media advertisement budgets were set, the utilization of which could help the companies to reach and communicate with their consumers.

As reported by Burson-Marsteller in their “2011 Fortune Global 100 Social Media Study”, there was an increase by 6 percent among the *Fortune* Global 100^{70,71} companies participating in at least one media platform, and this increase was preliminary driven by 34 percent increase in Asian companies with social media accounts⁷² (Figure 11) .

Figure 11: Global Companies Using at Least One Social Media Platform



Resource: http://www.slideshare.net/BMGlobalNews/bursonmarsteller-2011-global-social-media-checkup?from=ss_embed [Online] [Accessed 17 April 2012]

⁷⁰ The study's sample based on the 2010 FortuneGlobal 100 companies list and was structured as follows:

- 32 U.S. companies
- 47 European companies
- 18 Asia-Pacific companies
- 3 Latin American companies

⁷¹ Burson-Marsteller, *2011 Global Social Media Check-up, February 15, 2011*, [Online]
Available from: http://www.slideshare.net/BMGlobalNews/bursonmarsteller-2011-global-social-media-checkup?from=ss_embed
[Accessed 18 April, 2012]

⁷² Burson-Marsteller, *2011 Global Social Media Check-up, February 15, 2011*, [Online]
Available from: http://www.slideshare.net/BMGlobalNews/bursonmarsteller-2011-global-social-media-checkup?from=ss_embed
[Accessed 18 April, 2012]

Another research on the development of social media usage by brands made by PhD Barnes, N.G., and Andonian, J., in 2011, investigates how the Fortune 500 (F500)⁷³ and the Inc. 500⁷⁴ use social media. The study states that one hundred and fourteen (23%) of the primary corporations listed on the 2011 F500 have a public-facing corporate blog with a post in the past 12 months including two of the top five corporations (Wal-Mart and Exxon). This is just a rise of 7 percent in comparison with year 2009⁷⁵. Figures provided on blogging for the 2010 Inc. 500 show that 50% have a corporate blog and use them as a communication channel, which shows an increase of 5% since 2009⁷⁶. The micro-blog Twitter is more popular between F500 companies, 308 of them have corporate Twitter accounts and that makes a 62 percent of the 2011 F500, being an increase of a 2% compared to 2010⁷⁷. Among all 2011 F500 companies who presented on Twitter, Google has the highest number of followers.

‘The Global Social Media Check Up For 2011’ stats that the most widely used corporate social media platform is Twitter (Figure 12). “There was an 18 percent increase in *Fortune* Global 100 companies using Twitter”⁷⁸.

The second popular social media channel for companies is Facebook. The number of Facebook accounts increased by 13 percent⁷⁹. It is interesting that “corporate Facebook

⁷³ PhD Barnes, N. G., Mattson, E., *The Fortune 500 and Social Media: A Longitudinal Study of Blogging and Witter Usage by America's Largest Companies*, 2009, [Online] Available from: <http://www.umassd.edu/cmr/studiesresearch/socialmediaadmissions.cfm> [Accessed 18 April, 2012]. Research defines the Fortune 500 as: “Each May the list of the top 500 companies is released in a special issue of *Fortune* Magazine. The Fortune 500 (F500) list includes publicly and privately held companies for which revenues are publicly available. Due to the hugely influential role that these companies play in the business world, studying their usage of new technological tools like social media offers important insights into the future of commerce. While these companies may not always be the first to innovate, they do provide a look at emergent trends among America's most successful companies”.

⁷⁴ PhD Barnes, N. G., Mattson, E., *The Fortune 500 and Social Media: A Longitudinal Study of Blogging and Witter Usage by America's Largest Companies*, 2009, [Online] Available from: <http://www.umassd.edu/cmr/studiesresearch/socialmediaadmissions.cfm> [Accessed 18 April, 2012]. “The Inc. 500 list is composed of the fastest-growing, private companies in the US, while the F500 is based on total revenue (not growth) and may include public and private companies. That list is published in a special issue of *Inc. Magazine* published in September of each year”.

⁷⁵ PhD Barnes, N. G., Mattson, E., *The Fortune 500 and Social Media: A Longitudinal Study of Blogging and Witter Usage by America's Largest Companies*, 2009, [Online] Available from: <http://www.umassd.edu/cmr/studiesresearch/socialmediaadmissions.cfm> [Accessed 18 April, 2012].

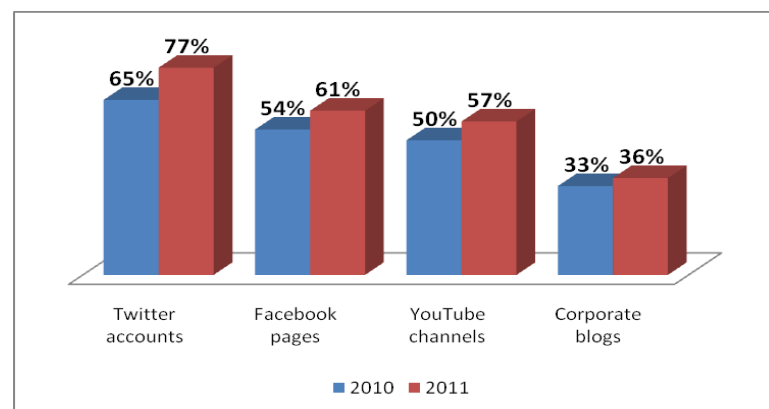
⁷⁶ PhD Barnes, N.G., Andonian, J., *The 2011 Fortune 500 and Social Media Adoption: Have America's Largest Companies Reached a Social Media Plateau?*, 2011, [Online] Available from: <http://www.umassd.edu/cmr/studiesandresearch/2011fortune500/> [Accessed 18 April, 2012].

⁷⁷ PhD Barnes, N.G., Andonian, J., *The 2011 Fortune 500 and Social Media Adoption: Have America's Largest Companies Reached a Social Media Plateau?*, 2011, [Online] Available from: <http://www.umassd.edu/cmr/studiesandresearch/2011fortune500/> [Accessed 18 April, 2012].

⁷⁸ Burson-Marsteller, *2011 Global Social Media Check-up, February 15, 2011*, [Online] Available from: http://www.slideshare.net/BMGlobalNews/bursonmarsteller-2011-global-social-media-checkup?from=ss_embed [Accessed 18 April, 2012].

pages have exponentially more likes (an average of 87,979) than Twitter accounts have followers (5,076)⁷⁹. YouTube also appears to be an accepted form of communication among *Fortune* Global 100 companies (14 percent growth in YouTube channels)⁸¹. And the last but not least preferable social media channel is Corporate Blog. The total number of corporations with blogs increases by a negligible amount. On one hand the Asian companies saw a 12 percent decrease in corporate blogs, because of their inactivity, but the U.S. companies' saw the greatest increase (29 percent). On another hand the number of European corporate blogs remained consistent, with slightly over one-quarter (28 percent) maintaining blogs⁸².

Figure 12: Percent of Fortune Global 100 Companies Using Four Main Accounts



Source: http://www.slideshare.net/BMGlobalNews/bursonmarsteller-2011-global-social-media-checkup?from=ss_embed [Online] [Accessed 18 April 2012]

The forecast of further interactive marketing development made by Forrester demonstrate (Figure13) that companies will continue to invest in online activities to grow their

⁷⁹ Burson-Marsteller, *2011 Global Social Media Check-up*, February 15, 2011, [Online]
Available from: http://www.slideshare.net/BMGlobalNews/bursonmarsteller-2011-global-social-media-checkup?from=ss_embed
[Accessed 18 April, 2012]

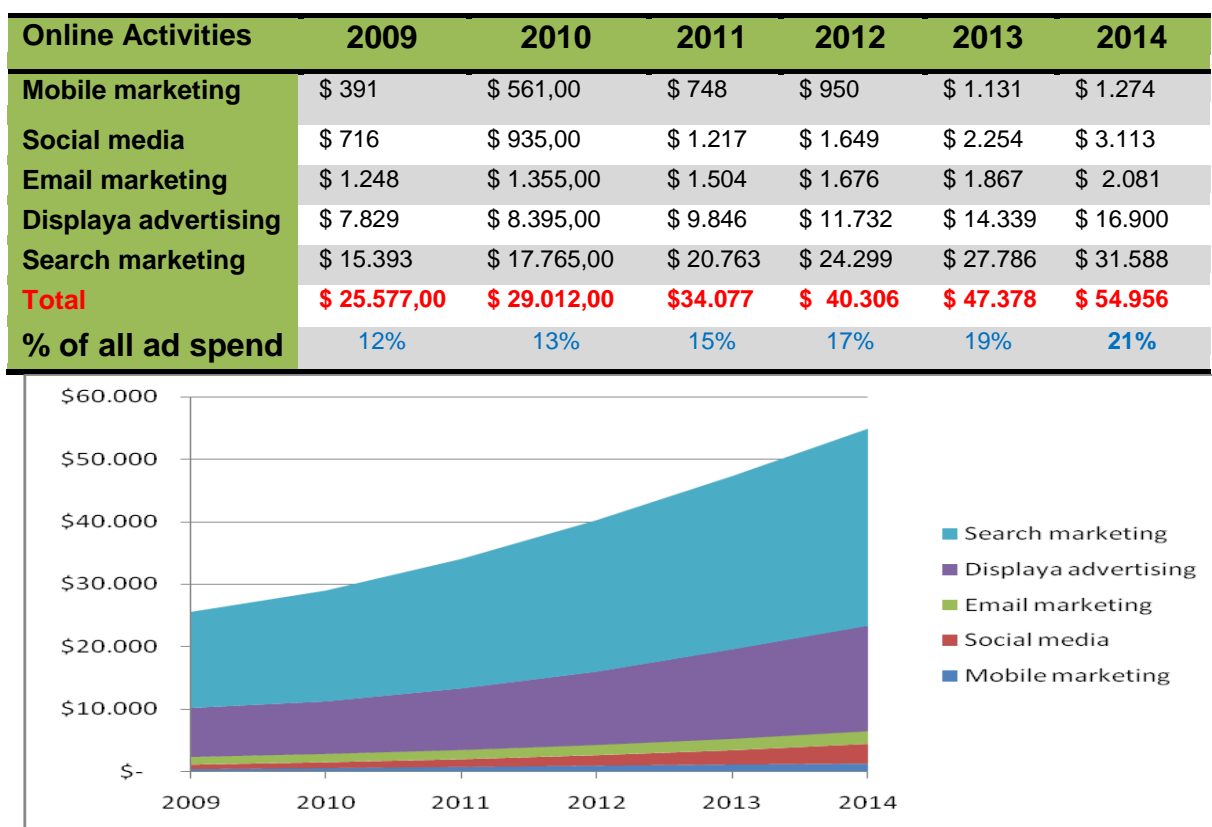
⁸⁰ Burson-Marsteller, *2011 Global Social Media Check-up*, February 15, 2011, [Online]
Available from: http://www.slideshare.net/BMGlobalNews/bursonmarsteller-2011-global-social-media-checkup?from=ss_embed
[Accessed 18 April, 2012]

⁸¹ Burson-Marsteller, *2011 Global Social Media Check-up*, February 15, 2011, [Online]
Available from: http://www.slideshare.net/BMGlobalNews/bursonmarsteller-2011-global-social-media-checkup?from=ss_embed
[Accessed 18 April, 2012]

⁸² Burson-Marsteller, *2011 Global Social Media Check-up*, February 15, 2011, [Online]
Available from: http://www.slideshare.net/BMGlobalNews/bursonmarsteller-2011-global-social-media-checkup?from=ss_embed
[Accessed 18 April, 2012]

presence there, because of the huge opportunity to connect with customers both at home and overseas, as well as a keen ability to recognize and implement best social media practices. By 2014, the online marketing budget will represent 21% of all marketing spending. This also indicates that traditional advertising is declining, but assumes overall budgets will increase as well⁸³.

Figure 13: US Interactive Marketing Forecast. (US only), 2009 to 2014



Source: http://www.reactorr.com/blog/wp-content/uploads/2009/07/online-marketing-forecast_2009-2014.jpg [Online] [Accessed 19 April 2012]

⁸³ Nicholson, M., *Traditional Advertising versus Social Media*, July 10th, 2009, [Online] Available from: <http://www.reactorr.com/blog/index.php/2009/07/traditional-advertising-versus-social-media/> [Accessed 19 April, 2012]

1.4. Need for Social Media Monitoring

More than three billion Web sites such as- blogs, forums, portals, review sites, micro blogs, Twitter and Facebook represent social media. This number increases daily by tens of thousands of new posts. Even for shrewd PR, marketing and opinion research specialists, this amount of data cannot be analyzed easily. Especially when it comes to connecting all of this to your company. But there are ways and tools which can help companies overcome this problem⁸⁴.

Social media appears as a little too overwhelming mass problem for many companies. To find a few pearls in the sea of spam requires a conscious strategy. This is true, because up to 10,000 posts, that are made every day, in fact can be of relevance to the company. In such a situation, the monitoring of social media, the constant scanning of the Social Web for relevant content and facts, can help a firm⁸⁵. Social media monitoring, “also known as social listening, is the process of identifying and assessing what is being said about a company, individual, product or brand⁸⁶”.

Nowadays it is extremely important to gain insights about your company, brand, goods, promotions, and competitors by viewing comments that meet your specific search criteria. From my point of view *time, content knowledge and experienced, intelligent employees* could prevent a lot of troubles for the company. The success depends on the quickness of the company to find dangerous, destroyable content and its employees reacting to it.

⁸⁴ Winterkamp, T., *KPIs for Web monitoring*, Social Media Magazin, Nr. 2011-I, Social Media Verlag, 16. December 2010, pp. 18- 25

⁸⁵ Winterkamp, T., *KPIs for Web monitoring*, Social Media Magazin, Nr. 2011-I, Social Media Verlag, 16. December 2010, pp. 18- 25

⁸⁶ SearchCRM [Online] Available from: <http://searchcrm.techtarget.com/definition/Social-media-monitoring> [Accessed 19 April]

There are a lot of social media monitoring tools available online which can help a company to manage this process: for free are *Google Alerts*, *Google Reader*, *BlogPulse*, *Twitter search options*, *Facebook Search*⁸⁷, etc. and fee-based are *Lithium*, *Radian6*, *Collective Intellect*, *Sysomos*, *Attensity360*, etc⁸⁸.

Each company has to develop its own monitoring strategy, which highly depends on its goals. Once a social media monitoring guideline is made, it should be implemented into regular trainings to ensure staff knows what to expect and how to react.

1.5. Implications

Chapter 1 shows how social media has made a rapid burst into our lives and occupied an important place. Billions of Internet users worldwide read blogs, use social networking services, and are permanently influenced by the new interactive media channels. Gone are the days of operating in a vacuum. Emergency communications now involve highly interactive, high-speed world of social media. Brands also found their way into this vast field of new communication opportunities and enthusiastically join and lead conversation on their own Twitter, Facebook, or YouTube accounts. Large sums of money are moving from traditional media budget to online channels budget that allows to increase online marketing activities. Social media monitoring have become an important tool for content supervision and data collection for further more precise evaluation of the marketing actions. Reasons to monitor social media include:

- Effective communication: Attention needs to be given to social media communication at all phases of a disaster, crisis or emergency. It's a dynamic, two-way street and the only way you'll know if you are being heard is by monitoring. You can then respond in a timely and meaningful way

⁸⁷ Lasica, J.D., *20 free, awesome social media monitoring tools*, January 11, 2011, [Online] Available from: <http://www.socialbrite.org/2011/01/11/guide-to-free-social-media-monitoring-tools/> [Accessed 19 April, 2012].

⁸⁸ Lasica, J.D., Bale, K., *Top 20 social media monitoring vendors for business*, January 12, 2011, [Online] Available from: <http://www.socialmedia.biz/2011/01/12/top-20-social-media-monitoring-vendors-for-business/> [Accessed 19 April, 2012].

- Awareness of what is being said about your answer to an incident
- Enhanced situational alertness and the ability to keep in contact with employees, traders, customers and the public activities during an incident or disaster
- The ability to resolve problems and eliminate misinformation

As it was briefly shown in the Introduction with the case of Nestlé, which will be presented in depth, further in Chapter 3, many companies underestimate and overlook the aftermath with a slow reaction, ignorance and inappropriate actions. As a result, an huge damage could be inflicted onto the brand. Optimizing advertisement messages and tailoring them to the needs of the customer is an important step in utilizing the vast possibilities of social media. Due to social media, the consumers have a freedom to share their opinion with others. The so called electronic word of mouth, which appears through direct interactions between customers, is the ultimate tool for forming public opinions.

We are influenced on a daily basis and it is important to understand the impact of these channels. This study aims to measure the influence of word of mouth in digital channels on a global scale.

2. Brand

"Products are made in the factory, but brands are created in the mind."

– **Walter Landor**⁸⁹

Nowadays we are confronted by a huge number of Brands almost everywhere. Truly we live in a time of omnipresent abundance, and people who live in affluent societies consider many new brands superfluous. They do not pay attention to the appearance of something new on the market, as it is considered to be just one of those many products

⁸⁹ [Online] <http://www.bizcommunity.com/Quotes/196/82.html> [Accessed 6 May 2012]

already present on the market. Everything that has no differences psychologically does not exist: it is out of date, as the cybernetics say. Every kind of perception and cognition is based on distinctions. Neuroscientist Gregory Bateson speaks of *differences which make differences*⁹⁰.

Most off- and online brands have little or no difference at all. Qualitative leveling, indifference, interchangeability is everywhere you look. Functional or other ingenious unique features that could make a difference have become a rarity. As a result there is a dwindling loyalty among consumers who in the land of plenty quality products have cultivated a limitless product- hopping⁹¹.

2.1. Characteristics of the Brand

Branding has been used for centuries to differentiate the goods of one producer from those of another. For instance, Paul Stobart the Director of “Interbrand Group PLC” describes this fact as follows: “the word ‘brand’ derives from the Old Norse word *brandr*, which means to burn”⁹². Brands were, and still are, a way which is used by owners of cattle to mark the latter as their own. From branding cattle and other livestock, early men started to brand all their belongings, for example, a potter labeled his products by imprinting his mark into the wet clay, usually, at their bottom. The thumbprint symbolized a proof of origin of the product and played a huge role for the customers who wanted to purchase the products from that particular potter. On one hand marking his goods this way, the potter - could support his purchasers in a way of “recognizing and specifying his products”⁹³. On the other hand, for customers, this imprinting provided them with important information which helped them to avoid unwanted products purchases.⁹⁴

⁹⁰ Gregory Bateson, cited by Capra, F. in *The web of life: a new scientific understanding of living systems*, New York, NY, Anchor Books Doubleday, 1996, pp. 273-275

⁹¹ Halstenberg, V., *Power Brands & Brand Power*, Logos Verlag Berlin, 2004, pp. 9-13

⁹² Stobart, Paul. *Brand Power*. London: The Macmillan Press LTD, 1994, pp. 1 – 3.

⁹³ Stobart, Paul. *Brand Power*. London: The Macmillan Press LTD, 1994, pp. 1 – 3.

⁹⁴ Stobart, Paul. *Brand Power*. London: The Macmillan Press LTD, 1994, pp. 1 – 3.

Recently several market researchers - Keller, K.L., Apéria, T. and Georgson, M., in their book *Strategic Brand Management* defined a brand as “a product but one that adds other dimensions that differentiate it some way from other products designed to satisfy the same need. These differences may be rational and tangible- related to the product performance of the brand – or more symbolic, emotional and intangible – related to what the brand represents”⁹⁵. Jean-Noel Kapferer sees brand as “a name with the power to influence the market, its power increases as more people know it, are convinced by it, trust it and become advocates”⁹⁶. American Marketing Association defines it as “a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name”⁹⁷. It seems like there are no difficulties in theoretical frameworks with brand definition, but brand itself is more complex in its formation. Nowadays there are a lot of brands present in our lives and we are exposed to numerous branding variations. Dell, Nestlé, BMW, or HiPP are brands, but it doesn't particularly mean that all brands are equal in their structure.

2.1.1 Brand Architecture or Brand Structure

When thinking about brand architecture we can imagine it like a family tree with its hierarchy. It would show us how a company organizes its diversely named units into one complete portfolio, and how they communicate with each other. Usually the brand architecture is uncomplicated and consists of two levels: brand and subbrands. As a matter of fact the brand/subbrand type of architecture is used most often. Based on the type of name used for the subbrands, this “tree” could take many forms. Some companies add a third level called products, although, if the company has more than two levels it can

⁹⁵ Keller, K.L., Apéria, T., Georgson, M., *Strategic Brand Management*, Pearson Education Limited, 2008, pp. 2-3

⁹⁶ Kapferer, Jean-Noel., *The New Strategic Brand Management: Advanced Insights and Strategic Thinking*, Fifth Edition, Great Britain, Kogan Page Limited, 2012, p.10

⁹⁷ American Marketing Association , [Online] Available from: <http://www.marketingpower.com/mg-dictionary-view329.php> - 2007-05-07 [Accessed 6 May 2012]

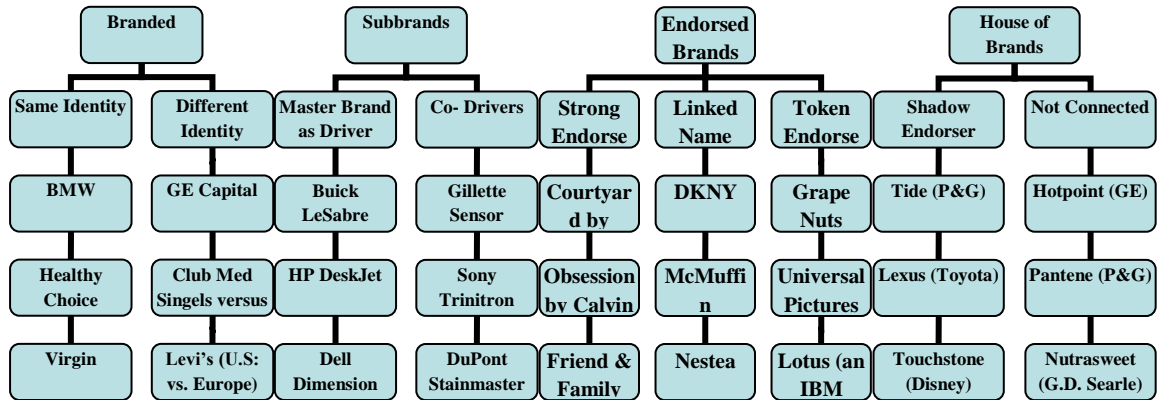
be confusing. A well-known scientist in the brand management field, “guru” David Aaker together with Erich Joachimsthaler, in their book *Brand Leadership* made an effort to classify a brand by introducing a brand connection spectrum which would help marketers and researchers to develop a clear brand portfolio strategy as well as classification⁹⁸. Often the task includes a periodic regrouping of multiple product groups and brand families, repositioning them to reflect their role in the market and to create a structure for immediate success. Establishing a clear and coherent brand architecture creates a framework within which vital day-to-day tactical decisions can be made. It is important to stress the point that without this clear brand architecture in place, all crucial strategic decisions become long-winded in core. Brand architecture is an integral part of a successful organization’s brand portfolio where the strategic, logical and relational structure for all of the brands has to be clearly presented. The objective here is to maximize customer value and internal efficiency.

Aaker and Joachimsthaler introduced a classification comprising four main types of brands all having several variants (Table 5):

- Branded House
- Sub brands
- Endorsed Brands
- House of Brands

⁹⁸ Aaker, D. A., Joachimsthaler, E., *Brand Leadership*, London Free Press, 2000, p. 105

Table 5: Brand Architecture Spectrum



Source: Aaker, D, A., Joachimsthaler, E., *Brand Leadership*, London Free Press, 2000, p. 105

With the branded house strategy a brand takes a dominant role as a driver and serves as the master brand on top of all other brands⁹⁹. It means that the master brand is the dominant one and has the highest place in a brand hierarchy. Usually, it is also the one single brand in the structure. As we know, a lot of corporate brands were also master brands, but there are just a few master brands left in today's world¹⁰⁰. Good example, of the branded house could be "Virgin", which include different sub brands such as Virgin Cola, Virgin Airlines, Virgin Express, Virgin TV under one roof (Figure14). Virgin serves as an umbrella for all the other brands¹⁰¹.

⁹⁹ Aaker, D, A., *Brand Portfolio Strategy*, New York, 2004, p. 60

¹⁰⁰ Aaker, D, A., *Brand Portfolio Strategy*, New York, 2004, p. 52

¹⁰¹ Aaker, D, A., *Brand Portfolio Strategy*, New York, 2004, p. 60

Figure14: Virgin as Branded House



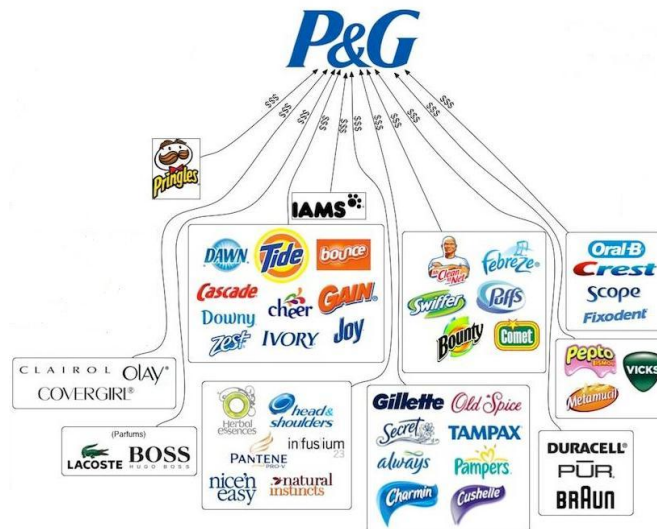
Source: http://www.brandchannel.com/features_profile.asp?pr_id=215, [Online]
[Accessed 16 May 2012]

Opposite to the branded house strategy “the house of brands involves an independent set of stand-alone brands each focusing on maximizing the impact on a market”¹⁰². For instance, Procter & Gamble (P&G) had chosen and follows this strategy of several major brands, which only have a small or even no clear, obvious connections with P&G (Figure 15). This strategy gives the company an opportunity to position the brands clearly and as a result to dominate a niche segment¹⁰³.

¹⁰² Aaker, D, A., *Brand Portfolio Strategy*, New York, 2004, p. 48

¹⁰³ Aaker, D, A., *Brand Portfolio Strategy*, New York, 2004, p. 50

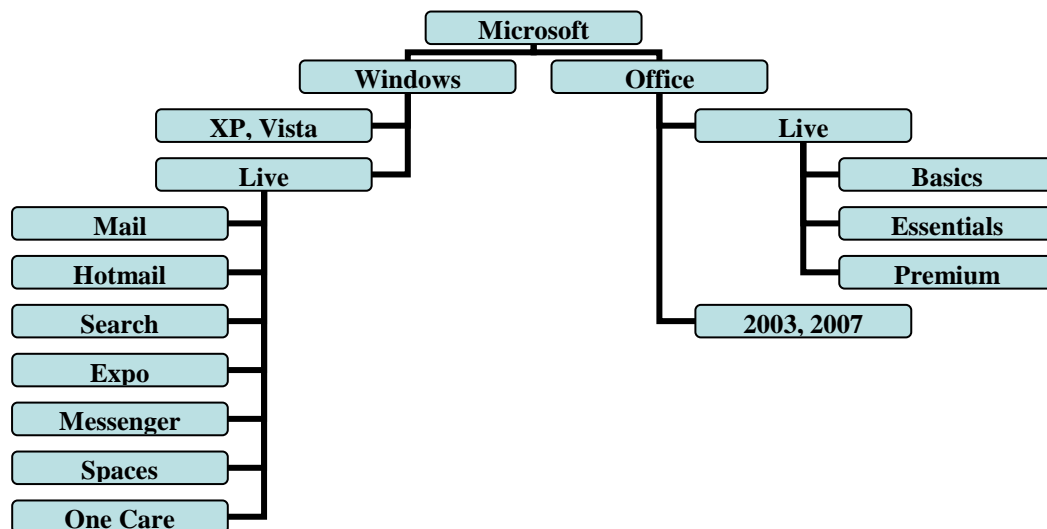
Figure 15: P&G A House of Brands



Source: http://img-fotki.yandex.ru/get/6108/137106206.19/0_7ab95_a341ccff_orig, [Online]
[Accessed 16 May 2012]

A new brand which shares the same identity with a parent or corporate brand is a so called subbrand. The subbrand can make the parent brand more vital and relevant to a new consumer segment or within a new product category. For example, Microsoft, as a top-level brand with his first subbrand Windows and Office and the second subbrand category - XP, VISTA and Live (Figure 16).

Figure 16: Microsoft Subbrands



Source: http://www.thoughtgadgets.com/2009_01_01_archive.html, [Online][Accessed 16 May 2012]

By using a subbrand portfolio strategy, the master brand permits the subbrand to include the attributes of the master brand. For instance, the large Coca-Cola franchise brand had to create sub brands to communicate with the customers in niche segments and introduced the energy drink water – Power Raid. The subbrand can help stretch the master brand where it otherwise would not fit and signal that the new product is trustworthy¹⁰⁴.

Another term often been used in literature is endorsed brand - it is the key name which the buyer is determined to use when referring to a product. It is a trademark that is approved by the parent or corporate brand in the brand identity structure. The parent brand is also well-known with the product; however, the endorsed brand gains much greater visual power than the parent brand. In this case, the corporate or parent brand provides credibility or guarantee to the endorsed brand without overshadowing it with its own associations. For instance, the Shoebox is a little division of Hallmark.

The endorsed brand strategy is not limited to creating a new brand or having a brand with a description. The company endorses the sub brand by adding its name, providing an assurance that the endorsed brand will live up to customer's expectations¹⁰⁵. Examples of endorsed brands can be found in the fashion segment, such as Obsession by Calvin Klein or Polo by Ralph Lauren¹⁰⁶.

2.1.2. Functions of a Brand

Brands perform a variety of different functions for a company, as well as for consumers. Some of these functions are presented in Table 6 and will be described more in detail below.

¹⁰⁴ Aaker, D. A., *Brand Portfolio Strategy*, New York, 2004, p. 58

¹⁰⁵ Aaker, D. A., *Brand Portfolio Strategy*, New York, 2004, p. 52

¹⁰⁶ Aaker, D. A., *Brand Portfolio Strategy*, New York, 2004, p. 53

Table 6: Brand functions

Brand Functions	
For the Consumer	For the Company
Identification/ Recognition	Discrimination/ Differentiation
Orientation	Protection
Relief/ Continuity	Sales- Promotion
Trust	Preference Building
Quality	Image
Image/ Prestige	Price Premium
	Customer Loyalty
	Shareholder Value Enhancement

Source: Leb, C., *State-of-the-Art of Empirical Studies on Brand Alliances*, GRIN Verlag, 2012, p.7

2.1.2.1. Brand Functions for the Consumers

The branding of products and services plays a significant role for a consumer in today's brand- overwhelmed world.

A brand enables an easy *identification* for the consumer; it means that a certain awareness level of a brand is already enough for the consumer to identify and recall the brand. Through brands the market transparency increases, that makes it easier for the consumer to identify the desired product¹⁰⁷. Three German scientists Ursula Hansen, Thorsten Hennig-Thurau and Ulf Schrader in their book "Produktpolitik" made a statement that the *identification/recognition* function is in a fact the core function of a brand¹⁰⁸. It means

¹⁰⁷ Meffert, Heribert., *Marketing:Grundlagen marktorientierter Unternehmensführung : Konzepten, Instrumente, Praxisbeispiele : mit neuer Fallstudie VW Golf*, Gabler Verlag, 2000, p. 847

¹⁰⁸ Hansen, Ursula., Thorsten, Hennig- Thurau., Ulf Schrader., *Produktpolitik*, Schäffer-Poeschel Verlag, 2001, p. 197

that use of this core function by the customer makes it simpler to find preferred brands without extensive search efforts to identify and repurchase a specific product¹⁰⁹.

Another key brand function – *orientation*, was mentioned by Heribert Meffert. In other words, the consumer expects orientation help while choosing from a diversity of products and services. The orientation function simplifies the consumer's chase for convenience as a result of reduction in search and information efforts and costs¹¹⁰. Ursula Hansen, Thorsten Hennig- Thureau and Ulf Schrader stress that, for consumers, brand recognition as a remedy only makes sense on the basis of a continuity function¹¹¹. Constant or increasing quality is promised by the brands, and it is an essential issue for the development of product loyalty and the interconnected repurchases¹¹².

The next important function that was mentioned by Heribert Meffert is *trust*. Brands provide customers with confidence through brand awareness and reputation¹¹³. Consumers feel a high risk by purchasing the products which include high proportion of trust characteristics¹¹⁴. Meffert states that, a certain competence and reliability for the consumers has to be provided by the brand, during the usage, consumption and disposal phase¹¹⁵. This reliability is based on the *quality* assumption of branded products¹¹⁶. And last, but not the least is the *image and prestige* function. It is a very important one that a brand creates for consumers inside their social environment¹¹⁷. The brands also communicate a more imaginary benefit; this phenomenon is perfectly seen within luxury goods industry¹¹⁸.

¹⁰⁹ Hansen, Ursula., Thorsten, Hennig- Thureau., Ulf Schrader., *Produktpolitik*, Schäffer-Poeschel Verlag, 2001, p. 197

¹¹⁰ Meffert, Heribert., Burmann, Christoph., Koers, Martin., *Marken-Management: Grundfragen der Identitätsorientierten Markenführung: Mit Best Practice-Fallstudien*, Gabler Verlag, 2002, p.9

¹¹¹ Hansen, Ursula., Thorsten, Hennig- Thureau., Ulf Schrader., *Produktpolitik*, Schäffer-Poeschel Verlag, 2001, p. 197

¹¹² Hansen, Ursula., Thorsten, Hennig- Thureau., Ulf Schrader., *Produktpolitik*, Schäffer-Poeschel Verlag, 2001, p. 197

¹¹³ Meffert, Heribert., *Marketing: Grundlagen marktorientierter Unternehmensführung : Konzepten, Instrumente, Praxisbeispiele : mit neuer Fallstudie VW Golf*, Gabler Verlag, 2000, p. 848

¹¹⁴ Meffert, Heribert., Burmann, Christoph., Koers, Martin., *Marken-Management: Grundfragen der Identitätsorientierten Markenführung: Mit Best Practice-Fallstudien*, Gabler Verlag, 2002, pp.9-10

¹¹⁵ Meffert, Heribert., *Marketing: Grundlagen marktorientierter Unternehmensführung : Konzepten, Instrumente, Praxisbeispiele : mit neuer Fallstudie VW Golf*, Gabler Verlag, 2000, p. 848

¹¹⁶ Meffert, Heribert., Burmann, Christoph., Koers, Martin., *Marken-Management: Grundfragen der Identitätsorientierten Markenführung: Mit Best Practice-Fallstudien*, Gabler Verlag, 2002, p.10

¹¹⁷ Meffert, Heribert., *Marketing: Grundlagen marktorientierter Unternehmensführung : Konzepten, Instrumente, Praxisbeispiele : mit neuer Fallstudie VW Golf*, Gabler Verlag, 2000, p. 848

¹¹⁸ Hansen, Ursula., Thorsten, Hennig- Thureau., Ulf Schrader., *Produktpolitik*, Schäffer-Poeschel Verlag, 2001, p. 198

2.1.2.2. Brand Functions for the Companies

The branding of products and services performs different functions for the companies. According to Ursula Hansen, Thorsten Hennig-Thurau and Ulf Schrader, who first named *discrimination* as a key brand function¹¹⁹, branded products have to be capable of *differentiating* themselves from other similar products on the market. This will give a company a competitive advantage in positioning of its products. Besides that, they also point out the *protection* function because brands are largely protected by a variety of legal limitations that companies impose on them. Heribert Meffert states that a brand should actually generate a *sales-promotional* impact for a company¹²⁰. Moreover, a brand has to: first, help to *build preferences* for consumers (profile) and second, contribute to the *differentiation* from other producers^{121,122}.

Meffert also argues that a well-known and admired brand can be the starting point for a positive company *image*¹²³. A brand is and could be a right communication tool because of its high awareness level that makes a positive impact on the corporate identity. The branding of the products gives companies a unique opportunity to generate a *price premium*. If a company offers branded products that have something exclusive, special for their consumers, it has a better pricing flexibility.

Moreover, brand management has to increase the planning reliability of a company. With time, the number of customers who repurchase a certain brand due to their satisfaction should increase. This satisfaction could lead to higher *customer loyalty* and as a result reduce the volatility of the company's sales trend. And lastly, as a result, a need for

¹¹⁹ Hansen, Ursula., Thorsten, Hennig- Thurau., Ulf Schrader., *Produktpolitik*, Schäffer-Poeschel Verlag, 2001, p. 198

¹²⁰ Meffert, Heribert., *Marketing:Grundlagen marktorientierter Unternehmensführung : Konzepten, Instrumente, Praxisbeispiele : mit neuer Fallstudie VW Golf*, Gabler Verlag, 2000, p. 848

¹²¹ Meffert, Heribert., *Marketing:Grundlagen marktorientierter Unternehmensführung : Konzepten, Instrumente, Praxisbeispiele : mit neuer Fallstudie VW Golf*, Gabler Verlag, 2000, p. 848

¹²² Meffert, Heribert., Burmann, Christoph., Koers, Martin., *Marken-Management:Grundfragen der Identitätsorientierten Markenführung: Mit Best Practice-Fallstudien*, Gabler Verlag, 2002, p.12

¹²³ Meffert, Heribert., *Marketing:Grundlagen marktorientierter Unternehmensführung : Konzepten, Instrumente, Praxisbeispiele : mit neuer Fallstudie VW Golf*, Gabler Verlag, 2000, p. 848

mandatory discounts in pricing decreases, and thus, the *shareholder value* stabilizes¹²⁴. Examples of giant brand values are presented in Table 7.

Table 7: Most Valuable Global Brands 2011

#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010
1	Apple	153,285	84%
2	Google	111,498	-2%
3	IBM	100,849	17%
4	McDonalds	81,016	23%
5	Microsoft	78,243	2%
6	Coca-Cola	73,752	8%
7	AT&T	69,916	N/A
8	Marlboro	67,522	18%
9	China Mobile	57,326	9%
10	GE	50,318	12%

Source:

http://www.millwardbrown.com/Libraries/Optimor_BrandZ_Files/2011_BrandZ_Top100_Chart.sflb.ashx [Online] [Accessed 21 May 2012]

¹²⁴ Meffert, Heribert., Burmann, Christoph., Koers, Martin., *Marken-Management: Grundfragen der Identitätsorientierten Markenführung: Mit Best Practice-Fallstudien*, Gabler Verlag, 2002, p.12

2.2. Brand Equity

The value of a brand contributes to the creation of significant equity to manufacturers. It is very important to stress the fact that there is actually no real consensus in terms of common definition of brand equity¹²⁵. Two research ways on brand equity are mainly discussed in scientific literature. The first way is the financial approach and the second way is the customer approach^{126,127}. These two approaches will be discussed later on. The matter of brand equity became very important for scientists and researchers in the period between 1988 and 1990 mostly among Marketing Science Institute's members¹²⁸. Numerous studies and researches on this topic were published in academic business journals^{129, 130, 131}.

The most interesting fact concerning brand equity is that, there is neither a consensus on the definition and meaning of the term nor on its measurement¹³². Lew Winters in his article *Brand equity measurement: Some recent advances* argues, that: "there has been a lot of interest lately in measures of brand equity, but, if you ask ten people to define brand equity, you are likely to get ten different answers as to what it means"¹³³, so it is still relevant in the modern context. This happened because we can define brand equity as from a number of different perspectives as well as for a number of different purposes¹³⁴. Table 8 presents just several of the definitions for brand equity:

¹²⁵ Woods, R. J., Can there be a common definition for brand equity, *Journal of Modern Business*, 1998, [Online]Available from: www.depress.com/jmb/page16.HTML [Accessed 23 May 2012]

¹²⁶ Lassar, W., Mittal, B., Sharma, A., Measuring customer-based brand equity. *The Journal of Consumer Marketing*, 1995, 12(4), pp. 11-19

¹²⁷ Myers, C. A., Managing brand equity: A look at the impact of attributes. *The Journal of Product and Brand Management*, 2003, 12(1), pp. 39-52

¹²⁸ Glynn, M. S., *Business-To-Business Brand Management: Theory, Research and Executive Case Study Exercises*, Emerald Group Publishing, 2009, p.120

¹²⁹ Aaker, D., *Managing Brand equity*, New York, NY: Free Press, 1991

¹³⁰ Biel, A. L., Discovering brand magic: The hardness of the softer side of branding, *International Journal of Advertising*, 1997, 16(3), pp. 199-210

¹³¹ Cobb-Walgren, C. J., Ruble, C.A., Donthu, N., Brand equity, brand preference, and purchase intent, *Journal of Advertising*, 1995, 24(3), pp.25-40

¹³² Mackay, M. M., Application of brand equity measures in service markets, *The Journal of Services Marketing*, 2001, 15(3), pp. 210-221

¹³³ Winters, L., Brand equity measurement: Some recent advances, *Marketing research*, 1991, 3, p. 8

¹³⁴ Keller, K. L., Conceptualizing, measuring, managing customer- based brand equity, *Journal of Marketing*, 1993, 57(1), pp. 1-22

Table 8: Brand Equity Definitions

Author	Definition
Keller, K, L., <i>Strategic brand management- building, measuring and managing brand equity</i> , 2003	“The set of associations and behaviors on the part of a brand’s customers, channel members, and parent corporations that permits the brand to earn greater volume or greater margins than it could without the brand name and that gives the brand a strong, sustainable, and differentiated competitive advantage” ¹³⁵ .
Rangaswamy, A., Burke, R, R., Oliva, T, A., <i>Brand equity and the extendibility of brand names</i> , 1993	“A residual value in the form of favorable impressions, attitudinal dispositions and behavioral predilection... this residual value (i.e., utility) is not explained by the measured attributes of the brand” ¹³⁶ .
Kamakura,W, A., Russell, G, J., <i>Measuring brand value with scanner data</i> , 1993	“Incremental utility associated with a brand name which is not captured by functional attributes” ¹³⁷ .
Farquhar, P, H., <i>Managing brand equity</i> , 1989	“The added value endowed by the brand name” ¹³⁸ .
Keller, K, L., <i>Conceptualizing, measuring, managing customer-based brand equity</i> , 1993	“The differential effect that brand knowledge has on consumer response to the marketing of the brand” ¹³⁹ .
Kotler, Philip., Armstrong, Gary., <i>Principals of Marketing</i> , 2007	“... the positive differential effect that knowing the brand name has on customer response to the product or service” ¹⁴⁰ .

Own Source

To make the meaning of brand equity clear, we can use a metaphor, where brand equity is compared to a pond. “People may not know how long the pond has been around or when it was first filled with water, but they know that it supports life, from fish and frogs to

¹³⁵ Keller, K, L., *Strategic brand management- building, measuring and managing brand equity*, New Jersey: Printice Hall, 2003

¹³⁶ Rangaswamy, A., Burke, R, R., Oliva, T, A., *Brand equity and the extendibility of brand names*, *International Journal of research in Marketing*, 1993, 10(1), pp. 61-75

¹³⁷ Kamakura,W, A., Russell, G, J., *Measuring brand value with scanner data*, *International Journal of Research in Marketing*, 1993, 10(1), pp. 9-22

¹³⁸ Farquhar, P, H., *Managing brand equity*, *Marketing research*, 1.09.1989, pp. 24-33

¹³⁹ Keller, K, L., *Conceptualizing, measuring, managing customer- based brand equity*, *Journal of Marketing*, 1993, 57(1), pp. 1-22

¹⁴⁰ Kotler, Philip., Armstrong, Gary., *Principals of Marketing*, Pearson Prentice Hall, thirteenth edition, 2007, p. 231

ducks and deer. It also may be a source of recreation, irrigation, and possibly even human drinking water. Clearly it is a valuable resource. But many people take the pond for granted. It seems as if nothing can diminish its supply of water, but yet we sometimes notice that it rises with the spring rains or lowers after a long drought or excessive overuse for irrigation. Similarly, brand equity is a reservoir of goodwill. Brand-building activities consistently pursued over time will ensure that the reservoir remains full. Neglecting those activities or taking actions that might deplete those reserves will reduce the reservoir, imperceptibly at first, but soon all too noticeably until it is too late and all that is left is mud. This illustrates one of the most difficult problems in brand management”^{141,142}.

Brand equity is extremely important for a company’s success, because it acts like a natural reservoir which is often taken by the companies for granted, sometimes misused, and not sufficiently refilled, particularly in times of crisis or to meet short-term goals. That is why it is very important to choose the right way of calculation of brand equity for your company.

2.2.1. Measuring Brand Equity – Financial Approaches

Despite the fact that we have a numerous number of scientific books on brand equity, there is no standard method to evaluate it. In Germany, for example, there are more than 30 different methods available. Each and every one of those approaches tracks down different objectives and besides this has a diverse interpretation of brand equity and provides a user with different outcomes.¹⁴³ Here are just three of the most used measurement approaches:

1. Cost-based approaches

¹⁴¹ No Autor., *Understanding the Language of Branding, Chapter 2*, [Online] Available from: <http://theblakeproject.typepad.com/Chapter2.pdf> [Accessed 24 May 2012]

¹⁴² No Autor., *The Language Of Branding: Brand Equity*, 2008, [Online] Available from: <http://www.brandingstrategyinsider.com/2008/01/the-language--1.html> [Accessed 23 May 2012]

¹⁴³ Schimansky, Alexander. *Der Wert der Marke - Markenbewertungsverfahren für ein erfolgreiches Markenmanagement*. München : Vahlen, 2004. Page 1- 20

2. Market-based approaches
3. Economic use or income-based approaches

2.2.1.1. Cost-based Approaches

As the name states, the cost-based approaches are concerned with calculating the brand equity based on expenses related to brand creation or replacement¹⁴⁴, which comprise the whole cycle – research and development of a product concept, market testing, promotion and product improvement. All the accumulated costs which occurred up to date and were linked directly to the brand will be summed up to present a figure for the value of the brand^{145,146}. Naturally, it is the easiest way to use, as all the numerical data should be widely available. But the downside is that there is no resemblance of this historical valuation to the present economic value.

The replacement cost approach estimates the cost of replacing an asset in case it is completely destroyed. This approach does give a more precise reflection of the true value of a brand, though the obtained figure for the value still does not reflect the open market value. As a result, one could over-invest in an asset which may not repay itself when it will be sold^{147,148}.

2.2.1.2. Market-based Approaches

Once again, rather obviously, the market-based approaches use, in their calculations, the amount of capital for which a brand can be sold on the market. An open market valuation, for example, would be the highest value that both a buyer and seller are willing to pay and receive for the asset respectively. Still, this could exclude a potential buyer who may have other objectives or offers¹⁴⁹. This one is thus usually used when a company wishes to sell its brand. It is proposed by Barwise et al (1989) that the asset's market value

¹⁴⁴ Bamert, Thomas. *Marken Wert*. Wiesbaden: Der Deutsche Universitäts- Verlag, 2005, p. 135 -140

¹⁴⁵ Aaker, D.A., *Managing Brand Value: Capitalizing on the Value of a Brand Name*, The Free Press, New York, 1991

¹⁴⁶ Keller, K.L., *Strategic brand management: building, measuring, and managing brand equity*, Prentice Hall, New Jersey, 1998

¹⁴⁷ Aaker, D.A., *Managing Brand Value: Capitalizing on the Value of a Brand Name*, The Free Press, New York, 1991

¹⁴⁸ Keller, K.L., *Strategic brand management: building, measuring, and managing brand equity*, Prentice Hall, New Jersey, 1998

¹⁴⁹ Reilly, R.F., Schweih, R. P., *Valuing Intangible Assets*, McGraw Hill, New York, 1999

should present alternative uses as well – not only its current value in existing markets, but also possible values for future options, together with more realism than conservatism¹⁵⁰. Contemporary theory on finance suggests that in a case when a buyer is willing to pay more than the discounted benefits of the brand are worth, the owner of the brand should sell it¹⁵¹.

2.2.1.3. Economic-use Approaches

Now, the “in-use or income-based approaches, as the economic-use approaches are sometimes called, base their calculation process on the evaluation of future net earnings of the brand, so as to figure out the value of the brand in the present time and use^{152, 153}. When a company is improbable to take a decision of selling a asset, and uses it for strategic purposes as a flanking brand, this approach is generally used and relevant. The brand’s future potential currently exercised by the owner-company is what this method depicts¹⁵⁴. This can be compared to the valuation of the open market value, in order to identify the possible advantages neglected in the favor of the present action plan.

It would be logical to presume that when a company needs to assess its asset for specific needs, income tax for example, the company should adhere to the requirements of the relevant authority and use the method imposed by the latter. This ensures that all the particular requirements are met with more ease. Though exactly because of the specific needs, this approach and evaluation on the whole, will be next to useless for other objectives and have low appropriateness to current economic reality.

2.2.1.4. Implications of Financial Approaches

It is true, that the results of measuring brand equity could be relatively easily manipulated in the interest of delivering any result which the management wants. There is just one

¹⁵⁰ Barwise, P., Higson, C., Likierman, A., Marsh, P., *Accounting for Brands*, London 1989

¹⁵¹ Breally, R.A., and Meyers S.C., *Principles of Corporate Finance*, Fourth Edition, McGraw Hill, New York, 1991

¹⁵² Keller, K.L., *Strategic brand management: building, measuring, and managing brand equity*, Prentice Hall, New Jersey, 1998

¹⁵³ Reilly, R.F., Schweih, R. P., *Valuing Intangible Assets*, McGraw Hill, New York, 1999

¹⁵⁴ Keller, K.L., *Strategic brand management: building, measuring, and managing brand equity*, Prentice Hall, New Jersey, 1998

way to stop this misuse and it's the clear understanding of the objectives of the valuation and using the correct assumptions in order to gain a reasonable value.

None of the above mentioned approaches could deliver all the answers for an exact valuation. The base for accurate calculations is clear understanding of the purpose of the valuation and which benefits the brand actually delivers. Because of the lack of transparency of the workings and the underlying assumptions, some managers are not ready to agree with brand equity valuations.

But if we could provide with correct, accurate information under assumptions that is available and used by managers, then managers could make their own assumptions on what the correct value should be. "Valuation is neither the science that some of its proponents make it out to be nor the objective search for true value that idealists would like it to become. The models that we use in valuation may be quantitative, but there is a great reliance on subjective inputs and judgments. Thus the final value that we obtain from these models is colored by the bias that we bring into the process"¹⁵⁵.

When management wants to value their organization's brand, it is suggested to follow a certain structure¹⁵⁶:

- Full understanding of the nature of the company's intangible assets. If there are any marketing related assets, then they must decide from which attribute the brand gains most benefit.
- The goal of the valuation must then be clearly identified.
- A method must be determined that fulfills management's needs.
- Management must also make sure that a correct discount rate, growth rate and useful life are used.

¹⁵⁵ Damodaran, A., , *Investment Valuation: Tools and Techniques for determining the value of any asset*, John Wiley & Son, New York, 1996, p.2

¹⁵⁶ Abratt, Russell., Bick, Geoffrey., *Valuing Brands and Brand Equity: Methods and Processes*, Journal of Applied Management and Entrepreneurship, [Online] Available from: <http://www.huizenga.nova.edu/Jame/articles/brand-equity.cfm> [Accessed 24 May 2012]

- They must guarantee that the model used is prosperous enough to deal with the characteristics of the organization.
- A key issue is to check and question the prime, basic issues.
- Management must guarantee that all mathematical calculations are made in the right way.

2.2.2. Measuring Brand Equity – Consumer Based Approach

The customer-based brand equity or shortly CBBE is the second branch of brand equity measurement. Under this theory the brand equity is the source of increasing market share and profitability in the perception of the customer. The connections and the associations that the customer has to the brand are the main variables for the customer-based brand equity measurement approach.

The most important channel in consumer-based brand equity generally results from “cognitive psychology and information economics”¹⁵⁷. Kevin Lane Keller is one of the most famous followers of consumer-based brand equity from a psychological perspective¹⁵⁸. According to him a CBBE is “the differential effect of brand knowledge on consumer response to the marketing of the brand”¹⁵⁹. He argues in his concept that a person reacts favorably to the branded company marketing mix in contrast to an equal unbranded company¹⁶⁰.

For both academics and practitioners the measurement of Customer based-brand equity still remains the most discussible topic.

Consumer based brand equity in academic circles is mainly calculated by qualitative methods. There is still no quantitative approach available yet, because it is either hard or

¹⁵⁷ Christodoulides, George., De Chernatony, Leslie., *Consumer-based brand equity conceptualization and measurement*, International Journal of Marketing Research, 2009, Vol. 52, No. 1, p. 46

¹⁵⁸ Keller, K. L., Conceptualizing, measuring, managing customer- based brand equity, Journal of Marketing, 1993, 57(1), pp. 1-22

¹⁵⁹ Keller, K. L., Conceptualizing, measuring, managing customer- based brand equity, Journal of Marketing, 1993, 57(1), p. 2

¹⁶⁰ Keller, K. L., Conceptualizing, measuring, managing customer- based brand equity, Journal of Marketing, 1993, 57(1), p. 2

not possible at all to identify reliable data sources for calculations. The new potential of accumulation of the huge amount of available data on social networking platforms was seen by Social media companies which tried to develop algorithms based on a quantitative approach. Nevertheless these companies do not follow an academic approach and are not critically analyzed by scientists and as a result are difficult to validate. This thesis will propose an alternative view on how to measure brand value as extensive theory based on brand equity theory.

2.3. Brand Value

"Brand value is very much like an onion. It has layers and a core. The core is the user who will stick with you until the very end."

- Edwin Artzt¹⁶¹

With the quick rise of social media and increasing number of companies participating there is a huge need for brand measuring system generated through social media channels. Since this field is a relatively new approach where changes occur on a daily basis, it is hard to classify the parameters important in this area. The attempts have not fully met the requirements of marketers so far and generally only measure one specific section of social media.

2.3.1. Measuring Brand Value - Alternative Approach

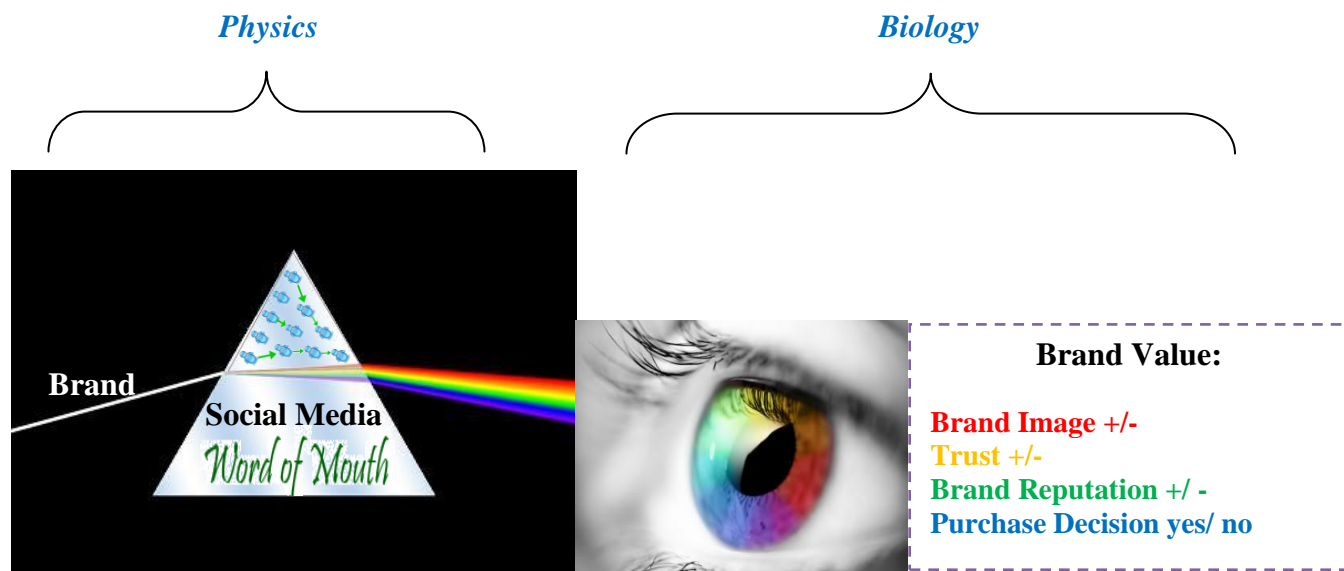
Communication, care and right treatment of the customers have to be thought through till the tiniest detail, and not just left to their fate. It is obvious that when one's trust, belief and respect is lost it is almost impossible to gain it back, especially at the time when almost all products are substitute products, in other words one brand could be easily replaced by another brand. From my point of view the following intangible

¹⁶¹ [Online] <http://www.bizcommunity.com/Quotes/196/82.html> [Accessed 25 May 2012]

characteristics: *positive image, trust, reputation, purchase decision* gain huge importance and have high influence on the brand value of the companies. I deem these four alternative parameters crucial to consider while building a sustainable, positive and effective brand image. The alternative theory which is based exactly on these parameters is presented in Figure 17.

The brand value in the presented theory is a value, meaning, admire level, love and dependence all bound together in a customer's mind and related to one specific brand.

Figure 17: Brand Value



Source: Adopted from

http://www.wallcoo.net/cartoon/colorful_objects_and_designs/index.html;

<http://www.students.uni-mainz.de/jungc000/uugit/arbeitsst/chemanal/anauvvis/prisgitt.htm>

[Online] [Accessed May 25 2012]

The Figure 17 shows the background of the presented approach which comes from physics and biology. The physics part is based on the dispersion of light theory which

was first introduced, as we know, by Isaak Newton¹⁶². In this research a brand represents a white light ray (no value for the customer), which goes through the prism of social media (word of mouth), than decomposes into a spectrum (gains some value for the customer) and penetrates through the eye (or in our case through emotional senses) directly into our brain, where the creation of brand value happens. And the biology part was taken from I.P. Pavlov's studies and his conditioned reflex theory¹⁶³. I dare say, that nowadays the creation of brand value in consumer's minds works in this mixed way. When someone, man or woman, hears a brand name, a picture and a feeling, either positive or negative is immediately formed in the person's mind from personal experience with this brand. If not, then the brand is an unfamiliar one, thus we have to rely on a provided opinion, which was previously usually conveyed to us by family, relatives and close friends while recently, also by our growing virtual community. And the influence on forming our opinion is huge. To prove this hypothesis, Chapter 3 will present relevant case studies for each of the four suggested characteristics.

2.3.2. Implications of Brand Value Approach

It is important to stress that this is a new vision on brand value and naturally, the offered approach is a topic for further research and discussion.

From my point of view it shows a different angle of brand value evaluation in our world which is becoming more and more virtual. A lot of information is accumulated in social media which could be very important for the growth of a company. These days the time of reaction, attitude, high competency and sharp sense of what is happening around the company are the prerequisites for its success. It is critical for the companies to remember, that with the abundance of products offered nowadays, there is an fierce competition

¹⁶² Nugent, Edward., *A treatise on optics; or, Light and sight, theoretically and practically treated; with the application to fine art and industrial pursuits*, 1968, p.77, [Online] Available from: <http://books.google.de/books?id=4DQDAAAQAAJ&pg=PA77&dq=dispersion+of+light+Newton&hl=de&sa=X&ei=GtnDT5m9I8zxsgb3-qDkCg&sqi=2&ved=0CDkQ6AEwAQ#v=onepage&q=dispersion%20of%20light%20Newton&f=false> [Accessed 26 May 2012]

¹⁶³ Simon Brian., *Psychology in the Soviet Union.*, Butle & Tanner Ltd Frome and London , 1957 , p. 11

being waged to win a customer's sympathy. And if the company for some reason doesn't understand, realize and see this fact it is own fault. Exactly now than any time ever each loyal customer has a high value to the company.

*“A brand consuming no loyalty is not a strong brand Thanks to Web 2.0. A brand cannot be reduced to a benefit; it has to create a community. No fans, no brand! Today's dominant role of social media is visible here. To exist on the net, a brand must have friends, followers, adepts and proselytes”*¹⁶⁴.

- **Kapferer, Jean-Noel.**, *The New Strategic Brand Management: Advanced Insights and Strategic Thinking*, 2012.

3. Social Media Influence on Brands

"Failure is the opportunity to begin again, more intelligently."

- Henry Ford¹⁶⁵

Social Media offers huge opportunities to the companies, but they require a high degree of sensibility and caution. It seems like a lot of companies are just blinded by offered possibilities, that they absolutely oversee the threats. In this Chapter some Cases would be presented which will prove, that the social media has a huge potential to influence the Brand Values.

¹⁶⁴ Kapferer, Jean-Noel., *The New Strategic Brand Management: Advanced Insights and Strategic Thinking.*, Kogan Page Publishers, 2012 , [Online]Available from : <http://www.thebrandsurgery.co.uk/blog/2012/02/making-sense-of-brand-management-and-brand-equity-for-smes/> [Accessed 26 May 2012]

¹⁶⁵ <http://www.marketinggum.com/twitter-statistics-2011-updated-stats/#ixzz1qyre0QXu> [Online] [Accessed 26 May 2012]

3.1. Negative Influence

A good image for the company could be very favorable and such reputation could allow the company to run easily and have fewer obstacles. Having a good image does not just make it easier to find talents and increase the community's readiness to do business with a trustworthy company, but also brings many companies and customers directly to your table¹⁶⁶.

To do what you do best is one possible way to gain a good image. If you are the best in your industry, you become a highly respected leader. Most people follow the best, so being ahead will create a positive image for your business. Encouraging advertisement and performing good deeds could be the second way to create a good image. For example, through charities, people will support your business, will build up a good reputation and thus company's image will improve¹⁶⁷.

As the saying goes, "it takes a lifetime to build a reputation but only moments to destroy it". Having a good company image is only one side of the medal another side is keeping it¹⁶⁸.

3.1.1. Case Study: BP

On the 20th of April 2010 all news channels were broadcasting breaking news about a tragic incident - an explosion on an oil extracting platform in the Gulf of Mexico which belonged to BP. Just two days later the platform sinks, with thousands of barrels of oil leaked into the ocean, thus poisoning the environment. Horrible pictures are sent across the world.

¹⁶⁶ Kam, David., Having a Good Company Image, MarketingDeviant, October 10, 2008, [Online]
Available from: <http://marketingdeviant.com/having-a-good-company-image> [Accessed 28 May 2012]

¹⁶⁷ Kam, David., Having a Good Company Image, MarketingDeviant, October 10, 2008, [Online]
Available from: <http://marketingdeviant.com/having-a-good-company-image> [Accessed 28 May 2012]

¹⁶⁸ Kam, David., Having a Good Company Image, MarketingDeviant, October 10, 2008, [Online]
Available from: <http://marketingdeviant.com/having-a-good-company-image/> [Accessed 28 May 2012]

This oil spill incident tarnished BP's image extremely badly. The global company has global responsibilities, but in BP's case it seems like they totally forgot about it. As if a natural disaster is not a big deal, Tony Hayward, the BP CEO at that time, just one day after the tragic explosion and the worst oil spill in U.S. history, attended an exclusive yacht race. Mr. Hayward was spotted by photographers on his luxury yacht "Bob" in the race off the Isle of Wight in the English Channel. This further misstep of the BP chief has been criticized by the American people - as well as the White House in Washington, which responded promptly¹⁶⁹. On the 27th of July the company made an announcement, that Tony Hayward would be replaced by Robert Dudley from 1 October 2010. Too late for BP though, as irreparable image damage had already been made¹⁷⁰.

No statement, no comments, no regrets, no action, poor crisis management, and ignorance – this behavior cost the company and its CEO, billions of losses, political and environmental backlashes and erosion in consumers' confidence. As there was no communication effort from the company's side, society took this initiative in their own hands. People started to attack BP through Tweets and Facebook pages, BP kept silent for a long time what made the situation even worse¹⁷¹.

Wishing for some communication, internet users found BP Twitter ID - ID@BP_America (Figure 18). People didn't get any responses, tweets or retweets, it was basically a one way communication and that was actually the last thing BP was supposed to do at that point of time.

¹⁶⁹ Breul Ingrid., *BP rutscht von einem PR-Desaster ins nächste – Reputation nimmt unaufhörlich Schaden*, 21.06.2010, [Online]
Available from
<http://www.netz-reputation.de/2010/06/bp-rutscht-von-einem-pr-desaster-ins-nachste-reputation-nimmt-unaufhorlich-schaden/>
[Accessed 29 May]

¹⁷⁰ www.bp.com., *BP CEO Tony Hayward wird zurücktreten, Robert Dudley wird sein Nachfolger*, 27. Juli 2010, [Online]
Available from <http://www.bp.com/genericarticle.do?categoryId=9034543&contentId=7064011> [Accessed 29 May 2012]

¹⁷¹ Kullin., *BP Oil Spill and Social Media*, May 2, 2010., [Online]
Available from <http://www.kullin.net/2010/05/bp-oil-spill-and-social-media/> [Accessed 30 May 2012]

Figure 18: Users-made BP_ ID_ account



Source: <http://silentwhisperss.files.wordpress.com/2010/08/bp-tweet1.jpg> [Online]
[Accessed 30 May 2012]

Besides this a parody account on Twitter was created by internet users, so called [@BPGlobalPR](#) (Figure 19) with more than 175,000 followers in comparison with BP's official account, [@BP_America](#), which had only 15,000 followers¹⁷².

Figure 19: @BPGlobalPR



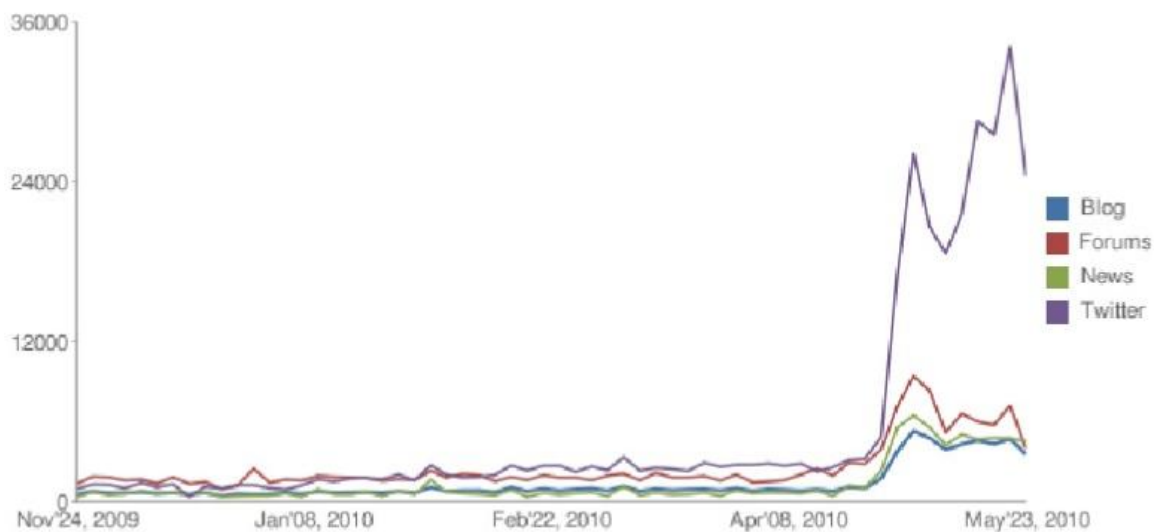
Source: <http://twitter.com/#!/bpglobalpr> [Online] [Accessed 30 May 2012]

¹⁷² Wauters, Robin., *When Social Media Becomes The Message: The Gulf Oil Spill And @BPGlobalPR*, June 26th, 2010, [Online]
Available from <http://techcrunch.com/2010/06/26/bp-pr-bpglobalpr/> [Accessed 30 May 2012]

The mocking @BPGlobalPR account has gone viral and was dominating the online conversation. It is an object lesson in how social media can shape and control a company's message during a crisis¹⁷³.

On Graphic 1 we can see the drastic splash of BP's "popularity" within a short period of time. It was the topic on each of media channels, but the most used one was Tweeter, as we can see by the gigantic increase from an average of about 2200 up to 19900 tweets per day. Information nowadays could be shared without any limitations and once it starts there is no possibility to stop it. This reaction was underestimated by BP. The Graphic 2 shows clearly how this situation influenced the attitude to BP in Blogs, in comparison with the period from 24 January to 22 February, when the negative sentiment was 22 percent, it drastically increased over the short period of time and more than doubled, reaching 51 percent, by the end of May 2010.

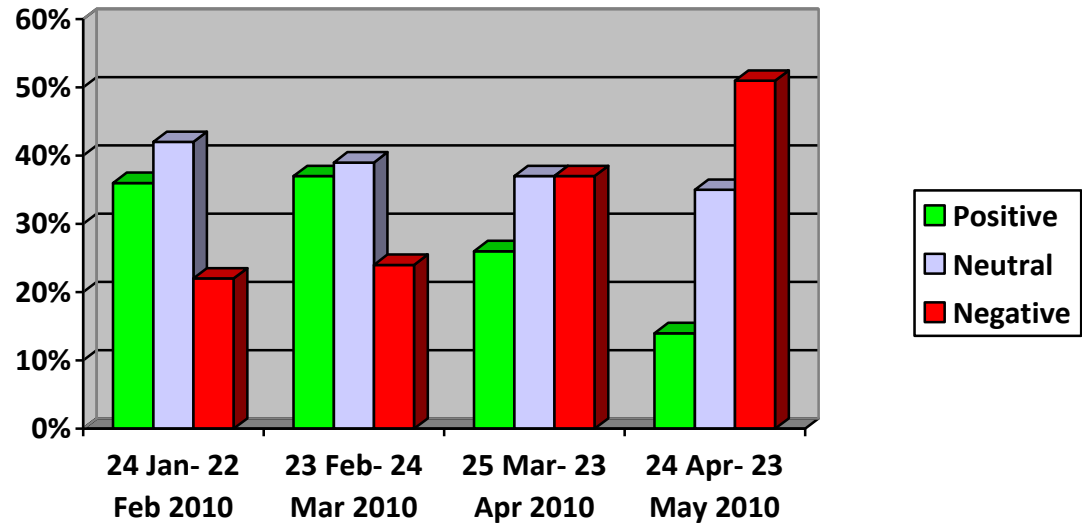
Graphic 1: BP "popularity" splash by Media (last182 days)



Source: http://www.slideshare.net/goldbachgroup/quick-social-media-brand-analysis-on-bp?from=ss_embed [Online] [Accessed 31 May 2012]

¹⁷³ Wauters, Robin., *When Social Media Becomes The Message: The Gulf Oil Spill And @BPGlobalPR*, June 26th, 2010, [Online] Available from <http://techcrunch.com/2010/06/26/bp-pr-bpglobalpr/> [Accessed 31 May 2012]

Graphic 2: BP's Sentiment Trend (Blogs)



Source: http://www.slideshare.net/goldbachgroup/quick-social-media-brand-analysis-on-bp?from=ss_embed [Online] [Accessed 1 June 2012]

A picture is worth a thousand words and these two pictures are particularly worth a thousand (Figures 20, 21), they are, from my point of view, the best example of a new BP Image.

Figure 20: New Image of BP



Figure 21: New Image of BP



Source: <http://www.dasbiber.at/content/vacation-powered-bp-wirksame-anti-werbung-f%C3%BCrs-aug> [Online] [Accessed 1 June 2012]

Pretending that nothing happened and hoping that people would forget what happened is not the best way to handle crisis situations. It will surely take years for BP to offset the losses but one fact is certain; company was wayward in its handling of the public reactions on social media sites. And BP case is not a solitary exception as we can see from another example.

3.1.2. Case Study: Nestlé

For the famous company Nestle a disaster concerning its brand image broke out in March 2010¹⁷⁴, when just in a few days the company had lost hundreds of thousands of its customers. It all started with a rather ordinary request from a “Greenpeace”, which sent a mail to Nestle, asking it to change its policy of purchasing palm oil from Malaysia and Indonesia (Figure 22).

¹⁷⁴ Baur ,Daniel., *Nestlé und das Social Media Disaster*, 25.03. 2010 [Online]
www.social-brand-value.com/de/2010/03/25/nestle-und-das-social-media-desaster/ [Accessed 2 June 2012]

Figure 22: Greenpeace Campaign “Ask Nestlé to give rainforests a break”



Source: Greenpeace International Fanpage

<http://www.thomashutter.com/index.php/2010/03/facebook-wenn-fanpages-kriegsschauplatz-werden/> [Online] [Accessed 3 June 2012]

The main concern consisted of the fact that Nestle was purchasing this specific palm oil used in its products from organizations, which were extracting the oil from illegally cut wood and therefore destroying the natural environment where orang-utans live. Despite this clearly reasonable and proper petition from “Greenpeace”, Nestle completely ignored this mail and went on doing business as usual. Nevertheless, members of “Greenpeace” did not give up on their mission and decided to enlist the help of a vast social media community to aid them. Already famous for their past daring videos they decided to make the world see the truth using Nestle’s brand KitKat as their target. A Greenpeace

video (Figures 23, 24, 25) which they posted on YouTube has received more than 540202¹⁷⁵ views within a very short period of time.

Figures 23: Greenpeace video; Figures 24: Greenpeace video; Figures 25: Greenpeace video



Source: Available from <http://www.youtube.com/watch?v=VaJjPRwExO8> [Online]
[Accessed 3 June 2012]

This is how the crisis started. In a little while, Nestle tried to remove the video, but that only added fuel to the fire. After the announcement of the cancellation of the video on YouTube the video went really viral and was uploaded numerous times at various video portals, blogs, shared via Facebook and the last but not the least news sites jumped on the issue. The next target of the internet users was Nestlé's Facebook pages. And that's where Nestlé totally lost the control. Analyzing its reaction to the flood of negative publicity, it was absolutely clear that the company was poorly prepared to handle such kind of social media disasters. It is a sad reality because many top companies are still not adept at handling unexpected major crises. We can call it lack of crisis management or whatever we want, but this particular incident had a major bearing on Nestlé's quarterly results and investor's confidence. It was rather surprising and absolutely foolish of Nestlé's Facebook page to react aggressively, disrespectful on critics (Figure 26). We can say that it was a total PR disaster.

¹⁷⁵ <http://www.youtube.com/watch?v=VaJjPRwExO8> [Online] [Accessed 3 June 2012]

Figure 26: Nestlé Facebook comments



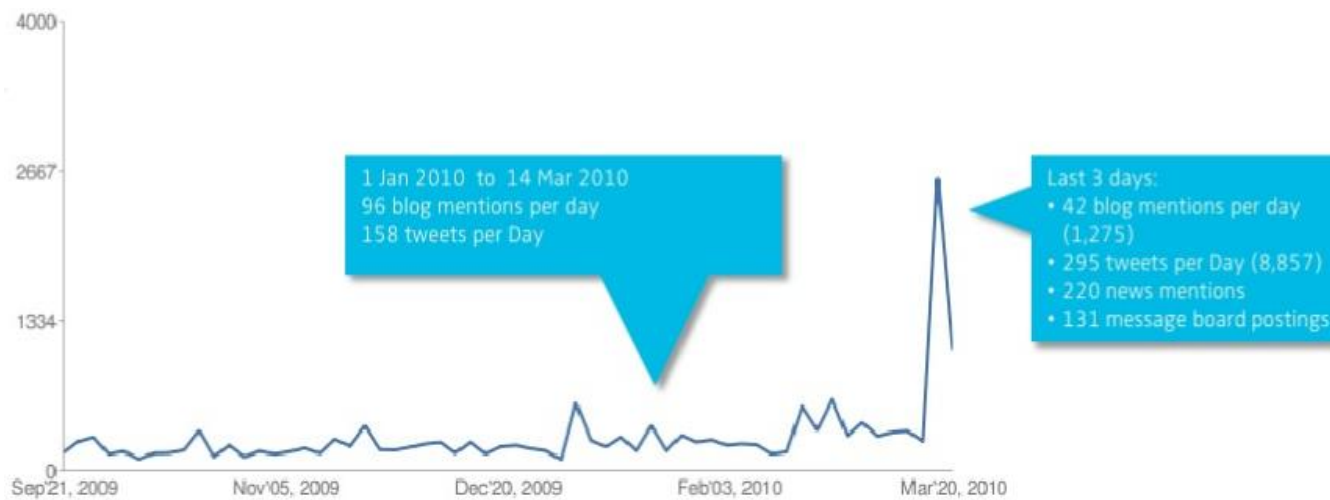
Source: <http://silentwhisperss.wordpress.com/tag/bp-social-media-disaster/> [Online]
[Accessed 3 June 2012]

As we can see from the Graphic 3, the reaction of the users was not long in coming. Within 3 days from 17th of March till 20th of March 2010 occurred the highest interest on the topic, there were around 420 blog mentions per day, almost 2950 tweets per day with a total of 8,857 tweets, 220 news mentions and 131 message board postings¹⁷⁶. This situation could not also stay without a reflection on consumer's attitude. According to Figure 27 the negative sentiment had almost tripled and reached 30 percent within these

¹⁷⁶ [Online] http://www.slideshare.net/goldbachgroup/quick-social-media-buzz-analysis-nestl?from=ss_embed [Accessed 3 June 2012]

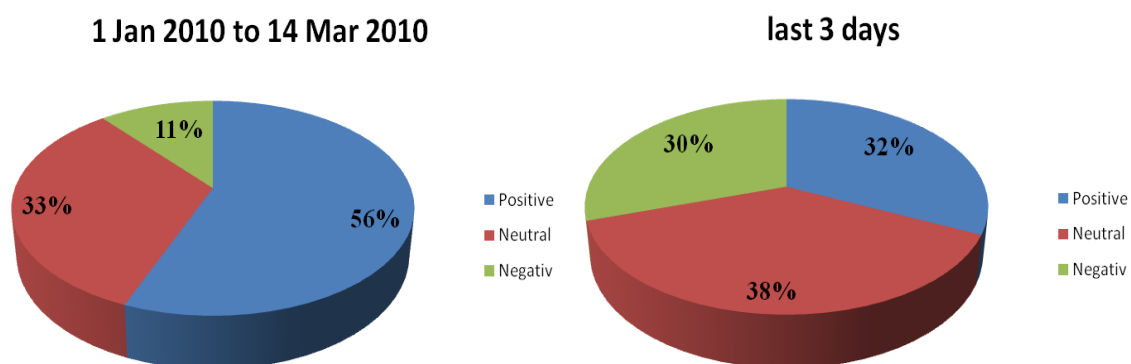
three days while positive attitude decreased by 20 percent from the total amount, from 56 percent to 32 percent¹⁷⁷.

Graphic 3: Nestlé “popularity” splash (overall popularity for 182 days)



Source: http://www.slideshare.net/goldbachgroup/quick-social-media-buzz-analysis-nestl?from=ss_embed [Online] [Accessed 3 June 2012]

Figure 27: Nestlé’s Sentiment Trend (Blogs)



Source: http://www.slideshare.net/goldbachgroup/quick-social-media-buzz-analysis-nestl?from=ss_embed [Online] [Accessed 3 June 2012]

¹⁷⁷[Online] http://www.slideshare.net/goldbachgroup/quick-social-media-buzz-analysis-nestl?from=ss_embed [Accessed 3 June 2012]

3.1.3. Conclusion

Companies really must be extremely careful these days. But nevertheless, it looks like the companies want to learn it the hard way. Another example, KFC (Figure 28), is the next target by Greenpeace, and it seems like they are totally unaware and never heard about Nestlé and Indonesian Palm oil social media disaster, that's why they continue to buy their packaging from Asia Pulp and Paper (APP), one of Indonesia's most notorious forest destroyers¹⁷⁸.

Figure 28: New Greenpeace campaign against KFC



Source: Greenpeace International., <http://www.facebook.com/greenpeace.international> [Online] [Accessed 4 June 2012]

We are witnesses of a rise of a new era – an era of social media, where one negligible mistake from the companies can bring them big trouble. As we saw from these two cases the social media platforms can be a powerful instrument that can bring a company a large profit loss, together with a drastic decrease of confidence and consumer base.

Poor management of social media channels can easily damage or even destroy the reputation of the companies. Though, we have no doubt over capabilities of Nestle and BP to regain an untainted and healthy reputation but it will be a long and painful process

¹⁷⁸ Greenpeace International., <http://www.facebook.com/greenpeace.international> [Online] [Accessed 4 June 2012]

which could have been avoided if they had paid more attention to their social media marketing strategies.

Here are the lessons for other companies to prevent such problems. Other companies should ideally prepare an appropriate social media strategy with major focus on crisis management.

- Nestlé and BP failed to demonstrate honesty, transparency and openness to their customers. They used sarcastic, aggressive tone as well as lies in order to protect their reputation. The companies chose a wrong strategy instead of recognizing their mistakes and trying to correct them. The extent of the crisis rapidly increased because of the way it was managed.
- Both companies had lack of social media strategy. Companies have to be more active on social media and monitor the situation. Social media means communication and interaction- they seem to forget these rules.
- There is no reason trying to hide from criticism. By using transparent interaction with their users, companies could improve their situation, which would help to regain confidence back and build back trust.
- There should be no panic or total silence in the defensive actions that a company would undertake, whereas there should be a particular team, responsible with handling a critical situation on all the available fan pages and platforms.

Social media is nowhere near the end of its life cycle, thus businesses need to prepare themselves to handle any potential future crises.

3.2. From Negative to Positive

"The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow."

- Rupert Murdoch¹⁷⁹

3.2.1. Case Study: Dell

This Case Study is particularly relevant because it shows how courage and the right social media strategy can turn your enemies into your friends.

During June 2005, Dell Inc. received a lot of complaints about its customer services support. An active blogger, media consultant and an owner of one of the web's most respected blogs about the internet and media, Jeff Jarvis, posted a series of tirades called "Dell Hell"¹⁸⁰, about his recently bought Dell laptop.

Unluckily for Dell they sold Mr. Jarvis a defective laptop. Despite having paid for the four year at home warranty, Mr. Jarvis had to send his Laptop off more than one time. Every time he got it back a new problem appeared. All attempts to connect with customer service were unsuccessful: either employee's ping-pong him the whole time from number to number, or he had to wait for "centuries" in hold line. Communication via e-mail also didn't work out total ignorance, no reply.

"So Dell knows that my hard drive is broken but after two days, I still haven't received a reply to the latest email, in which they said they'd set up a service call to get it replaced, whatever that means.

I was thinking about this service process, in which Dell and other computer makers make us suffer through service with them. They take

¹⁷⁹ <http://www.marketinggum.com/twitter-statistics-2011-updated-stats/#ixzz1qysqnCkF> [Online] [Accessed 6 June 2012]

¹⁸⁰ Jarvis, Jeff., *"What Would Google do?"*, 2008, HarperCollins e-books, pp. 12-20, [Online] Available from: <http://medicinascomplementarias.es/blog/wp-content/uploads/2011/05/What-Would-Google-Do.pdf> [Accessed 6 June 2012]

some S&M glee in making us wait on hold and talk to their people for hours (costing them money, by the way).

In what other consumer product or service do we have to have such a role in service?

When my car breaks, I drop it off and tell them what's wrong and leave. They fix it. They verify it's fixed. They don't make me get into the greasepit with them.

When my electricity goes fritz at home, I call in the electrician and tell him what's wrong and he fixes it and tests it and I pay him and thank him. I don't have to hang out with him and hand him wirestrippers.

But with computers, we are expected to suffer through the process; we aren't allowed to say, "Just fix it: The machine you made is broken so fix it and make sure it's fixed."¹⁸¹

Such treatment drove him crazy and Mr. Jarvis began to vent his frustrations on his blog at Buzzmachine.com¹⁸². Mr. Jarvis didn't give up and continued to send emails to Dell but as before never received a reply, that's why he proceeded to chronicle his experience and his ever growing dissatisfaction on his blog. Jarvis' initial posts caught the attention of other unhappy Dell customers, approximately 253 comments¹⁸³, who also began to share their own negative experiences dealing with Dell's customer service. With each post he made he got more and more attention from the internet users who continued leaving their comments and experiences.

It took not long before regular media became interested in the "Dell Hell" posts such as MSNBC or CNN (Figures 29, 30).

¹⁸¹ Jarvis, Jeff., *Dell hell, continued: Self-service.*, June 28, 2005, Available from: <http://buzzmachine.com/2005/06/page/2/>

¹⁸² <http://buzzmachine.com/2005/06/page/2/>

¹⁸³ Williams, Kimberly, T., *Case Study: Dell Hell. The impact of social media on corporate communication*, 2/7/2009, p.5 [Online] Available from: <http://kmobley.info/PDF%20Files/DellHellCaseStudy.pdf> [Accessed 4 June 2012]

Figures 29: Jeff Jarvis “Blog Daddy” on MSNBC



Source: <http://www.siteselection.com/ssinsider/pwatch/pw061122.htm> [Online]
[Accessed 7 June 2012]

Figures 30: Jeff Jarvis on CNN



Source: <http://news-blogs.net/articles/news-blogs-cnn/nice-news-blogs-cnn-photos-2>
[Online] [Accessed 7 June 2012]

The last hope to solve this situation Mr. Jarvis saw in writing a letter directly to Dell’s Chief Marketing Officer and Vice President for US Consumer Business, Michael George, and as a result finally got his long awaited reply. Mr. Jarvis was offered a full refund for his laptop which he accepted.

Despite the fact that the case with Mr. Jarvis laptop got a “happy end” and on July 11th he posted his final Dell Hell post, the fires of Dell Hell had been spread and continued to burn throughout the summer of 2005. More than 5,000 visitors a day¹⁸⁴ had either commented directly to Mr. Jarvis’ posts or they just linked to the discussion from their own blogs.

After this Odyssey with the laptop Mr. Jarvis blogged an open letter to CEO Michael Dell offering honest and helpful advice about bloggers and customers who are more than ten now:

“Your customer satisfaction is plummeting, your market share is shrinking, and your stock price is deflating.

Let me give you some indication of why, from one consumer’s perspective . . .

The bottom line is that a low-price coupon may have gotten me to buy a Dell, but your product was a lemon and your customer service was appalling. . . .

I’m typing this on an Apple PowerBook. I also have bought two more Apples for our home.

But you didn’t just lose three PC sales and me as a customer.

Today, when you lose a customer, you don’t lose just that customer, you risk losing that customer’s friends. And thanks to the internet and blogs and consumer rate- and-review services, your customers have lots and lots of friends all around the world¹⁸⁵”.

As a result of the negative press and Dell Inc.’s continued silence on the issue, the computer industry giant’s sales and reputation began to fall hard and fast^{186, 187}.

¹⁸⁴ Gupta, Shankar., “Jeff Jarvis vs. Dell: Blogger’s Complaint Becomes Viral Nightmare”, OnlineMedia Daily, 19 Aug. 2005, [Online] Available from:

<http://www.mediapost.com/publications/article/33307/jeff-jarvis-vs-dell-bloggers-complaint-becomes.html> [Accessed 7 June 2012]

¹⁸⁵ Jarvis, Jeff., “*What Would Google do?*”, 2008, HarperCollins e-books, pp. 14-15, [Online] Available from:

<http://medicinascomplementarias.es/blog/wp-content/uploads/2011/05/What-Would-Google-Do.pdf> [Accessed 7 June 2012]

¹⁸⁶ Jarvis, Jeff., “*What Would Google do?*”, 2008, HarperCollins e-books, pp. 14-15, [Online] Available from:

<http://medicinascomplementarias.es/blog/wp-content/uploads/2011/05/What-Would-Google-Do.pdf> [Accessed 7 June 2012]

¹⁸⁷ Krazit, Tom., “Study Dell customer rating plunges; Apple leads pack: Customer service, not products were source of dissatisfaction for Dell”, Computerworld, AUGUST 16, 2005, [Online] Available from: <http://scriptco.net/library/cpuratings.htm> [Accessed 7 June 2012]

According to the study conducted by the University of Michigan regarding Dell's customer service rating, which was conveyed by Computerworld online on the 16th of August, 2005, Dell's ACSI (American Customer Satisfaction Index) score lost five points from 79(in 2004) to 74 during 2005, just to compare the Apple got 81 (in 2004 and 2005). Most complains among survey respondents were mostly about the quality of Dell's customer service and not its product and also complaints about the length of time on hold and quality of help¹⁸⁸.

On Aug 19, 2005 MediaPost News published: "In the days before the blogosphere, Jarvis might have been just another dissatisfied customer. But today, his widely circulated criticism has triggered dozens of other bloggers and hundreds of commenter's to publicly complain about service they've received from Dell's technical support¹⁸⁹".

The story of "DellHell" was also picked up on August 24, 2005 by Bloomberg Businessweek: "The most sensitive question for the brand is this: What's the net impact of a curious buyer stumbling into Jeff Jarvis' nastygram?¹⁹⁰" stated Intelliseek's Pete Blackshaw. "This is where brand reputation and purchase behavior take a hit¹⁹¹." Blackshaw's statement was correct because as a matter of fact both customer sales and Dell's reputation were directly impacted by "Dell Hell".

Finally Dell started to learn from their mistakes and make the following changes. First of all they began replying to blog posts and in June 2006, a year after "DellHell" incident, they launched their own corporate blog Direct2Dell, and this blog experienced some success in extinguishing Dell's negative online discussions. According to Dell, they

¹⁸⁸ Krazit, Tom., "Study Dell customer rating plunges; Apple leads pack: Customer service, not products were source of dissatisfaction for Dell", Computerworld, AUGUST 16, 2005, [Online] Available from: <http://scriptco.net/library/cpuratings.htm> [Accessed 8 June 2012]

¹⁸⁹ Gupta, Shankar., "Jeff Jarvis vs. Dell: Blogger's Complaint Becomes Viral Nightmare", OnlineMedia Daily, 19 Aug. 2005, [Online] Available from: <http://www.mediapost.com/publications/article/33307/jeff-jarvis-vs-dell-bloggers-complaint-becomes.html> [Accessed 8 June 2012]

¹⁹⁰ Lee, Louise Lee., "Dell: In the Bloghouse", August 24, 2005, [Online] Available from: <http://www.businessweek.com/stories/2005-08-24/dell-in-the-bloghouse> [Accessed 9 June 2012]

¹⁹¹ Lee, Louise Lee., "Dell: In the Bloghouse", August 24, 2005, [Online] Available from: <http://www.businessweek.com/stories/2005-08-24/dell-in-the-bloghouse> [Accessed 9 June 2012]

calculated that, at the end of year 2006, at least 50% of the online conversations were negative and one year later that number was reduced to 23%¹⁹².

They also extended their blogging and included a blog for Dell's employees and a blog for Dell's investors. Experience with Direct2Dell blog drastically changed the way of how the company viewed online customer service. Dell now realizes the huge importance of hearing, participating and reacting to online discussions¹⁹³.

The launch of Direct2Dell blog was a success, but Dell didn't stop and continued to look for new ways of communication with their consumers and tried to identify their needs. Long before this accident, Dell was well-known for providing a unique, personalized service. In February 2007, they created IdeaStorm forum, which served as Dell's online idea suggestion place, a "treasure" box of sorts. In this online platform, Dell invites customers not just to post their ideas and suggestions on how they can improve their products and services, but also to vote for new ideas and actively discuss them in real time. As a result of these actions users actually felt they were a part of the brand with a sense of their own control. Dell learned how powerful the social media influence can be and that it is a mistake to simply ignore it. Employees also gained new experience on how to integrate new technologies into their existing communication processes¹⁹⁴.

3.2.2. Conclusion

It is obvious that previous Dell's presence on social media was almost nonexistent, and their enthusiasm to change their attitude in fact came into action when they were facing a possible downfall. But nevertheless they did adapt extremely well to the changed environment. It may have been a result of Mr. Jarvis's public actions, criticism and

¹⁹² Williams, Kimberly, T., *Case Study: Dell Hell. The impact of social media on corporate communication*, 2/7/2009, p.8, [Online] Available from: <http://kmobley.info/PDF%20Files/DellHellCaseStudy.pdf> [Accessed 10 June 2012]

¹⁹³ Williams, Kimberly, T., *Case Study: Dell Hell. The impact of social media on corporate communication*, 2/7/2009, p.8, [Online] Available from: <http://kmobley.info/PDF%20Files/DellHellCaseStudy.pdf> [Accessed 10 June 2012]

¹⁹⁴ Williams, Kimberly, T., *Case Study: Dell Hell. The impact of social media on corporate communication*, 2/7/2009, p.8, [Online] Available from: <http://kmobley.info/PDF%20Files/DellHellCaseStudy.pdf> [Accessed 10 June 2012]

continued community pressure, but what counts is that Dell made it. Rather than continuing to ignore everything, Dell listened and replied to their customers and afterward got a higher level of respect from them. Basically, Dell behaved more like a human that's why the company could benefit from it.

It is very important to understand that social media strategy plan should not just be developed as a way to avoid a crisis or as a method to control a company's reputation, but as a new method of communication, interaction. It is clear that employees in corporations, especially in such troubled times, does not have enough experience and confidence to handle these situations. That is why training the personnel of a correct, effective and sensible way to use social media channels could really help companies to change the general opinion about them.

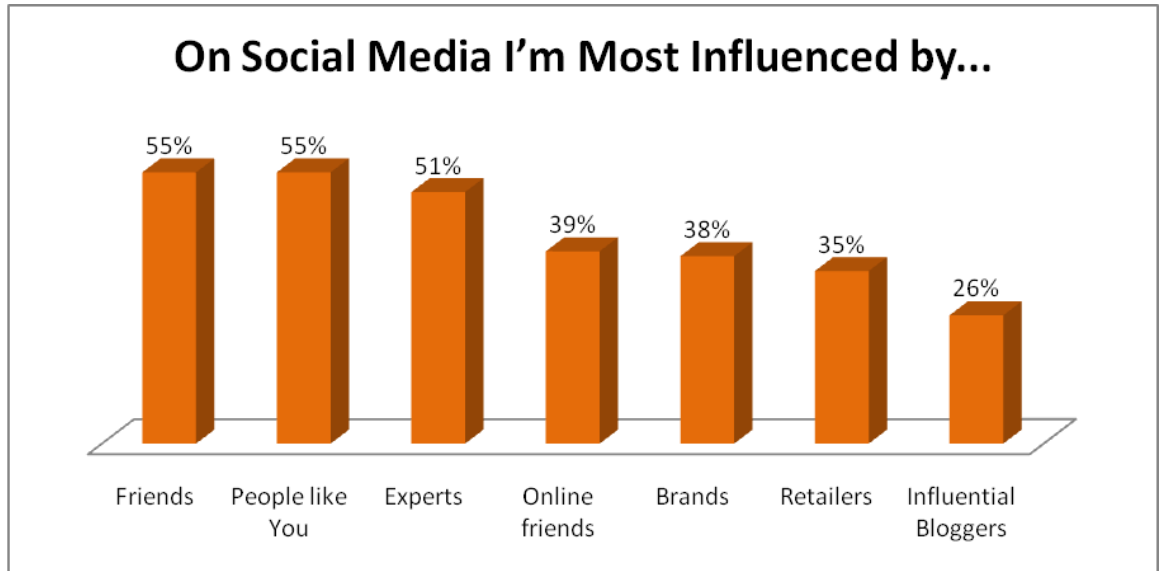
3.3. Positive Influence

3.3.1. Trust in People Instead Trust in Brands

Often, before we make a big purchasing decision we seek advice from our family members, close friends, virtual community. As reported by Magdalena Georgieva on HubSpot Blog, there are four categories of people who heavily influence our purchasing decision (Graphic 4), namely: our friends (55%), people like we (55%), experts (51%) and online friends (39%)¹⁹⁵.

¹⁹⁵ Georgieva, Magdalena., 20 Revealing Stats, Charts, and Graphs Every Marketer Should Know, May 24, 2012, [Online]
Available from:
<http://blog.hubspot.com/blog/tabid/6307/bid/32985/20-Revealing-Stats-Charts-and-Graphs-Every-Marketer-Should-Know.aspx>
[Accessed 10 June 2012]

Graphic 4: On Social Media I'm Most Influenced by...



Source: <http://blog.hubspot.com/blog/tabid/6307/bid/32985/20-Revealing-Stats-Charts-and-Graphs-Every-Marketer-Should-Know.aspx> [Online] [Accessed 10 June 2012]

According to Razorfish Digital Brand Experience Study 2009, where they tried to investigate “if there were any direct correlation between consumers’ online interaction with a brand and their likelihood to purchase a given product or service” the answer was positive, almost 65% of respondents stated that a digital brand experience has changed their opinion (either positively or negatively) about a brand or the products and services a brand offers¹⁹⁶. For us it means, if the customer had a negative experience with a brand, he would share his negative experience with his friends, offline as also online, thereby influencing them heavily into not buying our products. This situation is not good for any brand, because “when user generated content (UGC) is negative, it can have harmful implications for building and sustaining a brand's equity, an issue compounded by the fact that readers of UGC may consider it more credible than content that originates with the producer (e.g., brand advertising)”¹⁹⁷.

¹⁹⁶ Razorfish Digital Brand Experience Study, 2009, p.37, [Online] Available from: http://feed.razorfish.com/downloads/Razorfish_FEED09.pdf [Accessed 11 June 2012]

¹⁹⁷ Cheong, Hyuk, Jun., Morrison, Margaret A., *Consumers' Reliance on Product Information and Recommendations Found in UGC*, Journal of Interacting Advertising, Vol 8, No 2, Spring 2008, [Online] Available from: <http://jiad.org/article103> [Accessed 12 June 2012]

Moreover, these digital brand experiences directly correlate to purchasing behavior of these customers. The study also stated that 97% of the respondents told that a “digital brand experience has influenced whether or not they then went on to purchase a product or service from a brand”¹⁹⁸. It is clear that online experiences can not only support a brand, but also damage it. That means that until brands find a trustworthy way to communicate with their customers and build up a strong relationship, they will be trusted the least. And even after that, they can break this trust quite easily, thus advanced care is necessary, as creating a steadfast trust is a long-run process, similar to building a good and reliable interpersonal relationship.

This situation could explain the success of such companies as German *Stiftung Warentest* magazine, a non-for-profit organization. The *Stiftung Warentest* organization was founded in 1964 by the decision of the German Bundestag to provide independent and objective assistance to the consumer by comparative testing of goods and services¹⁹⁹. *Stiftung Warentest* carefully tests a wide range of products and services and then presents totally unprejudiced, fact based reviews. The success of such organizations like *Stiftung Warentest* is clearly based around the level of trust that they put into minds of those who consume it.

Peter Walshe and Millward Brown stated that “trust has become a cornerstone value. The prevalent skepticism that makes trust difficult to achieve and maintain also makes its achievement more powerful”, “trust is not a generic characteristic. It is a positive manifestation of what the brand stands for – which is why brands need to stand for something, and ideally something that is distinctive”^{200,201}.

If consumers would trust brands there would be no need for companies like *Stiftung Warentest*. Understanding of importance of trust building between a brand and customer is an integral issue for the company. The Old Spice and HP case studies will show how brands can use people as the medium in order to generate buzz and credibility.

¹⁹⁸ Razorfish Digital Brand Experience Study, 2009, p.37, [Online] Available from: http://feed.razorfish.com/downloads/Razorfish_FEED09.pdf [Accessed 13 June 2012]

¹⁹⁹ Stiftung Warentest, Über uns, <http://www.test.de/unternehmen/>

²⁰⁰ Walshe, Peter., Brown, Millward., *Trust in Brands*, Brandz™ WPP global brand equity study, 2007.

²⁰¹ Walshe, Peter., Brown, Millward., *Trust-R ENGAGING CONSUMERS IN THE POST-RECESSION WORLD*, Brandz™, 2010, [Online] Available from: www.millwardbrown.com/.../TrustR_MillwardBr [Accessed 13 June 2012]

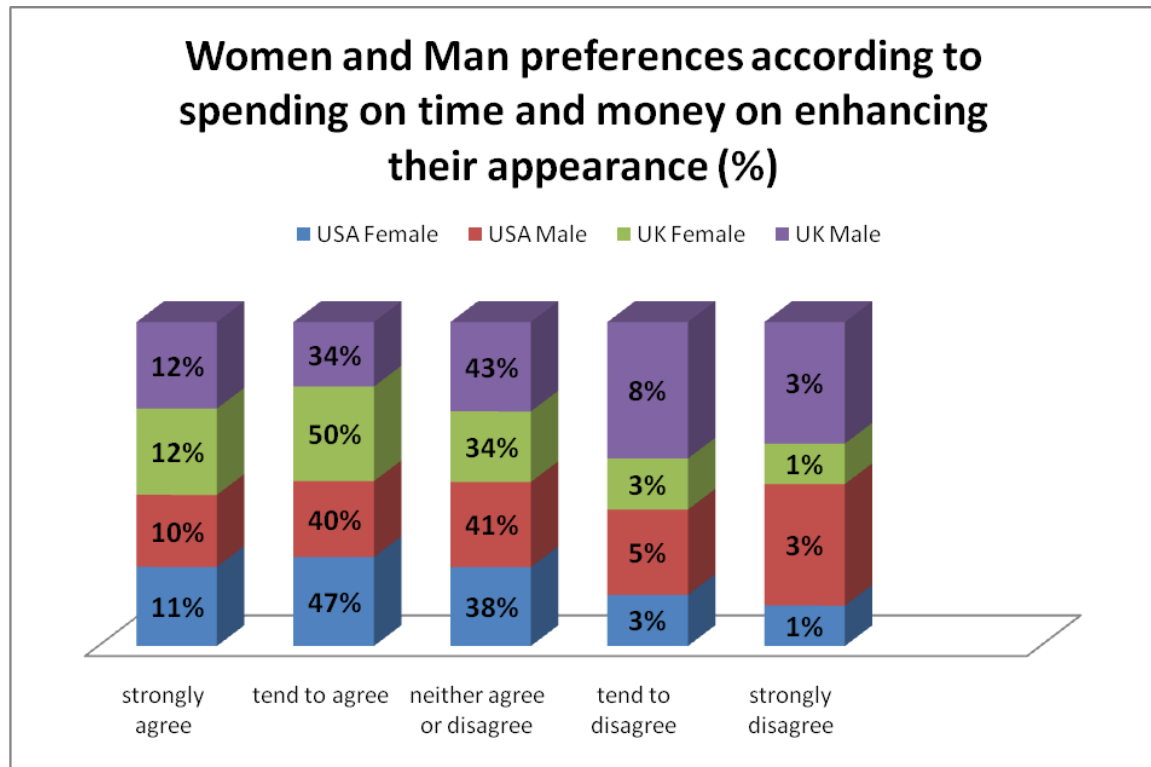
3.3. 2. Case study: Old Spice

The Old Spice brand is on the market since 1938 and thereby belongs to the oldest brands in men's personal care (in 1990 Brand was acquired by Procter & Gamble). Its broad portfolio contains products covering body washes, deodorants, aftershaves and the famous splash-on cologne. Nowadays we can see changes in the nature of men's personal care. One of the challenges the brand have to deal with is its "old-fashioned" image as well as product marketing that was focused just on product-centric efficiency, instead of exploiting more emotional aspects of brand marketing. This case study is about the most recent record-breaking campaign, "Smell like a Man, Man", utilizing the power of digital social media to help renew the brand²⁰².

The "Smell like a Man, Man" campaign was developed, in February 2010, for both men and women. For men, to generate demand for the product and to drive usage, and women, to drive purchasing. In the male personal care market, women are very important to brand positioning. According to the Datamonitor research in 2010, 58% of the women in the USA are more likely to agree that men should invest time and money enhancing their appearance, while 50% of men in the USA agree or strongly agree that they feel comfortable spending time and money on enhancing their appearance. An almost similar picture we have in the UK (Graphic 5).

²⁰² Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, Oct2010, pp.1-21. [Online] Available from: <http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 14 June 2012]

Graphic 5: Women and Man preferences according to spending on time and money on enhancing their appearance



Source:

<http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Online] [Accessed 14 June 2012]

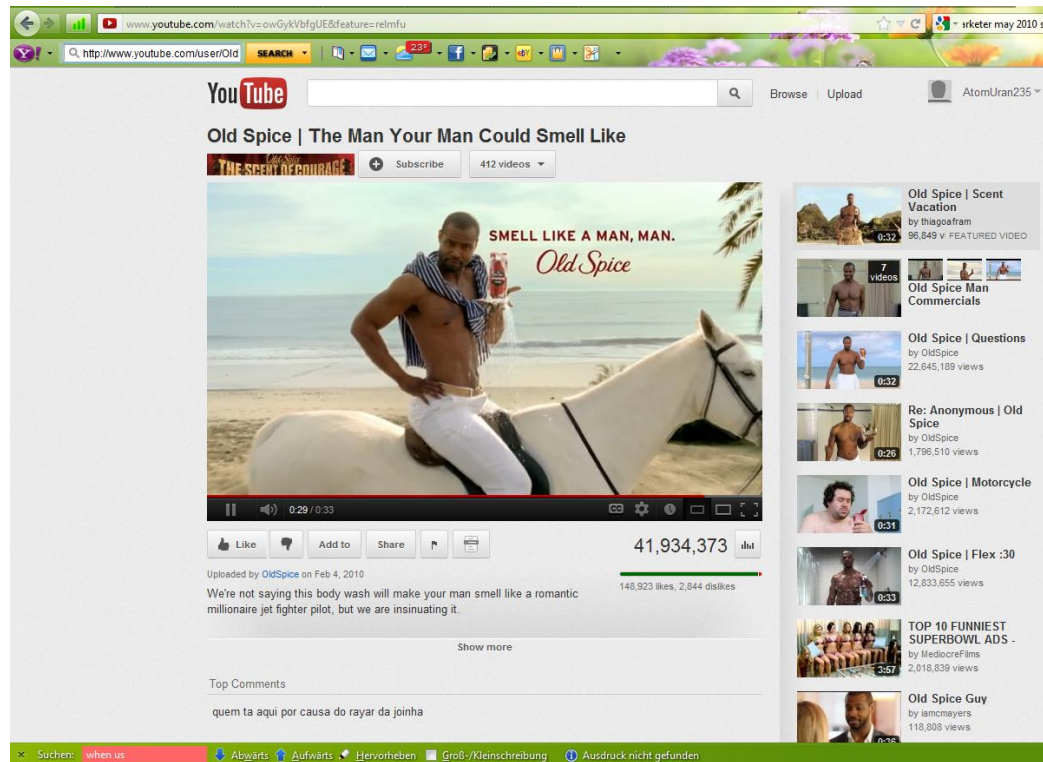
In February 2010 the original TV commercials started (video audiences 22.3 million people²⁰³), advertised by a former American NFL player and actor- Mr. Isaiah Mustafa (Figure 31), nowadays widely known as The Man Your Man Could Smell Like. TV spots were also supplemented by cinema ads which were posted on You Tube (YouTube audience's almost 42 million people²⁰⁴) (<http://www.youtube.com/user/OldSpice>).

²⁰³ Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, Oct2010, pp.1-21. [Online] Available from:

<http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 14 June 2012]

²⁰⁴ <http://www.youtube.com/watch?v=owGykVbfgUE&feature=relmfu> [Online] [Accessed 14 June 2012]

Figure 31: Isaiah Mustafa in "Smell like a Man, Man" commercial



Source: <http://www.youtube.com/watch?v=owGyKVbfgUE&feature=relmfu> [Online]
[Accessed 15 June 2012]

In these spots he asks women whether their man did "Smell like a Man, Man" and stressed the fact that Old Spice has "the manliest scents on the planet"^{205,206}. This commercial also signaled the importance of smelling like a man. This fact could be linked with Datamonitor consumer fieldwork 2010²⁰⁷, where an idea was proposed that women are concerned more than men about the sensual benefits, in other words scent and sensations from using the product. 60% of US women compared to 51% of

²⁰⁵ Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, Oct2010, pp.1-21. [Online] Available from:

<http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 15 June 2012]

²⁰⁶ <http://www.youtube.com/watch?v=owGyKVbfgUE&feature=relmfu>

²⁰⁷ Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, Oct2010, pp.1-21. [Online] Available from:

<http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 15 June 2012]

US men, agreed that while choosing their personal hygiene products, the sensory benefit- is either an important or very important product attribute²⁰⁸.

The results of this viral entertaining campaign are worth a notice:

- “Following a marathon advert-making session, in the space of 48 hours, the Old Spice man featured in more than 186 personalized Old Spice videos on YouTube that personally responded to consumer comments and questions, including those from notable online celebrities”^{209,210}.
- On July 18 2010, Old Spice, with its almost 94 million views, had become the Number 1 as the most viewed sponsored channel on YouTube^{211,212}.
- In July 2010 on Twitter “The Old Spice Man” twittered a call for questions at @OldSpice in order to create a unique dialogue with its followers. Old Spice fascinated over 80,000 Twitter members, also its Facebook community reached 630,000, because of Facebook followers communicatin, i.e. the more engaged customers, increased by 800% since the start of the personalized videos^{213,214}.
- “Mr. Mustafa's 186 highly publicized, personalized response videos generated more than 34 million aggregate views and a billion PR impressions in one week alone, more than the 29 million viral video views of Mr. Mustafa

²⁰⁸ Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, Oct2010, pp.1-21. [Online] Available from: <http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 16 June 2012]

²⁰⁹ Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, October 2010, pp.1-21. [Online] Available from: <http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 16 June 2012]

²¹⁰ Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, October 2010, pp.1-21. [Online] Available from: <http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 16 June 2012]

²¹¹ Ad Age, *What Marketers can learn from the Old Spice Your Man campaign*, August 2010, [Online] Available from: http://adage.com/digitalnext/post?article_id=145603 [Accessed 16 June 2012]

²¹² Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, October 2010, pp.1-21. [Online] Available from: <http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 16 June 2012]

²¹³ Ad Age, *What Marketers can learn from the Old Spice Your Man campaign*, August 2010, [Online] Available from: http://adage.com/digitalnext/post?article_id=145603 [Accessed 16 June 2012]

²¹⁴ Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, October 2010, pp.1-21. [Online] Available from: <http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 16 June 2012]

TV ads in the entire five months following their initial launch in February 2010^{215,216}.

- Sales in June 2010 reached 7,7 million US Dollars it made 107% change to the sales in previous year²¹⁷.

3.3. 3. Case study: HP

The insight that people trust each other over brands has created a new way of social media marketing- Social Influence Marketing (SIM). Nowadays this is a method used by brands that exploits people as the medium. Members of the community are recognized by their ability to influence their followers purchasing decisions. These opinion leaders are then targeted by the brand in the hope that they will reach positive experiences about a brand (positive word of mouth)²¹⁸.

In 2008 HP's high-powered, relatively high-priced HDX Dragon Notebook computer (Figure 32) made little a step ahead of the competition.

²¹⁵ Ad Age, *What Marketers can learn from the Old Spice Your Man campaign*, August 2010, [Online]
Available from: http://adage.com/digitalnext/post?article_id=145603 [Accessed 17 June 2012]

²¹⁶ Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, October 2010, pp.1-21. [Online]
Available from:
<http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 17 June 2012]

²¹⁷ Datamonitor, *Old Spice Case Study: Effectively harnessing social media in personal care*, October 2010, pp.1-21. [Online]
Available from:
<http://web.ebscohost.com.ezproxy.vse.cz/ehost/pdfviewer/pdfviewer?sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&vid=5&hid=8> [Accessed 17 June 2012]

²¹⁸ Falls, Jason., *Social Influencing Marketing. Report proves useful*, Social Media Explorer, July 21, 2009, [Online]
Available from: <http://www.socialmediaexplorer.com/social-media-marketing/social-influence-marketing-report-proves-useful/> [Accessed 17 June 2012]

Figure 32: HP HDX Dragon Notebook



Source: <http://www.istartedsomething.com/20080525/hp-hdx-dragon-notebook-giveaway-starts/> [Online] [Accessed 18 June 2012]

By giving away 31 notebooks as part of a monthly long social media promotion the company got an immediate 85% sales increase in Dragons, a 15% bump in traffic to the company Website (hp.com) and a "hallo effect" of 10% raise in total consumer PC purchases. The cost for HP was just the total price of the 31 laptops. During May and June the "31Days of the Dragon" campaign (Figure 33) ran for five weeks. The key success factor of that campaign was built on long-standing interconnections with 31 of the most influential private bloggers on the Internet, with a cumulated reach of about 50 million readers, as states the Alexa Web information service²¹⁹.

²¹⁹ Quinton, Brian., *Case Study: HP Fires Up Drago*, Nov2008, Vol. 20 Issue 11, p.37, [Online] Available from: <http://web.ebscohost.com.ezproxy.vse.cz/ehost/detail?vid=11&hid=8&sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&bdata=Jmxhbm9Y3Mmc2l0ZT1laG9zdC1saXZl#db=bth&AN=35412737> [Accessed 18 June 2012]

Figure 33: "31Days of the Dragon" campaign



Source: <http://www.bostonpocketpc.com/default,month,2008-04.aspx> [Online] [Accessed 18 June 2012]

According to vice president/general manager of the personal systems group, Scott Ballantyne, since 2007 HP has put into practice plan to involve such people in its business process, from product development through roll out and to its marketing and support. Ballantyne point out that those affiliations with influential bloggers “weren't based on any financial quid pro quo: no HP ads placed on their blogs, no pay-per post influence and no rafts of free stuff. HP simply found a way to let them look at the workings of a consumer-tech giant and write about what they saw”²²⁰. After constructing this trust equity, HP and a social media agency Buzz Corps made a decision about using it to accelerate awareness around the Dragon line. They created a marketing program which allowed bloggers to run any kind of online contest they wanted, each with one prize - the 5,000\$ notebooks.

²²⁰ Quinton, Brian., *Case Study: HP Fires Up Drago*, Nov2008, Vol. 20 Issue 11, p.37, [Online] Available from: <http://web.ebscohost.com.ezproxy.vse.cz/ehost/detail?vid=11&hid=8&sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&bdata=Jmxhbm9Y3Mmc2l0ZT1laG9zdC1saXZl#db=bth&AN=35412737> [Accessed 18 June 2012]

HP's only conditions were that the contest starts be impressed daily during the promotion to awake interest for its mid-June product introduction, besides that each contest have to run for a week and that each blogger have to provide links to the other 30 contests on their Website²²¹. This campaign was a total success.

3.3. 4. Conclusion

Nowadays companies are free to choose any social media strategy they want. It is just very important to remember that if you are dealing with your followers, especially with opinion leaders - 'Influencers', your brand has to act more like a person, be alive, present, active, open to dialog. All communication is built on trust, sensibility and sense of tact. A customer with his needs and wishes has to be on first place and the willing to sell something as quick as possible on the last, because as it was sad before: "Selling to people who actually want to hear from you is more effective than interrupting strangers who don't." - Seth Godin²²².

²²¹ Quinton, Brian., *Case Study: HP Fires Up Drago*, Nov2008, Vol. 20 Issue 11, p.37, [Online] Available from: <http://web.ebscohost.com.ezproxy.vse.cz/ehost/detail?vid=11&hid=8&sid=e1b27f1d-e2a1-44b2-893a-07ea24480559%40sessionmgr14&bdata=Jmxhbm9Y3Mmc2l0ZT1laG9zdC1saXZl#db=bth&AN=35412737>[Accessed 18 June 2012]

²²² [Online] <http://www.marketinggum.com/twitter-statistics-2011-updated-stats/#ixzz1qysqnCkF> [Accessed 18 June 2012]

Conclusion

The main goal of this Master Thesis was to analyze the existence of a dependency between social media and brand value. Since it is the main one, every part of the thesis made its contribution towards answering this goal. Thus, to begin with, in chapter 2 it was observed and shown how social media is influencing the lives of modern people. Several facts were presented explaining the benefits and possibilities which the social media channels offer to anyone who has an Internet connection and a PC.

It was clear that online interactions between people have grown enormously in the last decade. And with it, their opinion and experience exchange, leading to a high degree of awareness of everything that happens in the world, especially what they would like to know. Of course this includes the information they get of the companies, whose products they buy every day. Therefore, those companies which saw the opportunity and possible threat tried to seize the expanding horizon of ways to promote their products and brands, as well as increase their reputation and get a better brand image.

Four important reasons to monitor the social media are listed in the chapter to make it more precise as to why there is a point in using, or at least not ignoring social media. A logical deduction from this would be that a company would like to measure or see the impact of its activities it is performing on the World Wide Web. Chapter 2 delivers an explanation to the definition of a brand, its functions, specific features and the often used combination “brand value”. This is not an entirely new notion and there has already been quite some research performed, on the topic of brand value calculation. The key word though, is calculation, since most of the written works and conducted examinations, develop quantitative methods of evaluating brand value. But due to the nature of the brand itself and some of its specific treats, it is often quite difficult to accurately perform any of those methods.

The researcher was thus keen to examine the opposite field, that is a qualitative method. Moreover, it was decided to search for qualitative parameters which would be necessary to build an effective, sustainable and positive online brand image, resulting in a brand value with the same characteristics. For this purpose, in the 4th chapter, several case

studies were described in details. In each of them, a crucial factor was determined, which was then considered as the one, needed to be included into the plan on developing a sound brand value of any company. The three sub-chapters presented different situations, where social media played a different role each time it affected the specific brand value of a company, or really, the whole reputation/image of the firm.

As mentioned previously, there are not only positive stories and examples, but also dire and disastrous ones, showing the whole range of problems, which an ignorant company could face, if it does not heed the warning signals from the media relating to itself. This chapter also addresses the second goal of establishing the existence of an impact from the social media on the brand value, and as it can be observed, the impulse can be both a positive one or a negative one, and even change from a negative to a positive, or supposedly, vice versa. This gives the right to claim that the four established parameters – image, trust, reputation and purchase decision, are the ones which require attention while creating a brand value.

Still, this is an early study in the field and only a first step in possible future research that could be undertaken. The researcher would suggest that further ways to develop the topic, would be to discover the four above mentioned parameters in more depth, with more examples of companies and the consequences of social media reaction on them. Also, one may want to search for links and correlations between qualitative and quantitative methods of brand value calculation and evaluation, how they relate to each other and if they can be used together to get a better and clearer understanding of the current brand position on the market, as well as its image in the eyes of customers.

The researcher hopes he made at least some contribution to the body of knowledge in the marketing area of brand studies.

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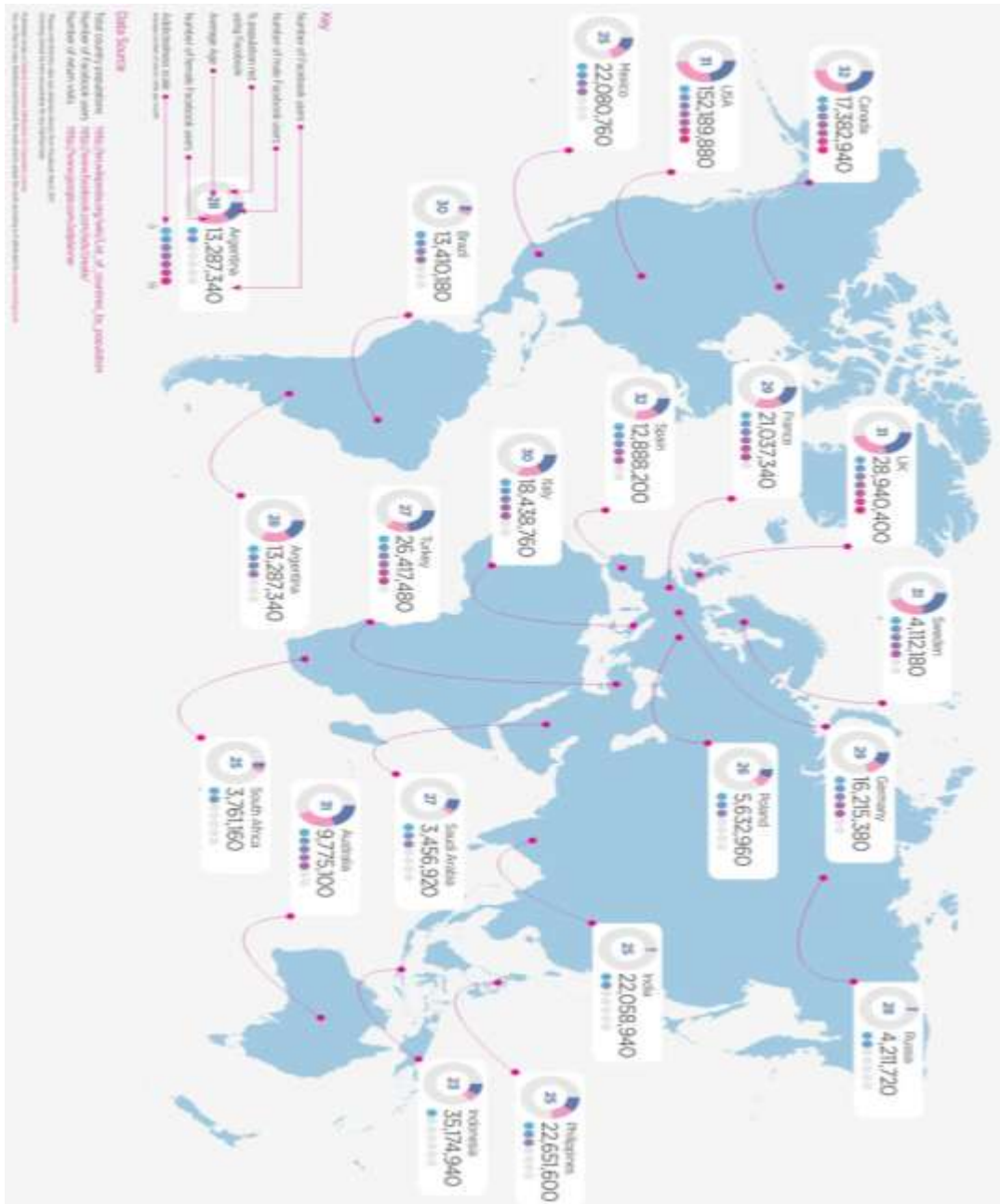
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Appendixes:

Appendix 1: Global Facebook usage



Source: Adapted from <http://comm2336.wordpress.com/2011/05/21/35/>, 2011[Online] [Accessed 7 April 2012]