

# Web 2.0 Tools In Retailing: Benefits Of Their Use And Reasons For Not Using Them

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## ABSTRACT

*The term Web 2.0 was introduced by O'Reilly (2005) as the new stage in the Internet evolution referring to a collection of online applications sharing a number of common characteristics: "The Web as a platform, Harnessing of the Collective Intelligence, Data is the Next Intel Inside, End of the Software Release Cycle, Lightweight Programming Models, Rich User Experiences". The term Web 2.0 or Social Media refers to applications enabling the creation, editing and dissemination of user-generated content. These applications are one of the main components of the current Internet environment commonly called Web 2.0. The importance and popularity of the Social Media as marketing tools and communication channels is growing and field studies provide evidence that these can strongly affect consumer behavior. An increasing number of studies suggest that corporate interest on the Web 2.0 domain keeps growing and more and more firms are introducing different social media tools into their daily business routines as well as into their marketing strategies. Despite the fact that thousands of corporations are already seriously engaged or experimenting with the Social Media as marketing tools there is also a high amount of retailers that do not use them. The objective of this study is to analyze the reasons why retailers do not use Web 2.0 tools and the main barriers that they consider to not adopt them, comparing with the retailers that use these tools.*

**Keywords:** Web 2.0; Social Media; Retail Sector

## 1. INTRODUCTION AND OBJECTIVES

The quick evolution of the Internet and other Information and Communication Technologies, have brought sweeping changes both to peoples' life and retailers' marketing practices. The web has already become the main customer information source about products and services for many of its users. As a result, online marketing is claiming an ever-increasing portion of the marketers' attention and corporate budget. According to eMarketer (2012) spending on online advertising tools grew 23% in 2011 and it is expected to grow over 20% within the next years, while print advertising will show a slight decrease. According to these estimations, online ad spending could double print advertising by 2016. Moreover, forecasts about Internet retail sales predict two digits growth for the next years to become more than 10% of overall retail sales in many European countries and close to 10% of overall retail sales at the US according to Forrester Research (Forrester, 2012a,b).

Beside these objective data, one of the most prominent effects of the Internet on the retail marketing practices is the migration of market power from retailers to customers (Rha, Widdows, Hooker & Montalto 2002; Varandarajan and Yadav, 2002; Urban, 2005; Constantinides & Fountain, 2008). This is a continuous process that started with the Internet at the beginning of the 90s and has been growing with the arrival of the web 2.0. This also known as Social Web, comprises a new generation of interactive technologies and online applications allowing the easy publication, editing and dissemination of content and also the creation of personal online networks and communities; these developments resulted in new forms of one-to-one communication and one-to-many broadcasting of user generated content.

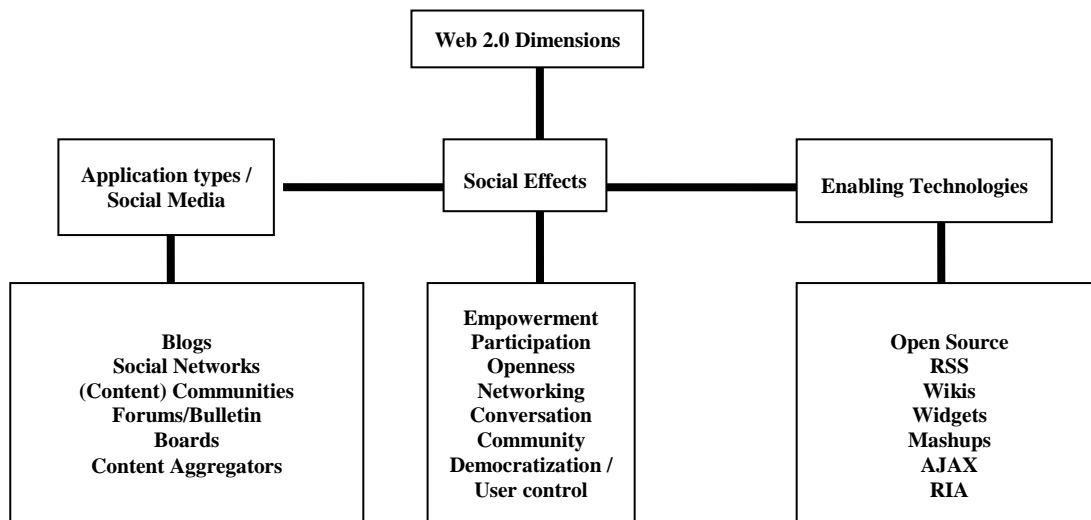
Within this context, there is evidence that customer generated information is becoming to play an increasingly central role in the decision making process (Constantinides & Fountain, 2008; Zhu & Zhang, 2010); since this information is often perceived as more reliable and unbiased.

The parallel information stream disseminated through peer-to-peer channels has therefore further empowered customers providing them with plenty and unbiased information and allowing smarter and better buying decisions. Many businesses are already trying to cope with the situation by, integrating Social Media strategies into their marketing programs. This new trend in consumer marketing is gaining momentum but there is limited academic research as to the exact factors underpinning the adoption of Social Media as marketing tools.

Stemming from these arguments, the main objective of this paper is to briefly analyze the reasons why retailers do not intend to use Web 2.0 tools and the main barriers that they consider to not adopt them, comparing with the retailers that use Social Media tools and the benefits they claim for their use.

**2. THEORETICAL BACKGROUND**

The term Web 2.0 was first introduced by O’Reilly (2005), as the new stage in the Internet evolution. Since then, the Web 2.0 has been defined in the literature in different ways (e.g. Anderson, 2007; Birdsall, 2007; Craig, 2007; Needleman, 2007; Swisher, 2007) but still no definition seems to have been gained universal approval. Moreover there is a steady decline of the use of the term Web 2.0 while the term Social Media is gaining popularity. Constantinides and Fountain (2008) defined the Web 2.0 and described it as an online interactive platform consisting of three components: Application Types, Social Effects and Enabling Technologies. These three elements are depicted in Figure 1.



**Figure 1. The three dimensions of Web 2.0**  
Source: Constantinides and Fountain (2008)

The application types (Blogs, Social Networks, Content Online Communities, Forums / Bulletin Boards and Content Aggregators) are in fact the categories of interactive and customer generated content platforms used by customers for communication and creation, editing and dissemination of content; in this study the term Social Media refers to these five application types but alternatively the term “Web 2.0 applications” can be also used. The Social Effects factors include the dimensions of customer empowerment, the democratization of technology and the enhanced social networking as the most important ones. The Social Effects have been an important factor in shaping the consumer of the 21st Century. The third dimension of the model, the Enabling Technologies, includes the equipment and software necessary in order to creating the interactive Social Media and realize the connectivity, creation, editing and dissemination of the user generated content.

The importance and popularity of the Social Media as marketing tools and communication channels have been steadily growing during the last years (Deighton and Kornfeld, 2009) and research suggests that Social Media have become an important influence of consumer behavior (Constantinides and Fountain, 2008; Zhu and Zhang, 2010).

Most marketing practitioners already recognize the impact of the Social Media as a social and commercial phenomenon placing the customer rather than the marketer in control. In this line a key interest of marketers is how to minimize the negative effects of customer empowerment and utilize the Social Media to their advantage so that they can extract the maximum possible value from social media-based marketing approaches (Regus Report, 2010). In this sense we observe the last years an explosion in the number of social media applications adopted by businesses and particularly by retailers. Some of the methods proposed in the literature include getting real-time feedback on existing products or new product ideas/concepts, build “community” among consumers around their goods, services or brand, leverage customer self-service, and have consumers collaborating on developing future product strategies (Constantinides and Fountain, 2008; Parise and Guinan, 2008).

**3. METHODOLOGY**

To analyze the use of Web 2.0 tools by retailers, we developed an online questionnaire for data collection, accompanied by phone calls to report companies about the study. The study population consisted of large (more than 250 employees, more than 50 million euros of sales), medium (between 50 and 250 employees, between 10 and 50 million euros of sales), and small (less than 50 employees, less than 10 million euros of sales) companies from the Spanish retail sector (NACE2, 47). Finally, we have obtained a representative sample of 90 retailers from different sectors from which we obtain information about their experience and opinion regarding Web 2.0 tools.

**4. ANALYSIS AND EMPIRICAL FINDINGS**

In this section we analyze the reasons for not using Web 2.0 tools for business purposes by Spanish retailers and the main benefits that companies obtain from these tools.

Table 1 shows the composition of retailers who use and no use Web 2.0 tools based on company size. Tests associated with statistic  $\chi^2$  conclude that significant differences exist between the retailers regarding size of company (small, medium or large).

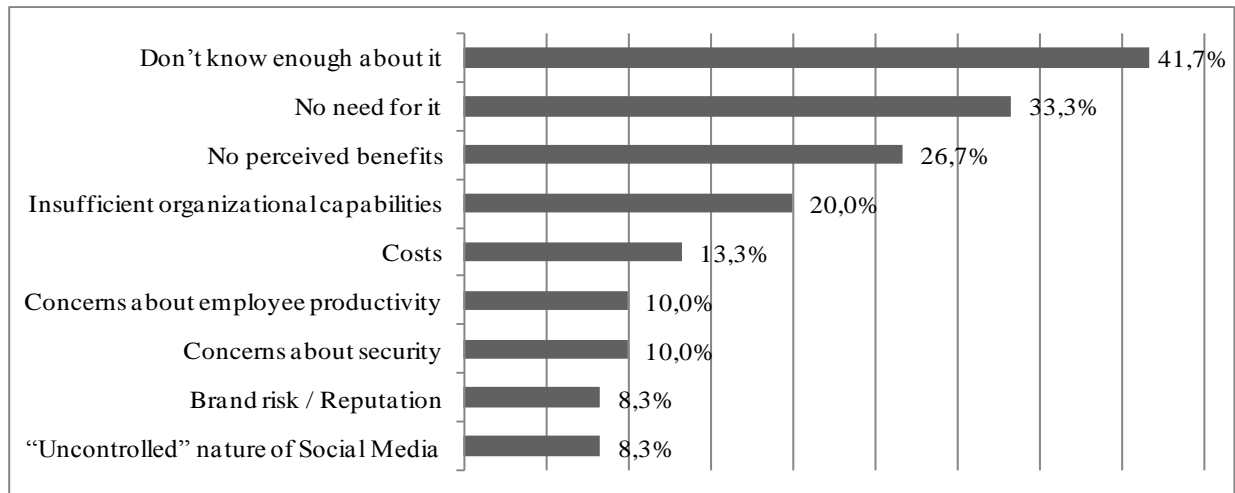
Moreover, if we group small (less than 50 employees), medium (between 50 and 250 employees) and large (more than 250 employees) companies, we note that the majority of companies which not use Social Media are small, and the highest percentage of companies which use Social Media are large.

**Table 1. Number of employees and size of retail companies differentiating between users and non-users of Social Media**

	Categories	Non-users	Users	Total	$\chi^2$	Sig.
<b>Retailer Size</b>	Small (<50 employees)	<b>51.7%</b>	29.0%	<b>43.8%</b>	6.539	0.038
	Medium (50-250 employees)	27.6%	25.8%	27.0%		
	Large (>250 employees)	20.7%	<b>45.2%</b>	29.2%		

**4.1. Retailers that do not use Web 2.0 tools: Reasons for not using them**

There are several reasons why retailers do not use Web 2.0 tools. In Figure 1 are listed the main reasons for not using Social Media for business purposes. Note that the largest proportion of retailers do not use Web 2.0 tools because they do not know enough about it, no need for or because they do not perceive any benefit from their use. These reasons are mainly due to a perception they have about these tools, and perhaps could be changed if they knew more about Web 2.0 tools, their uses and benefits involved.

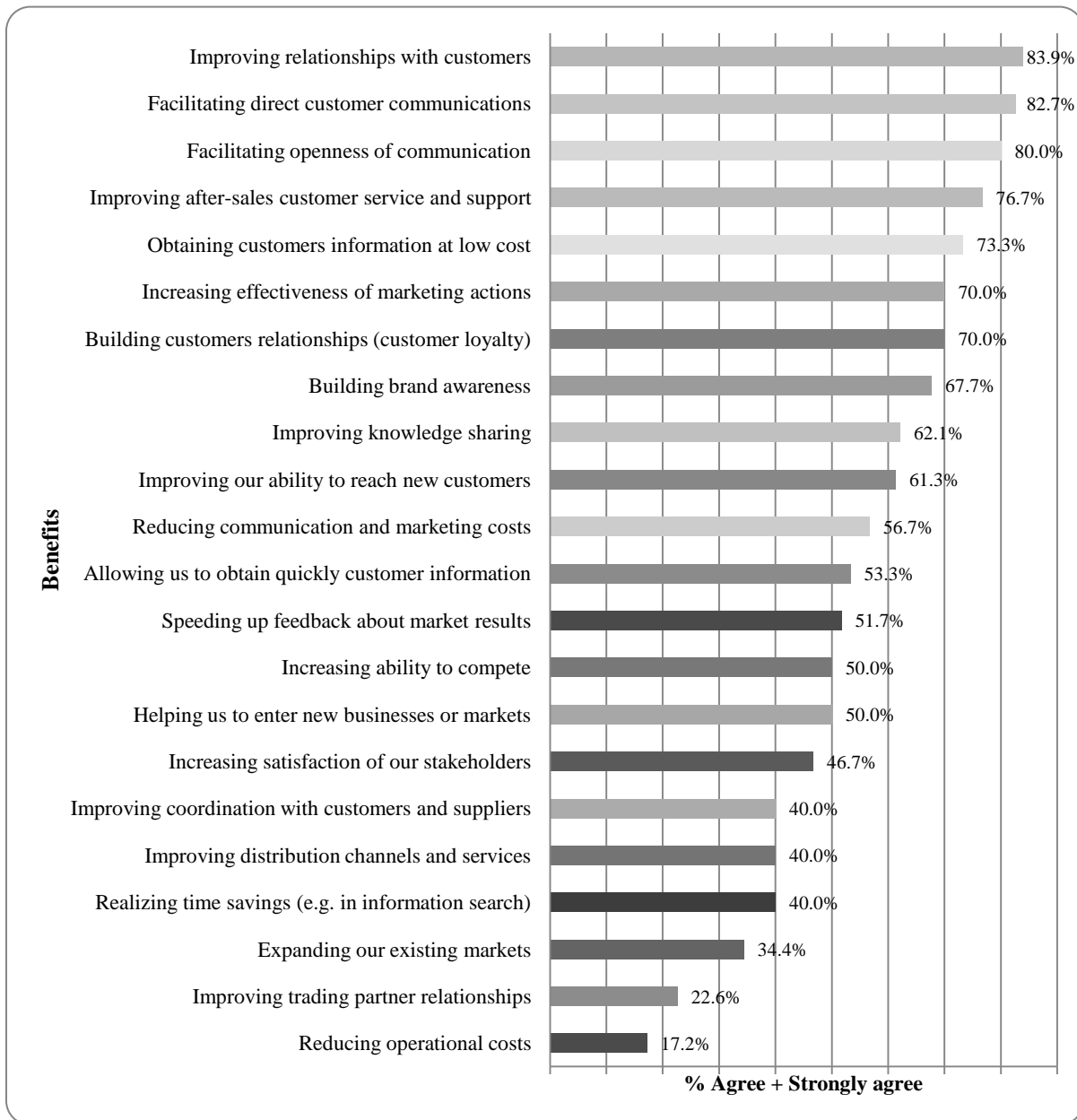


**Figure 1. Reasons for not using Web 2.0 tools for business purposes**

With regard the consideration to use Social Media tools in the future, most of retailers state that they do not expect to use them in a close future (52.5%). The rest of retailers will use them in the future: a small percentage will use them during the next six months (1.7%), a higher percentage during the next 12 months (23.7%), other small percentage during the next 24 months (6.8%) and the rest after 24 months (15.3%).

#### **4.2. Retailers that use Web 2.0 tools: Main perceived benefits**

Companies that use Web 2.0 tools perceived different benefits. In Figure 2 are listed the main benefits for using Web 2.0 tools for business purposes. Most of retailers state that the main benefits that they obtain from Web 2.0 tools are that they improve relationship with customers (83.9%), facilitate direct customer communications (one-to-one, many-to-many) (82.8%), facilitate openness of communication (80%), improve after-sales customer service and support (76.7%), obtain customer information (about current or potential customers) at low cost (80%), increase effectiveness of marketing actions (70%), build customers relationships (customer loyalty) (70%), build brand awareness (67.7%), improve knowledge sharing (32.1%), improve their ability to reach new customers in their existing markets (61.3%), reduce communication and marketing costs (56.7%), allow their to obtain quickly customer information (about current or potential customers) (53.3%) and speed up feedback about market results (51.7%).



**Figure 2. Main benefits expressed by retailers from Web 2.0 tools**

**5. CONCLUSIONS**

One of the main conclusions is that most of retail companies considered, do not use Web 2.0 tools nor have intention to use them in a close future. Retailers do not perceive these tools as beneficial, maybe because they do not know enough about it, and their potential uses. In fact, the five main reasons for not using them are related to a common idea of ignorance about their different uses and possibilities. So, besides assuming that they “do not know enough about it”, the ideas about not need for use, no perceiving benefits or even the costs and organizational capabilities barriers denote that retailers are not familiarized with these tools.

In this sense, digital literacy must be important for retailers. To know the benefits offered by these tools will help to perceive them as more useful, besides knowing the strategic value for the company, as long as they

make an adequate use of them. So, we recommend to retailers to know more in detail about Web 2.0 tools, their uses and advantages, as it is demonstrated that their use generate a lot of benefits.

The main perceived benefits of retailers which use Web 2.0 tools, are primarily related to customer-related purposes highlighting the idea of “improving relationships with consumers”. These benefits go around the two sides of information flows about consumers and markets. By one side, the main benefits are those related to communication possibilities highlighting the ideas of open, direct and interactive communication and lowering communications costs. By the other side, retailers emphasize the benefits related to gaining information about consumers and markets at a reasonably low cost.

Finally, it is worth to note that retail companies that the use Web 2.0 is related to retailer size. Large retailers are more aware of the opportunities and possibilities of social media. It would be interesting for the future research to analyze if other characteristics of the retailer technological context directly influences in the adoption of Web 2.0 tools.

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**NOTES**