

## SOCIAL INTERNET NETWORKS FOR BUSINESS DEVELOPMENT: THE CASE OF LATVIA

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**Abstract:** There is no common understanding among specialists and entrepreneurs about the phenomena of internet social networks and very different views exist on the concept of “social networks” and its importance for business. Today’s information and telecommunication technology makes it possible to communicate data and other information exchange regardless of location, distance and time space. The most popular e-tool used for communication is social networking. Social networks have experienced an evolutionary process - in the beginning there was like-minded grouping, news exchange by means of e-mail. Later on social networks developed that became a tool for e-business. Social networks can be effectively used in different e-business and e-marketing activities, such as sales, advertising, PR, human resources, customer segmentation etc.

**Keywords:** internet, social networks, social networks’ development, e-environment, e-marketing.

**JEL classification:** M31, M39.

### Introduction

Social networks have experienced an evolutionary process - in the beginning there was like-minded grouping, news exchange by means of e-mail. Later on social networks developed that became a tool for e-business. The aim of the paper is to describe social networks’ phenomena, to describe the reason and justification of their occurrence from marketing theory point of view, to describe the place and importance of social portals in e-marketing and the main problems that social network creators and users face. What contains knowledge about the social internet portals and what kind of opportunities this resource offers; who are the clients and how to increase their number? What are the business benefits of using this kind of portals in the market? The author analyses the impact of social internet portals (networks) on various

activities of enterprises - changes in marketing, sales, business planning under the influence of social portals, risks associated with social portal usage. Prospects for the development of relations between businesses and their customers in the context of social portals are analysed.

The theoretical and methodological background of the research is formed by scientific researches and publications, publications from the mass media and professional literature; statistical information from legal institutions as well as information collected by the author during the survey. The research result shows that social networks may be classified based on various factors. Depending on the company's aims and specifics, different social networks can be used for maintaining different processes. In this paper, the author presented his findings based on theoretical, scientific and field research. The author of the paper has conducted research on e-environment utilisation among the Latvian enterprises.

At present time in Latvia, even considering that the Internet has been used long and widely in the Latvian entrepreneurship, active e-marketing employment and social networking in e-environment is at inception point. This observation is especially characteristic to the Latvian micro and small enterprises.

### **Theoretical framework on the development of social internet networks**

The essence of social networks is the possibility of contacting other people who, in turn, are connected with other people, and they, in turn, with the other ones, etc. Thus, we can conclude that social network is a group of people and the relationships between them.

#### **Theories of sociology**

The author presumes that the idea and premise of social portals can be searched for in the theories of sociology. For example, the French sociologist Pierre Bourdieu examines mental routine as bloodedly changing as individuals are too linked to each other through "their" social space and its applicable standards (Ozolzīle, 2009). In his theory of social exchange, another sociologist George Homans emphasises three social groups: small, primary and secondary (Ozolzīle, 2009).

The main features of the small groups: small, limited number of participants; common purpose and motivation of the group; group membership feeling (we and they); common norms and values that determine the interaction; differentiated social roles that are united by a common goal.

Main features of the primary groups: frequent contacts; different types of contacts (verbal, optical, etc.); mostly direct contacts (face-to-face); frequent emotional contacts; small number of people.

Main features of the secondary groups: rare contacts; predominantly indirect contact; predominantly verbal contact; primarily emotional contacts; large number of people.

Analysing the contemporary sociological theory, the author wants to highlight the concept of "globalisation". E. Gidens treats it in the following way: Globalisation is the

process of strengthening the intensification of social relations and mutual dependence (Praude, 2006).

Globalisation means that we are increasingly becoming citizens of the “one world”, that our actions are increasingly influencing others and *vice versa*. At present day globalisation affects all people in all parts of the world, both rich and poor. Globalisation encompasses not only the economy but also politics, culture and the social sphere. The main engine of modernisation so far has been the information and telecommunication technology development. Globalisation development has been provoked by many other factors. First, the end of the Cold War and the emergence of new international and regional forms of cooperation have contributed to the convergence of different nations and countries. Secondly, information technologies have provided a free flow of information around the world and created a new global worldview. Thirdly, the number of multinationals and their influence increased so that those creating the production and sales network transformed into intermarket elements. Globalisation - opened and controversial process, whose consequences are difficult to predict and control (Ozolzile, 2009). Important role in the globalisation process has the global community - where people around the world view themselves as potential partners or even family members in a vast increasingly interconnected human family (Kotler *et al.*, 2009).

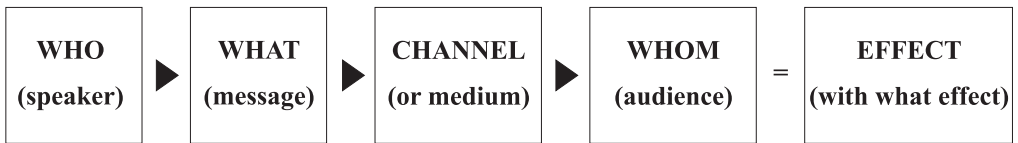
By analysing sociological theories, the author concludes that the emergence of social portals is quite natural. Their appearance became possible owing to the development of modern digital technology. It can be asserted that the basis for the emergence of social web portals are modern sociological theories on one hand, and digital technology, namely the Internet, together with modern marketing, on the other.

### **Communication Theories**

All companies communicate with their customers. In business, cooperation between the enterprise and the client is carried out thanks to communication process based on communication theories. The author of the present paper takes the view that communication provides the enterprise with the three main activities - *Presence*, *Identification* and *Marketing* in electronic environment.

Communication consists of transmitting information from one person to another. Communication is a learned skill. Speaking, listening and ability to understand verbal and non-verbal meanings are skills in communication. Communication theories are the key to fully understanding the communication process. Communication is known as the sharing of information, thoughts, and ideas, communication technology can be thought of as the use of knowledge, tools, and skills for the purpose of facilitating communication and also making it easier, more economical, and more efficient.

There are many different views on every communication theory, but there are different views given by different theorists regarding communication theory. The author of the paper shares two communication theory models - Harold Lesswell communication model (see Figure 1) (Lesswell, 1948) and Wilbur Schramm communication model. Harold Lesswell defines communication as “who says what to whom in what channel effect”.

**Fig. 1.** Lesswell's communication model

Source: Leswell (1948).

The author of the paper is aware that this is only one type of communication models. There are many different communication models described in scientific and practical literature. Those models are enlarged with different parameters – noises created by the medium, channel, receiver etc., different noises made by wrong development of the message etc. At the same time, the authors of the paper consider that only few models contain the most important part of communication and it is feedback. The author of the paper is sure that any communication is made with the only purpose – to receive any feedback or get reaction of the receiver what can also be named as feedback. Therefore, the author would like to emphasise that the most attention in communication should be paid to the feedback received from it.

Wilbur Schramm (1954) was one of the first to alter the mathematical model of Shannon and Weaver. He conceived of decoding and encoding as activities maintained simultaneously by the sender and the receiver; he also made provisions for a two-way interchange of messages. Note also the inclusion of an “interpreter” as an abstract representation of the problem of meaning (corporatecommunications.com, 2009).

The author supports this scheme as it can also be applied to e-environment in communication between the client and the company in the social networks. Despite the complicated structure of the communication, its importance in entrepreneurship increases. Each and every enterprise pays increased attention to the flow of information in the communication process with the clients and within the company. The communication must be continuous and uninterrupted, exhaustive and comprehensive. The communication in e-environment helps to secure company's presence, identification and marketing in electronic environment, to work on two parallel markets – traditional market and electronic market.

### **Social Internet Networks for Business**

There are many methods and types of classification in traditional marketing, for example, classified forms of marketing, consumers and their behaviour, motivations of consumers, products and services, as well as many other factors, objects, etc. Classification takes place according to different criteria and parameters. Since the main participants in the social internet networks are people who are also customers or potential customers, the author will consider various ways of classifying consumers and will propose his social network classification.

F. Kotler proposes to classify consumers by the following features: income level, age group, geographical, psychographical, behavioural principle (Kotler, 2009). D. Blythe classifies consumers according to their: geographical characteristics; psychographical

characteristics, socio-economic characteristics, demographical characteristics (Blythe, 2004). F. Kotler, D.K Jain and S. Meysinsi are classifying consumers based on their value to the company in terms of revenue (Kotler *et al.*, 2003). From the author's viewpoint, this particular classification can be used for long-term e-business and e-commerce planning.

These classifications, their principles or individual elements are applicable to the social network classification.

The authors offer classifying social portals according to their functionality and destination (see Table 1):

**Table 1.** Social internet network classification

Name of the group	Examples
Contact social internet networks	plaxo.com, partnermedia.com, linkedin.com, etc.
Communication networks (channels)	facebook.com, myspace.com, draugiem.lv, wordpress.com, odnoklassniki.ru, facelink.ru, skype.com, icq.com, msn.com, basecamp.org etc.
Sales networks (channels)	amazon.com (amazon.co.uk), ebay.com, zip.lv, ss.lv, citylife.lv
Business networks (tools)	wawe.google.com, google.com, twitter.com, alibaba.com etc.
Information exchange and sharing networks	youtube.com, flickr.com, slideshare.com etc., google.docs.com, etc.

Source: author of the paper (2012).

The main objective of the social web portals is to provide mutual communication and exchange of information between people within business environment.

According to the author, entrepreneurs can use social internet networks for different aims, for example: for establishing and getting a wide variety of business grouped contacts, for example, potential customers, suppliers and intermediaries (business contacts can also be used for various types of consultations in both directions - both to receive and provide, for example, legal, financial, marketing, etc.); for the opportunity to assess and measure the efficiency of two-way communication processes in real mode; for business, managers, employees, individual entrepreneurs profile creating or presenting; for the opportunity to assess and analyse costs - advertising, marketing eventual, promotional, etc.; for linking to entrepreneurs' blogs; for human research management tasks; for conducting market research (for example, statistical opportunities with Google statistics); for various business discussion groups creating and maintaining, etc.

Organisations that use or are willing to use electronic environment for entrepreneurship should have a high level of cultural communication and understanding of teamwork (collaboration). Entrepreneurs must have the skills and knowledge to work in an electronic environment. They should have a clear understanding of responsibility in dealing with social networks, as different processes are taking place and developing rapidly, and employers need to be able to manage these processes and be responsible for the results.

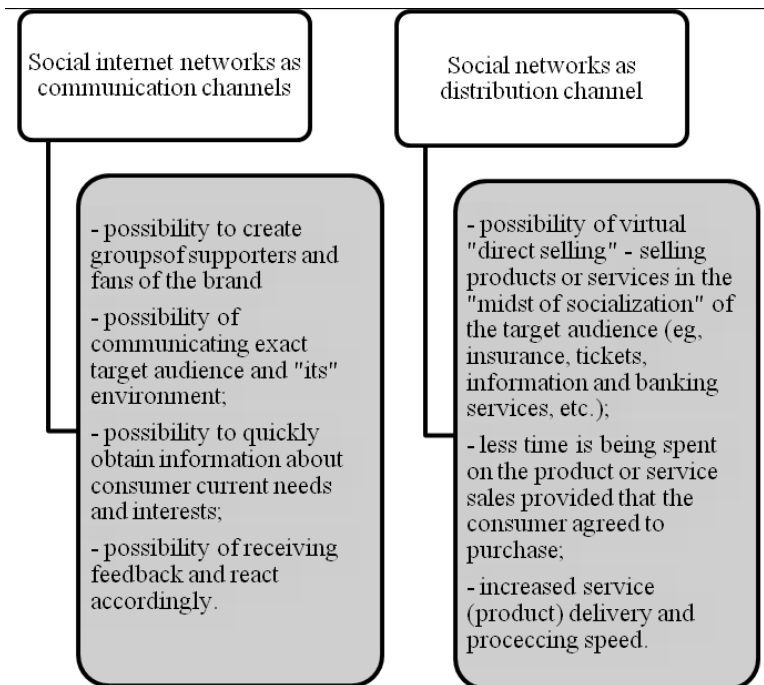
The benefits that an entrepreneur can get from using social networking are as follows: optimisation and evaluation of communication processes and their costs; collaboration model creation, which will lead to company's improvement; joint problem solving with clients; efficiency and productivity analysis within the framework of the team; employees' digital literacy increasing etc.

Social internet networks are a place where people can meet other people, answer questions, thus possibly help them, as well as ask questions and listen to other's opinions. Depending on the action and participants' activity, the author proposes to divide them into three groups:

1. Members, who themselves create original content;
2. Participants, who comment, evaluate, transmit, copy, vote etc.
3. Participants who only consume the content (information) posted by others.

In the author's opinion, social networks can be used to promote products and services, as well as to communicate with clients or potential clients (see Figure 2):

**Fig. 2.** Social internet networks using



Source: author of the paper (2012).

Summarising all of the above, the author concludes that electronic social networks are a major tool for entrepreneurs in the electronic environment. Wise usage of its opportunities may significantly improve the competitiveness of the company - expand sales channels and the scope of the market, increase sales, bring new products to the market and test them or improve the existing product portfolio, analyse and segment the target audience, carry out various marketing activities, develop e-commerce, etc.

## E-market Participants' Study

In order to understand the types of e-tools used by the Latvian e-market shares, the author of the paper has carried out the following research activities: one study describes buyers' or prospective buyers' activity, another one - the internet selling activity. As it is impossible to cover all e-environment in the study, the author has imposed certain limitations. In the case of buyers, a separate analysis of e-environment elements was made, namely the analysis of social network and its users.

### Research: Social Internet Networks and the Participants – Customers

In January 2011 the author of the paper carried out a research with the aim to understand the types of activities that customers undertake in different social networks. The target group comprised people in the age group from 20 to 43, both genders, regular internet users; total number of respondents was 147. A questionnaire was designed, with 8 questions, including 2 open questions. The research was particularly performed via the internet using survey internet site [www.visidati.lv](http://www.visidati.lv). Twenty seven respondents were interviewed face to face.

According to the research results, the most popular social networks are: local network [draugiem.lv](http://draugiem.lv), it is used by 31.4% of respondents, and [facebook.com](http://facebook.com), used by almost 31% of respondents, 14.3% use local [one.lv](http://one.lv) site (the site is more used by the Russian-speaking audience). Business internet social networks are used by almost 9% of respondents and almost 13% are tweeting.

Social network members are quite active, regular attendance in a single social network is 31.1%, almost 16% in two and four social networks- and almost 18% in three networks. In addition, 71% of respondents visit websites several times per day.

Almost 30% of the respondents consider themselves to be active social network users. 30% of the respondents use social networks to communicate with friends, exchange information, sometimes for advising and recommending for peers, as well as for consuming this kind of information. Almost 18% of respondents regularly update personal information, almost 26% of respondents follow the events, news and announcements made by friends and other people and those made in company profiles. Interesting is the fact that over 45% of the respondents like to keep a track of various sales and opportunities with the aim to buy cheaper. For example, sites where it is possible to buy goods and services for a price that is significantly lower (advertising campaign) ([cherry.lv](http://cherry.lv), [perkamkopa.lv](http://perkamkopa.lv), [deal.lv](http://deal.lv), etc.).

The survey confirmed the fact that social network members use e-procurement environment very actively - more than 46% regularly shop online, more than 25% of respondents use a discount shopping website. Of those who regularly shop online, more than 21% rely on friends' views and recommendations; more than 12% are influenced by the promotional information in various social internet networks.

The conducted survey is an evidence of good social network user activity level. In addition, the respondents are open to a variety of activities related to shopping. They are actively using opportunities to shop online. The author believes that companies must communicate and sell their goods and services more actively by using e-environment.



## Research: the Latvian Companies and E-environment

The previous survey showed that the Latvian e-environment users are open to various e-marketing activities; they are willing and able to spend money in the Internet. In order to understand the Latvian entrepreneurs' level of involvement in e-environment, as well as their operational activity in this distribution channel segment, the author carried out a survey.

The author of the paper carried out a research during the period from October to December 2010 with the aim to define the way that they use the most popular e-tools such as corporate homepages, blogs etc. The target group comprised people in the age group from 30 to 65 (managers and employees of different companies); the total number of respondents was 175 for small and medium enterprises acting in various emerging sectors of Latvian economy. A questionnaire consisted of 10 questions. The research was performed via the internet using the survey internet site [www.visidati.lv](http://www.visidati.lv). Thirty six respondents (managers and top managers) were interviewed face to face.

99% of all respondents have homepages in Latvian, but only 43% of all respondents' homepages were translated into Russian and English or other language. Only 31% of all respondents have corporate blogs, and only 13% of them regularly update information in blogs. 90% of bloggers write blogs in Latvian. 80% of all respondents' homepage name and e-mails correspond to the name of the company. Only 5% of all respondents use homepage for human resources activities – headhunting (for example, in other western countries and America this proportion is close to 20%). 76% of all respondents have separate section with the description of products and services offered. Only 34% of all respondents have links to their profiles in popular social networks. Only 12% of respondents offer to buy and pay for products and services via the corporate homepage. On the positive side stands the fact that one third of the respondents maintain relationships with customers with the help of a corporate blog, but communication takes place only in Latvian. Irregularity of such communication also reduces the company's awareness among other consumers.

The conducted study shows that the Latvian companies are not very active and effective in using the main e-tools and are using mostly one language to communicate with consumers, which narrows the number of potential buyers. The author of the paper assumes that they are not completely aware of the market globalisation, as well as e-market opportunities and benefits. The study also confirms the fact that the majority of respondents use a website as a company business card, and not as a sales and interactive communication tool.

The author of the paper believes that the Latvian entrepreneurs should change as soon as possible, change their views on e-market e-business and e-commerce management, as it can lead to the situation where not only competitors, but also consumers will be more intellectually mature on the same business and thus the business will bring significant losses, as the Chairman and Chief Executive of GE prof. Jack Welch said: "At a time when off-track change takes place faster than in-house one, your end is not far away" (Welch, 2011).



## Conclusion

Social Internet networks have become an integral part of everyday life for most people around the world. Necessity of building social networks among humans has appeared before the Internet and electronic social networks, as evidenced by a variety of sociological researches.

The main feature of the electronic social online networks is the relationship and two-way communication between the participants.

For better understanding of social networks, as well as the possibility of their use in business it is necessary to investigate them, by using different methods. Thanks to the capabilities and features of the internet, research can be conducted at different scales and at different levels, depending on the needs and goals of entrepreneurs.

For the best social web portal and network usage, the author proposes to classify them according to their destination and functionality.

The Latvian e-market participants - both buyers and sellers are active in the e-environment, and their level of activity is growing on a regular basis. Nevertheless, the Latvian entrepreneurs are not always following and examining customers' activity and needs within the e-environment. For example, the Latvian entrepreneurs are "activated" on twitter.com, despite the fact that buyers are not using it as actively as other social networks. Another example: most companies are using only local language (like Latvian). They need to understand that e-environment is global, and potential clients can be from any part of the world. Limited language options are a barrier to get to know their offer. Thus they are limited to finding a buyer of their product or service. The author presumes that not all companies are clearly aware of their goals, operating in the e-environment.

The author of the paper is suggesting to use more e-tools in business processes, because they are easily available and can be used in most fields of the everyday activities. Many of the e-tools available via the internet are low priced or free of charge. This aspect is especially important for small and medium business development.

It is important to remember that communication process within the electronic environment is very fast and information, both positive and negative, spreads very quickly. That is why entrepreneurs should not only be computer literate and well-oriented in cyberspace, but also know how to work with various electronic media tools - the portals, including social, search engines, databases, etc.

This paper can form a foundation for further researches related to social internet networks and their usage for business needs.

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## SOCIALINIAI INTERNETO TINKLAI VERSLO PLĒTRAI: LATVIJOS ATVEJIS

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**Santrauka.** Specialistai ir verslininkai nevienodai supranta interneto socialinių tinklų reiškinius, vyrauja labai skirtingi požiūriai į „socialinių tinklų“ sąvoką ir jų svarbą verslui. Šiandienos informacijos ir ryšių technologijos suteikia galimybę perduoti duomenis ir keistis kita informacija nepaisant buvimo vietos, atstumo ir laiko. Populiariausias elektroninis įrankis naudojamas bendravimui yra socialiniai tinklai. Socialiniai tinklai patyrė evoliucinį procesą – pradžioje buvo vienodai mėstančių grupavimas, naujienų keitimasis elektroniniu paštu. Išvystyti socialiniai tinklai tapo elektroninio verslo įrankiu. Socialiniai tinklai gali būti efektyviai naudojami įvairioje elektroninio verslo ir elektroninės rinkodaros veikloje, pavyzdžiui, pardavimai, reklama, ryšiai su visuomene, žmoniškieji išteklių, pirkėjų segmentavimas ir kt.

**Reikšminiai žodžiai:** internetas, socialiniai tinklai, socialinių tinklų plėtra, elektroninė aplinka, elektroninė rinkodara.