



Use of Social Media Applications for Supporting New Product Development Processes in Multinational Corporations



Naheed Bashir, K.Nadia Papamichail*, Khaleel Malik

Alliance Manchester Business School, The University of Manchester, Booth Street East, Manchester M13 9SS, UK

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ABSTRACT

This paper examines the use of social media in new product development (NPD) processes. It is based on an in-depth study of multinational corporations (MNCs) around the world in the fast moving consuming goods (FMCG) sector. In order to obtain an in-depth understanding on the subject, a qualitative approach has been adopted to collect and analyse the data. The results suggest that social media can be viewed as an informal source for gaining an understanding of customers' preferences, competitors' activities, market trends and product feedback.

Drawing from the literature and our empirical analysis, we ascertain that the use of social media platforms as a source for providing information for new product projects does not constitute a formal part of MNCs' new product development processes. MNCs rely on their own trusted and dedicated research and development (R & D) institutes instead to support new product projects. The study concludes with practical guidelines for NPD managers.

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1. Introduction

Social media applications have changed the means of work interactions and communication tremendously, and have become the most influential source of interaction, communication and collaboration between customers and businesses (Dahan and Hauser, 2002). They allow for smooth and continuous interaction and communication in the virtual world (Nambisan, 2002). They have also radically enabled businesses to integrate customers in several activities (Bartl et al., 2012; Sawhney and Prandelli, 2000). With the emergence of numerous social media platforms such as Facebook, Twitter, and YouTube, consumers have become more aware, expressive and also well networked (Chen et al., 2009). Therefore, the focus on product design has shifted from traditional to user-centred approaches in the belief that more effective designs will be produced by integrating users' views, reviews and opinions (Helander and Khalid, 2006). In the product development process, primary aspects such as product attributes, customer requirements and customer satisfaction have been found to be affected by such a shift (Chan and Ip, 2011). Product attributes reflect on customer beliefs and past experiences that impact on buying behaviour. It is argued that the success of any product depends on how it is linked to users' emotions which are associated with user's requirements and satisfaction levels (Chan and Ip, 2011). Customer requirements and satisfaction have been shown to create value for business (Chan and Ip, 2011). The dissemination of such positive information about a business among customers can help stimulate a

strong market demand (Seva et al., 2007). Therefore, it is suggested that in today's dynamic business environment, manufacturers should incorporate social media applications in many of their business activities (Curran and Lennon, 2011).

Companies can face product failures if they are unable to achieve a balance between the issues discussed above (Krippendorff, 2011). Customers increasingly prefer to provide their opinions and reviews about products using social networking applications, rather than having to fill out surveys or participate in group discussions (Li et al., 2014). Firms have recently obtained customers' input via online reviews, opinions and experiences as this can potentially enhance the quality and design of their products (Allan, 2005).

Additionally, companies heavily invest in social media applications (e.g., social media monitoring) to make use of social media information (Choudhury and Harrigan, 2014). Although customer insights are considered a source of competitive advantage, there is a dearth of studies on how to exploit these insights (García-Murillo and Annabi, 2002). Moreover, use of social media in exploring marketing trends and strategies for business and information technology (IT) industry has also been the centre of further research (Cachia et al., 2007). However, little is known as to whether companies use social media to obtain information and to develop and exploit customer insights to create value added products and services. Past studies in the field of information systems (IS) that have explored the use of social media in a business context to develop customer insights were mainly technologically focused, such as methods for collecting and analysing customer data (e.g., Chau and Xu, 2012; Lewis et al., 2013; Li et al., 2014), technical conditions for data analysis (e.g., Gallinucci et al., 2015; Rosemann et al., 2012), and applications required

* Corresponding author.

E-mail address: nadia.papamichail@manchester.ac.uk (K.N. Papamichail).

for social media analytics (e.g., He et al., 2013; Kalampokis et al., 2013; Rao and Kumar, 2011). A limited number of marketing studies have investigated the use of social media in organizational contexts such as customer insights and wide-firm governance structure (Barwise and Meehan, 2011; Stone and Woodcock, 2014), effective application and associated challenges (Greenberg, 2010; Woodcock et al., 2011), the effect of social media use on firms' customer relationship performance (Choudhury and Harrigan, 2014; Trainor et al., 2014) and most recently, use of social media in logics importation in a social context in small and medium-sized enterprises (SMEs) (Mohajerani et al., 2015).

According to Nambisan (2003), the use of social media tools can potentially enhance new product development (NPD) outcomes. In recent years, utilization of social media applications has widely been adopted in corporate sectors and the trend of embedding various social media tools in multinational companies has intensified significantly (Haefliger et al., 2011; McKinsey, 2012; Saldanha and Krishnan, 2012). It is also believed that one of the potential uses of such applications is to gain access to required information for NPD from external entities. This can lead to enhanced NPD effectiveness (Flatten et al., 2011; Tsai, 2001; Yli-Renko et al., 2001).

However, the literature offers limited studies regarding the role and use of social media for supporting NPD practices in multinational corporations (Jarzabkowski et al., 2013). Therefore, the aim of this study is to address the gap and explore the use of social media for supporting NPD practices in MNCs. This is of particular strategic importance to MNCs that can be defined as a network of companies with an integral identity that operate as subsidiaries under the ownership of a central unit (Montazemi et al., 2012). Therefore, our focus in this paper is on exploring how social media can be used to obtain information and knowledge for supporting NPD processes in MNCs.

The rest of this paper is structured as follows: the next section reviews the literature on the use of social media to obtain information for NPD. Then, we present the research methodology used in this study. Next, we present the findings, the discussion and implications section, followed by the conclusions of the study.

2. Literature review

Social media can be defined as a group of Internet-based applications built on technological foundations of Web 2.0 that enable the creation and exchange of User Generated Content (Kaplan and Haenlein, 2010, 61). In broader terms, social media consists of social networks (Facebook, online communities), micro-blogging services (e.g. Twitter), video sharing (e.g., YouTube), and blogs. Social media provides a platform for firms to interact with their customers (Choudhury and Harrigan, 2014).

As a result of an abundance use of social media applications in today's market environment, social customers have gained a powerful voice and assume to interact at a similar level with the firms they prefer to buy from (Greenberg, 2010). Companies find it critical to manage their empowered customers and their demands in an interactive, personalized and collaborative way in order to survive (Greenberg, 2010; Setia et al., 2013; Woodcock et al., 2011). Firms have employed social media applications to interact with their customers and enhance their performance. For example, Barclays Bank has incorporated numerous social media applications (blogs and wikis) to collaborate with customers, respond to their needs in an interactive way and enhance the overall business performance (Setia et al., 2013). Furthermore, companies have acknowledged the growing potential of social media as a source of information. Social media enables firms to acquire information about their customers' views, attitudes and emotional state (Canhoto et al., 2013; Choudhury and Harrigan, 2014; Woodcock et al., 2011). In today's turbulent market environment, scholars in the management domain regard information as a key source of competitive advantage (Jansen et al., 2005). In order to remain competitive, companies need to be aware of novel and valuable information that resides outside of the firm and embed that information into their value creation processes (Jansen et al., 2005). There are two

important reasons for considering information about customers as a competitive tool: first, an insightful understanding about preferences and characteristics of customers enables companies to offer products and services to their customers that are considered to be of superior value (García-Murillo and Annabi, 2002); second, it would be difficult for competitors to imitate as the potential information about customers is obscure (Salojärvi and Sainio, 2006).

Companies can obtain customer information in high volumes and variety due to customers' increasing usage of social media (Choudhury and Harrigan, 2014). Users' social media profiles (interests, life events, preferences) and online conversations (their comments or thoughts about the products or brands) contain transactional information (visits to websites, buying records, feedback on market campaigns) (Greenberg, 2010). In this way, companies are able to collect and analyse large data sets by using analytics technologies and advanced business intelligence tools, which are cost-effective and ample in storage (text and big data analytics) (Chen et al., 2012; Dinter and Lorenz, 2012). For example, Walmart evaluates a wide variety of social media data such as users' comments, updates, images, transactions, and check-ins, and then draw customer insights to use them in product demand, forecasting and launch (Palmer et al., 2013). Thus, customer insights are gaining more value to enhancing business performances and achieving competitive advantages in target markets (Choudhury and Harrigan, 2014; Greenberg, 2010; Woodcock et al., 2011).

As a result of increasing competition in today's dynamic business environment, companies have incorporated social media applications and used them to directly collaborate with their customers and incorporate their novel ideas into their NPD practices. For example, Unilever has adopted a strategy of involving customers in NPD processes (McEleny, 2010). Similarly, Kraft foods are also reaping the benefits of social media platforms where they communicate with their consumers and invite them to provide their valuable insights on NPD. They hold the view that adopting such applications enables the companies to accelerate new product (NP) acceptances while minimizing the hurdles that they may face (Holay, 2011). Pepsi is another big company that reaps the advantages of social media platforms such as Facebook, Twitter, YouTube and online discussion forums for their program called 'Mountain Dewmocracy'. The main aim of using social media platforms was to solicit new ideas from their consumers about their Mountain Dew Brand e.g. future flavours, soda names, packaging graphics, and advertisements (Kumar and Bhagwat, 2011). Therefore, businesses use social media applications to collaborate with their users in the process of innovation by applying novel ideas and concepts so as to add value to existing products or develop new ones (Orange, 2011).

The rise in the use of social media tools has offered numerous potential advantages to the companies for developing superior products and services and serving their consumer's needs in a novel way (Kristensson et al., 2008). Nearly 80% of business executives regard social media as a useful channel to interact with their customers that contributes to business success (Hennig-Thurau et al., 2010). Studies have highlighted that use of social media offers substantial performance gains in business processes in numerous ways. First, social media enhances the customer acquisition activities in an effective manner (Reinhold and Alt, 2012). Second, social media provides opportunities for co-creation activities and better customer services through digital service channels such as online brand communities (Lehmkuhl and Jung, 2013). Third, social media generates customer insights (Greenberg, 2010; Woodcock et al., 2011). Such customer insights help firms understand about their customers' current needs, the fundamental motives behind these needs, and how these needs change over time (Hillebrand et al., 2011, 595).

In summary, using social media applications to obtain customer insights offers new opportunities and challenges for companies to explore and exploit social media as a potential source of information for NPD. Social media generates information and valuable insights, improves the firm's performance and helps achieving a competitive advantage (Choudhury and Harrigan, 2014; Hillebrand et al., 2011).

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