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Customer social network affects marketing strategy: A simulation analysis based on competitive diffusion model

Rui Hou, Jia-wen Wu, Helen S. Du

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Customer Social Network Affects Marketing Strategy: A Simulation Analysis Based on Competitive Diffusion Model

Abstract

To explain the competition phenomenon and results between QQ and MSN (China) in the Chinese instant messaging software market, this paper developed a new population competition model based on customer social network. The simulation results show that the firm whose product with greater network externality effect will gain more market share than its rival when the same marketing strategy is used. The firm with the advantage of time, derived from the initial scale effect will become more competitive than its rival when facing a group of common penguin customers within a social network, verifying the winner-take-all phenomenon in this case.

Keywords: customer social network; marketing strategy; competitive diffusion; population competitive model

1 INTRODUCTION

With the rapid development of information technology, history has witnessed the unprecedented importance of customer-to-customer interaction for marketing tools and strategies. Customers are inclined to shape their social network through various social media tools, in which they exchange ideas to get deeper recognition about targeted products. Also, such exchanges will undoubtedly have an impact on the potential customers who have the access to search for and read reviews or comments. Such virtual interactions based on the Internet makes it possible for customers with common interests to establish and maintain their social relationships with a more healthy and cost-effective method. Any small brand can gain its popularity by means of various network promotion strategies. That is to say, customer social networks, whether kinship-based or Internet-based, have become increasingly influential on theory research and practice of marketing tactics, proving to be of great importance to rethinking network marketing.

Over the years, there have been some significant changes in the factors of the consumer

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