



Brand innovation and social media: Knowledge acquisition from social media, market orientation, and the moderating role of social media strategic capability☆



Bang Nguyen^a, Xiaoyu Yu^{b,*}, T.C. Melewar^c, Junsong Chen^a

^a East China University of Science and Technology, School of Business, 130 Meilong Road, Xuhui District, Shanghai 200237, PR China

^b Shanghai University, School of Management, No. 99 Shangda Road, Shanghai 200444, PR China

^c Middlesex University, The Business School, London NW4 4BT, United Kingdom

ARTICLE INFO

Article history:

Received 22 April 2014

Received in revised form 3 March 2015

Accepted 10 April 2015

Available online 18 May 2015

Keywords:

Emerging market

Knowledge acquisition from social media

Market orientation

Social media strategic capability

Social media brand innovation

ABSTRACT

The study examines the relationships between knowledge acquisition from social media, two forms of market orientation (proactive and reactive), social media strategic capability, and brand innovation strategy in the context of China's online technology industry. Analysis of 357 online technology ventures, created during the past 6 years, suggests that brand innovation is affected by *both* knowledge acquisition from social media and market orientation. Social media strategic capability positively affects brand innovation and acts as a moderator between knowledge acquisition, market orientation, and brand innovation. It further enhances both types of market orientations in achieving brand innovation, suggesting that on social media, customer's needs, both expressed and latent (or unexpressed), can be identified more comprehensively than that of the traditional setting. Hence, the context of social media provides a different set of rules for competition and strategic behavior, in which online technology ventures should note. Implications are useful to improve the current understanding of social media brand innovation strategy, here in China's dynamic social media scene.

© 2015 Elsevier Inc. All rights reserved.

1. Introduction

According to The China Internet Network Information Center, social media channels in China continue to grow in popularity. Similar to Western economies, social media in China have become important channels through which businesses and customers communicate. This adoption of social media for business communication is driven by the fact that the Chinese population is rapidly adopting mobile Internet use, with 464 million citizens accessing the Internet via smartphones or other wireless devices (Yum, 2013). Despite the censoring of social networks such as Facebook and Twitter, Sina Weibo (China's equivalent to Twitter) and WeChat (a mobile messaging application) have become popular due to their enabling of immediate user experience and interaction (Heggstuen, 2013). For businesses, the ability to obtain information from and disseminate information to a wider audience and the ability to integrate different channels as part of their marketing programs are

critical in developing successful social media branding strategies (Kim & Ko, 2012; Rapp, Beitelspacher, Grewal, & Hughes, 2013).

Scholars argue that the success of online technology ventures is due to their alertness to market opportunities and an understanding of their customers (Oliveira & von Hippel, 2011; von Hippel et al., 2011), suggesting that such market knowledge provides a source of competitive advantage (Alegre et al., 2013). Jantunen (2005) states that incorporating market knowledge into an organization's strategy acts as an asset that helps the firm maintain its competitive ability. Cadwallader et al. (2010) note that knowledge is a critical advantage that leads to a firm's innovation activities. In the present study, we focus on the knowledge acquired from social media channels, which is widespread and growing and encompasses all types of information about customers, suppliers, market volatility, law, and anything beyond the information found on discussion forums, social networks, rating sites, blogs, and crowdfunding sites, among other online sources.

Despite the importance of social media market knowledge and subsequent innovation activities, we note a research gap in the literature on knowledge acquisition garnered from social media and market orientation in relation to brand innovation, particularly in the social media context (Kim & Ko, 2012). Researchers consider the acquisition of knowledge and the way in which a company orients itself in the market as important firm-level activities and the ultimate drivers of economic development (e.g., Augusto & Coelho, 2009; Li et al., 2010). Exploring the processes pertaining to the knowledge acquired from social media

☆ The research is supported by the Natural Science Foundation of China (71472119, 71102030), the Shuguang Planning of Shanghai Education Development Foundation (14SG38), the National Social Science Foundation of China (13AZD015, 11&ZD035), the Project of Philosophy and Social Science of Shanghai (2014BGL013), and the Project of 'Social Development of Metropolis and Construction of Smart City' (085SHDX001). The funding sources had no involvement in the execution of the research.

* Corresponding author.

E-mail addresses: bang.london@gmail.com (B. Nguyen), yuxiaoyu@vip.126.com (X. Yu), t.c.melewar@mdx.ac.uk (T.C. Melewar), chenjunsong@hotmail.com (J. Chen).

and how it is used inside the organization improves our understanding of the way in which such knowledge may prompt a firm to be more alert to market opportunities (Atuahene-Gima & Ko, 2001) and to become more market oriented, namely, toward its customers and competitors from an outside-in perspective (Cai et al., 2015).

Additionally, the literature suggests that most firms adopt at least one of the two forms of market orientation toward discovering market opportunities: proactive or responsive market orientation (e.g., Marvel & Lumpkin, 2007). 'Responsive market orientation' (Narver et al., 2004) refers to a firm's focus on understanding customer preferences and satisfying customer needs in an existing market structure (Samuelsson 2001), and 'proactive market orientation' (Narver et al., 2004) refers to a firm's focus on addressing the latent needs of customers, that is, their largely unexpressed (consciously unaware) needs. However, previous studies show different effects of each orientation on innovation (Narver et al., 2004). Moreover, few researchers are studying the aforementioned topics in a transitional economy, and even fewer are studying them in the context of social media (Quinton, 2013). Thus, to fill this gap in the research, we investigate the relationships between the social media knowledge acquisition, market orientation, and brand innovation of new online ventures in China's dynamic social media environment.

Finally, because research suggests that an organization's strategic capability has greater influence on the above relationships (Tan, 2001), we also test for a direct effect and moderating role of the firm's *social media strategic capability*. China, which is currently experiencing a transitional economy and a complex social media market environment, provides an excellent context for the study of social media brand innovation in an under-researched environment. Thus, we frame our research question as follows: How does the social media knowledge acquisition and market orientation of new online technology ventures influence their brand innovation strategies? We use in our study social capital theory (e.g., Burt, 1997), which highlights a variety of specific benefits that arise from the information flow and reciprocal cooperation associated with social networks as the theoretical framework of our research model. Accordingly, this study emphasizes the social media strategic capabilities of firms, that is, the ability of firms to integrate their knowledge garnered from social media, resources, and skills with their strategic directions (Bierly & Chakrabarti, 1996; Teece, 2007; Teece, Pisano, & Shuen, 1997). To the best of our knowledge, this study is the first to examine the effects of social media strategic capability in the context of brand innovation on social media. Determining how knowledge acquired from social media relates to brand innovation (Rapp et al., 2013) and how well it is managed inside the organization (Gold et al., 2001) is important. Failure to appreciate the role of knowledge garnered from social media will have stark implications for industrial marketing, resulting in lower market and customer awareness and, consequently, eroding both a vital source of brand innovation and innovation in general.

The paper is structured as follows: In the next section, we review the theoretical background and describe our research framework. We then develop hypotheses to test the relationships in our framework. Following this, we present our research methodology and subsequent results. Finally, we discuss the implications of our findings and their theoretical contributions and discuss the study's limitations and directions for future research.

2. Theoretical background and hypothesis development

2.1. Social media brand innovation

A classic debate among researchers of innovation strategy is whether innovations are driven mostly by market demand or by technological advances (e.g., Salavou & Lioukas, 2003; Stock, Six, & Zacharias, 2013). It is likely that both elements are important in the success of any innovation (Cai et al., 2015). Scholars suggest that the innovation field lacks a common notion of the conceptual meaning and definition of innovation

(e.g., Morgan & Berthon, 2008). Most studies suggest that innovations have the power to transform existing markets, create new markets, and shift or introduce entirely new technological and performance trajectories (Abetti, 2000; Zahra & Bogner, 1999). Researchers note that such *radical* innovations are rare (Garcia & Calantone, 2002) and that only 10% of new innovations fall into the category of being truly full-blown radical innovations (Griffin, 1997; Wind & Mahajan, 1988). It is often difficult to evaluate the definition of a radical innovation (Dahlin & Behrens, 2005; Gatignon et al., 2002) due to the complexities and issues of relativity; that is, what may be perceived as radical in one situation is not radical in another situation. To solve this methodological problem, the concept of 'radicalness' has been developed to identify radical innovation from technology content (Aiman-Smith & Green, 2002; Marvel & Lumpkin, 2007). *Radicalness* refers to the extent to which innovation is based on a substantially new technology or new practice relative to what already exists in the industry (Govindarajan & Kopalle, 2006). It is often used to classify innovations according to how radical they are compared to existing products or services (Freeman & Soete, 1997; Meyers & Tucker, 1989; Yu et al., 2014).

We focus in this study on social media brand innovation, which we define as innovation arising from social media branding that results in fundamental changes to existing practices and markets or in their replacement. We adapt and utilize the notion of radical innovation as the definitive outcome of any branding strategy, which aims to transform markets and gain a superior competitive advantage (Hage, 1980). Our definition is further based on Schumpeter's concept of 'gales of creative destruction', which refers to the idea that more advantageous technologies or practices sweep aside established practices, that is, perceptions that one practice embodies a potential to become more advantageous, disrupt the status quo and create uncertainties. For example, by using social media branding, firms must continuously innovate to overcome competition and survive in a fast-changing environment (Madden, Fehle, & Fournier, 2006). For the firm that is able to wipe away the old while creating new opportunities, a source of sustainable competitive advantage may be achieved. A branding strategy on social media that transforms existing markets, creates new practices, and shifts or introduces entirely new technological and performance trajectories is thus what we refer to as social media brand innovation (Martin, Stewart, & Matta, 2005). An example includes Coca-Cola's 'Share a Coke' campaign. Price (2014) suggests that this campaign has taken social media branding to a different level because it builds on knowledge gleaned from social media and, to a large extent, incorporates that knowledge into the organization with the mass customization (and production) of bottle labels (Melewar & Nguyen, 2014). Another example is the gifting of 'red envelopes', a Chinese New Year tradition of gifting money, on the WeChat (or Weixin) app. The Weixin team conceived of the idea of taking this tradition into the digital era so that rather than (or, perhaps, in addition to) giving red envelopes with money to family, friends, employees or business partners, Weixin users can tap into digital payments and send monetary gifts of up to CNY100 (around \$16.50) per gift to others on the chat app (Hong, 2014).

2.2. Knowledge acquisition from social media

For a firm in a turbulent environment, innovation depends on developing, acquiring, and using new knowledge (Grant, 1996; Teece, 2007). The knowledge-based view (KBV), which builds and extends on the resource-based view (RBV), emphasizes the optimization of knowledge and organizational learning to efficiently develop innovation (Duan & Xu, 2012). KBV advocates the implementation of best practices and continuous improvement (Marsh & Stock, 2006), suggesting that the management of knowledge provides the most strategically important resource at a firm's disposal (Berchicci, 2013; Grant, 1996) for enhancing team creativity (e.g., Sung & Choi, 2012) and firm innovation performance (e.g., Alegre et al., 2013). Knowledge acquisition contributes to improved performance in several business processes,

Download English Version:

<https://daneshyari.com/en/article/7432573>

Download Persian Version:

<https://daneshyari.com/article/7432573>

[Daneshyari.com](https://daneshyari.com)