

# **THE LUXURY CONSUMER IN THE NEW DIGITAL WORLD**

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## **ABSTRACT**

*This paper tells us the impact of digitalization on consumers and how and what source of digital devices has become a norm in their daily lives. It also provides an insight into what is propelling the new multi screens, always consumer's lifestyle. This media not only making the consumer digital use a device who have different buying triggers but it is also a big opportunity for the marketer who drags the consumers of different paths into a single roof.*

*Ever before today consumers got deeper attachment with digital platform. The usage of various digital devices by consumers shows how strongly these electronic devices has become a part of our lives, whereby we consumers lives have become digital. These digital consumers have no urgency to buy or make a purchase and they do research on their desktop and laptop computers for purchasing. Consumer's where very much thankful to such devices which made their lives much more comfortable with deeper access to various products and brands with just a click.*

***Index Terms—new media, customer relationships, electronic word-of-mouth, online communities, recommendation systems, mobile technologies The internet with Twitter, Face book, YouTube or MySpace, but also mobile***

## **I. INTRODUCTION**

The ways consumers communicate with each other have been changing dramatically over the last decade, and the same is true for how consumers gather and exchange information about products and how they obtain and consume them. The rise of a plethora of new media has provided consumers with extensive options for actively providing information on services and products: “The digital innovations of the last decade made it Effortless, indeed second nature, for audiences to talk back and talk to each other” (Deighton and Kornfeld 2009, p. 4). New media have also empowered them to promote and distribute their own offers – consumers today serve as retailers on eBay, media producer-directors on YouTube, authors on Wikipedia, and critical reviewers on Amazon and Tripadvisor; they do all of this and more on Facebook and MySpace. And they no longer require their computer to do so – through high-tech mobile phones, portable computers and portals such as Twitter, real-time information exchange has become an integral element of consumer behavior anywhere and anytime. User-generated content has become a mass phenomenon, with Facebook, MySpace, YouTube, Wikipedia, and

Twitter all being listed among the Top 15 websites, accounting for more than 11 per- cent of global internet traffic, as of April 2010 (Alexa 2010). This development threatens established business models. Printed newspapers and magazines are facing a major crisis (Edgecliffe-Johnson 2008), as consumers move from print to digital media, and piracy and digital channels have severely hurt the music industry (Financial Times 2009). Media analysts have noticed a decline of TV advertising effectiveness (Maddox 2008), resulting from new digital options for viewing TV content (e.g., digital video recorders, online portals). Critical websites (e.g., untied.com for United Airlines) and brand spoofs watched by millions via YouTube (Elberse 2009) challenge the building of brands. At the same time. These of new media also creates new opportunities for new business models. In the new media universe of user-generated content, brands still play a pivotal role – consumers share their enthusiasm about their favorite brand via Twitter, YouTube, and Facebook. Some of them even help other consumers solve product-related problems for free, which reduces service costs and increases quality (Mathwick, Wiertz, and De Ruyter 2008). New media offers company's multifarious ways to reach consumers, communicate with them, and measure their communication, browsing or purchase-related behaviors.

These options are valuable for marketing in general, but should be of particular relevance for customer relationship management, which employs knowledge on individual customers for crafting individualized marketing activities. Making use of the opportunities provided by new media (and avoiding its dangers) requires a thorough understanding of why consumers are attracted to these new media and how they influence consumers' affect and behavior.

New strategic and tactical marketing approaches must be developed, which are in line with the characteristics of new media and their effects on customers. This article summarizes the major challenges that new media bring for managing customer relationships – we argue that marketing in the era of new media resembles the art of “pinball playing” and illustrate this in a conceptual framework. We identify ten key new media phenomena affecting marketing instruments and discuss how each phenomenon affects

- a) consumer behavior,
- b) the successful management of customer interactions, and
- c) Measuring customers' activities and relationship outcomes, highlighting areas for future research.

## II. WHAT IS NEW MEDIA ?

New media are websites and other digital communication and information channels in which active consumers engage in behaviors that can be consumed by others both in real time and long afterwards regardless of their spatial location. We now discuss the defining characteristics of new media. Digital The digital character of new media implies that there are virtually no marginal costs for producing extra copies of digital products and that individuals can easily distribute their creations to a global audience without having to pass through traditional “gate keepers” such as publishers. Anybody with an internet connection can blog, write reviews, report on news events both big and small, or share a song, video or even novel with the world. Pro-active Consumers use new media to contribute to all parts of the value chain, ranging from superficial articulation (reviews on retail or fan sites) to extensive co-creation (testing new “beta” products and reporting flaws to the company, or even

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collectively developing open-source products such as the Firefox browser; Hoyer et al. 2010; Krishnamurthy 2009).

### III. VISIBLE

Consumers' new media activities can be seen by others. Entries made by a consumer in forums, blogs, and social communities can be tracked by other consumers as well as companies.

Mobile services use information on consumers' spatial position as reported by GPS, 3G, and IP addresses for generating location-sensitive messages, offers, and market differentiation (e.g., different offers and prices for film downloads)

### IV. REAL-TIME AND MEMORY

New media can be accessed by consumers at the time they are produced, allowing consumers to share experiences in real-time with Twitter, chats, and blogs. Such comments and reviews are often also available indefinitely, so that potential customers may be reading about negative (and positive) customer experiences for years into the future (e.g., the 2001 Houston Doubletree incident; Snopes 2006). Memory is also crucial for personalizing future interactions.

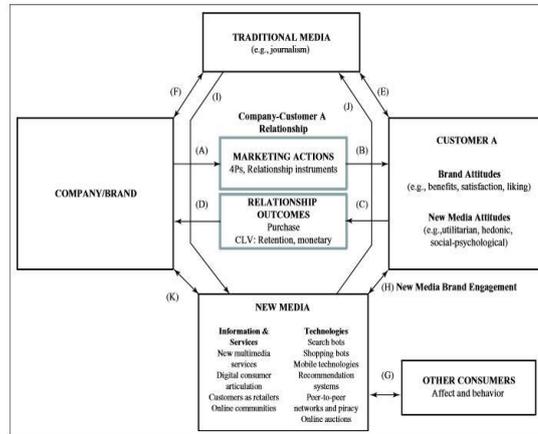
### V. UBIQUITOUS

New media allow consumers to reach (and be reached by) other consumers and companies almost anywhere at any time through their mobile devices. They can read reviews of a product when shopping in a retail store, and can post reviews of a new movie when the credits are still rolling in the movie theater on opening night.

### VI. NETWORKS

Consumers use new media to participate in social networks, which enable them to create and share content, communicate with one another, and build relationships with other consumers (Gordon 2010; Libai et al. 2010). While Facebook and MySpace are most prominent, communities are allotropic and include massively multiply online games (MMOGs) such as World of Warcraft and sites for exchanging everything from knitting techniques (e.g., ravelry.com) to statistical advice

Traditionally, companies actively influence customer relationships through their marketing actions including relationship instruments such as loyalty programs (arrow A) and, both active and reactive, through public relation (bidirectional arrow F). Customers were predominantly passive "receivers" of marketing and media information (unidirectional arrows B and E), with companies who were able to avoid negative mass media coverage having almost complete control over the brand-shaping messages and, as a result, relationship outcomes such as customer retention (arrow C) through their own actions



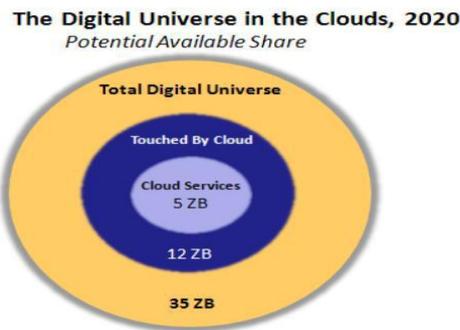
**Figure 1 shows the conceptual framework of the role of new media for customer relationships.**

The bottom portion of Figure 1 illustrates how the rise of new media changes the marketing environment. Today, the flow of information about a brand has become multidirectional, interconnected, and difficult to predict. Marketers have lost control over their brands, but now participate in a “conversation” about the brand (Deighton and Kornfeld 2009). In the era of new media, managing customer relationships is like playing pinball – companies serve up a “marketing ball” (brands and brand-building messages) into a cacophonous environment, which is then diverted and often accelerated by new media “bumpers,” which change the offering’s course in chaotic ways. After the marketing ball is in play, marketing managers continue to guide it with agile use of the “flippers,” but the ball does not always go where it is intended to and the slightest miscue can be amplified into a catastrophic crisis. In the new media era, companies continue to serve up products, services and messages through traditional channels (arrows A, F), but also through new media channels (arrow K). Consider Dove’s “Campaign for Real Beauty” (Deighton 2007), where Unilever decided to reposition its 45-year-old (when the campaign began)

Dove brand around women’s self esteem. Rather than pushing brand messages at consumers as they would have done in the past, Unilever engaged consumers in a conversation about self esteem, combining traditional and new media channels. In addition to buying every billboard in the Grand Central Train Station in one campaign, and Super Bowl ads in another (arrows A and F), they also used new media such as extended YouTube videos (arrow K). All have been designed to provoke the conversation. While Dove’s “ball” has often gone exactly where it was intended, generating coverage on hundreds of TV News programs, including the Today Show and an entire episode of Oprah, this was not always the case. Consumers (and organizations such as Greenpeace) made their own parodies of the YouTube videos and ads (arrow G), which were then picked-up by late-night TV comedians (arrow J). These parodies (as well as their traditional media variations – see arrow I) have spread quickly and have been viewed millions of times. A central question is how all of these reverberations within the new-media environment affect what Dove’s relational partner Customer A thinks and feels (arrow H) and how he or she acts with regard to the Dove brand, both in terms of buying the brand (arrow C) and communicating about it through new media (arrow H). Returning to pinball, does this “add points to the board?”

**VII. KEY NEW MEDIA PHENOMENA:  
 A REVIEW AND RESEARCH AGENDA**

We now discuss the impact of what we believe are the most prevalent new media phenomena. In the ‘‘New Media’’ box of our framework, we have organized phenomena into two broad categories, Information and Services and Technologies. The first category refers to digital content and the new kinds of consumer behavior that results from it; the second category is about new media infrastructure. Table 1 overviews the new media phenomena and research implications we consider as particularly relevant for each phenomenon.



But every industry will have some form of cloud-based services to offer. And with these services come unique challenges and benefits:

- The promise of cloud services, besides lower upfront investment, is ease of management. But as users of IM systems in the early days and users of iTunes today realize, conversion from one service to another is not always seamless.
- Cloud services imply access to broadband services, which are not always available. Perhaps more challenging is the fact that cloud services may spur more need for bandwidth. Already, telco carriers are complaining that users of smart phones are using much more bandwidth than predicted as they rush to use more and more applications.
- Overall, security may actually be enhanced in the cloud –as cloud providers build security and transparency into the cloud infrastructure from the get-go. But the impact of a failure, should there be one, could be significant. This could be a problem in private clouds as well as public clouds. And with the loss of physical control over infrastructure, ensuring visibility in the cloud will be critical for demonstrating compliance

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Country	Medals	Medals	(000)	Medals	Medals	Medals
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Country	Medals	Medals	(000)	Medals	Medals	Medals
USA	41:22:41	1.3	41	30	15	
Brazil	33:50:13	1.7	28	50	41	
China	11:08:38	0.7	33	199	207	
France	59:34:19:09	2.6	57	120	83	
Germany	37:48:29	1.8	36	82	63	
Italy	46:21:14:59	2.2	39	58	44	

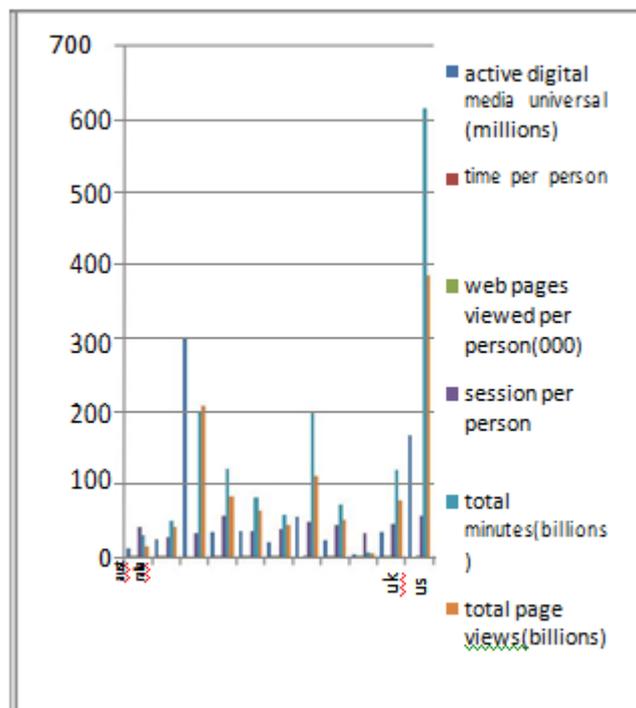
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Spain	24	31:27:47	2.2	44	72	51
Switzerland	4	56:04:48	1.3	33	7	5
Uk	35	61:11:56	2.3	46	119	78
Us	167	58:04:48	2.4	57	613	386

**Table :** Source: Nielsen NetView, 2/09 \*Home only \*\*China Data Source: CR-Nielsen CR-NetRatings, 02/09. Browser based Reporting due to significant shared PC Usage (e.g. Internet Café) CNNIC 23rd Internet Statistic



**Fig: Audience Demographics by Age Groups**

## VIII. NEW MEDIA INFORMATION AND SERVICES

New multimedia services. Consumers today dedicate substantial time producing and consuming new multimedia content, which includes video sharing platforms such as YouTube, music streaming services such as Pandora, online video games and MMOGs, and “virtual worlds” such as Second Life. A lot of what is going on in these services has to do with brands and companies; consumers upload advertisements and their own so-called spoofs and mash-ups (see the Dove example above – a particularly successful video was titled “Slob Evolution”, showing the deterioration of a consumer by using the Dove ad design; The Inspiration Room 2008) and participate in brand-hosted events in Second Life. Understanding consumers. Very little is known about consumer behavior with regard to new multimedia products. Kaplan and Haenlein (2009b) conduct qualitative interviews with Second Life users and identify key motivations for participation; they conclude that users consider Second Life not as a mere computer game, but as an “extension of their real life.” Bakshy, Karrer, and Adamic (2009) show that social networks within Second Life also determine consumers’ adoption behavior. Hinz et al. (2009) find that specific decision-making patterns exist in the MMOG “World of Warcraft,” with the consumers’ avatars (and particularly their feeling of presence) being important. As advertising constitutes the backbone of many brand relationships, marketers should be interested in learning how new multimedia content affects the consumption of traditional media such as TV. Waldfogel’s (2009) study hints at a reduction of TV viewing as a result of the consumption of YouTube and related sites, but also at an increase in time spent on network websites; other studies also suggest cannibalization between new media and TV (e.g., OECD 2007). Research needs to account for the different kinds of new multimedia and potential positive spillover effects with other channels (e.g. DVDs). The same is true for streamed music; does listening to Pandora influence radio consumption and music purchases?

With new media becoming an important advertising channel itself, relationship managers also need to understand consumers’ demand for new multimedia content. Elaborate predictive models exist for TV and theatrical channels (e.g., Hennig-Thurau, Houston, and Walsh 2006; Litman 1979), but we don’t know what makes a video a hit on YouTube – is it the video itself or the social network process? As a first step, Oh, Susarla, and Tan (2008) model diffusion patterns of YouTube videos by extending the Bass model for a social network component (see also the individual-level approach by Stephen and Berger 2009). As a substantial number of user-generated videos are modifications of brand advertisements, relationship marketers should also be interested in learning whether and, if they do, how such modifications impact consumers’ brand perceptions. Who are the consumers that engage in the creation of such parodies and other modifications, and what drives them? What are the conditions under which modifications can affect brand perceptions, and do increases in brand awareness dominate changes in brand image?

## IX. CUSTOMER INTERACTIONS

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A fundamental issue understands what types of business models will succeed for multimedia sites. Understanding consumers' willingness to pay in these new media environments would be an important start. Regarding advertising, new multimedia site operators and advertisers are interested in learning how advertisements can be effectively placed in the different multimedia services. Research suggests that online advertisements can be as effective as offline ads (e.g., Gallagher, Foster, and Parsons 2001), and that synergies can be realized between the two contexts (Naik and Peters 2009). Haenlein and Kaplan (2009) analyze the effect of virtual flagship brand stores on Second Life and find such stores to positively influence consumers' brand attitudes and real-life purchase intentions toward the brand. What kind of advertising is most persuasive on multimedia sites? How should budgets be allocated between different new multimedia sites?

In terms of brand management, how should companies react when consumers criticize them publicly via the new multimedia channels, as musician Dave Carroll did on YouTube with United Airlines after experiencing a severe service failure (his song "United breaks guitars" even hit the music charts; Harvey 2009)? Domino's Pizza's revenues declined and its brand image suffered after two employees uploaded a video on YouTube showing them doing disgusting things to pizza (Beaubien 2009). Their response might offer initial ideas on how to handle such a crisis situation caused by new multimedia content, stressing the role of regaining consumer trust in such situations which can occur and spread wildly in the new multimedia channels. The Dove case provides initial ideas how new multimedia services can be successfully used by a company for brand development (Deighton 2007), but questions on how to do so remain.

Customer measurement and relationship outcomes. New multimedia services offer ample opportunities for measuring consumers' brand attitudes and brand engagement. But how can the abundance of behavioral data generated on multimedia sites through registered members be employed? Existing studies discuss rather generally a possible extension of narrative analysis for video sharing sites (Pace 2008) and how virtual worlds can be used for marketing research (Kaplan and Haenlein 2009a). Regarding advertising, how can managers avoid neglecting long-term effects required for brand building and relationship development when using click-stream data, which focuses on short-term consumer behavior (e.g., Qui and Malthouse 2009)?

Can consumers' behavior in virtual worlds be used for "real-world" predictions? At this point, it is also unclear how existing brand relationships are affected by new media services. To what extent can customer and brand equity be influenced by YouTube campaigns, events and stores in virtual worlds, and placement in MMOGs? Digital consumer articulation.

Consumers use new media for sharing comments and reviews about services and products and the companies that produce them. The channels which are used for such articulations are multifarious and include portals such as ciao.com, retail websites such as amazon.com, online travel agents sites such as orbitz.com. and whistleblowing websites such as untied.com. New media makes such articulations which have been labeled electronic word-of-mouth (EWOM; Hennig-Thurau et al. 2004) – accessible to online and even offline shoppers, as consumer can use mobile devices to reading restaurant reviews while out on the town. EWOM can easily be "forwarded" to others (a practice that has led to the prominence of the "Doubletree incident", where an uploaded Power-point complaint prepared by an individual consumer was shared numerous times via email), usually has no terminal date, and is now available in real-time through Twitter and similar instant-messaging

services. As demonstrated by Dave Carroll's complaint video about United Airlines, EWOM is not restricted to text, but can be multimedia. Understanding consumers. Research has shed some light on the motivations that drive EWOM and its consumption, finding that social-psychological, identity, and utilitarian motives are among the most relevant ones for posting EWOM (Brown, Broderick, and Lee 2007; Hennig-Thurau et al. 2004), while consuming EWOM is strongly driven by utilitarian motives such as getting purchase- or consumption-related advice (Hennig-Thurau and Walsh 2004). As most existing research ignores the heterogeneity of EWOM about a product, we consider consumers' selection of reviews and their subsequent evaluation as an exciting area for future research. Initial findings indicate that consumers seem to value review texts more than summary statistics (e.g., stars; Chevalier and Mayzlin 2006), and consider the author's expertise (Sen and Lerman 2007) and credibility (Brown, Broderick, and Lee 2007; Mayzlin 2006). In an interactive forum context, perceived information value depends on other consumers' evaluations of the author's previous postings and the author's response speed and breadth of responses (Weiss, Lurie, and MacInnis 2008). Extreme and deep reviews are considered more helpful by consumers, but this differs between products (Mudambi and Schuff 2010).

The role of EWOM timing also deserves a better understanding. While most EWOM research focuses on consumer statements about products that are already on the market, substantial "buzz" exists months, sometimes even years before some hedonic products such as movies are released. What are the determinants of such early consumer articulations and how do they affect decision making and, eventually, product success? Finally, for products such as movies, music, and games a substantial share of revenues is usually generated before quality information is available. Now that consumers can post reviews when the end credits of a movie are still rolling, EWOM effects might unfold faster and significantly hinder the diffusion of poor products (and help good ones). Managers and journalists posit this effect (e.g., Sragow 2009), but empirical evidence is lacking. Customer interactions. A major challenge for companies is to develop appropriate response strategies to negative EWOM (e.g., Roehm and Tybout 2006; Stauss 2000). How should hosts manage chat sites, e.g., censoring or filtering content, moderating discussion (Gordon 2010)? Does it make sense to internalize consumer articulation, i.e., by offering an organization's own website as an open forum? Godes and Mayzlin (2009) analyze the creation of EWOM by the company itself and find that such firm-initiated EWOM has a stronger effect on less loyal customers and noncustomers than on loyal ones, and Kozinets et al. (2010) distinguish different "social media communication strategies."

What are appropriate ways to interact with consumers who have posted negative reviews? Customer measurement and relationship outcomes.

A major limitation of existing research on EWOM is the lack of consistent measurement approaches, with existing measures coming from different platforms (e.g., blogs, Yahoo, Barnes & Noble, Usenet), industries, (e.g., movies, books, software), and—for EWOM valence—coding approaches (e.g., stars, text analysis). So, more work on the measurement of EWOM is needed (Das and Chen 2007; Dwyer 2007). The same is true for modeling approaches; we expect modeling differences to account for some of the reported inconsistencies reported above. A key problem is the potentially endogenous role of EWOM (Duan, Gu, and Whinston 2008a; Godes and Mayzlin 2004). Regarding the effects of EWOM on relationship outcomes, findings are still

somewhat unclear, probably because of the differing measurement and modeling approaches. Most of the existing research has taken an aggregate-level perspective and studied hedonic products. While Liu (2006) finds that the volume, but not the valence of EWOM explains the success of new movies, Duan, Gu, and Whinston (2008a) report that both EWOM valence and volume drive movie box office revenues, and Chintagunta, Gopinath, and Venkataraman (2010) find valence to be the major driver. Dhar and Chang (2009) find that the volume of blog posts is positively correlated with future sales of music albums, while Chevalier and Mayzlin (2006) show that, for a book retailer, an improvement in EWOM valence leads to an increase in sales. Luo's (2009) results indicate that certain kinds of negative EWOM affect cash flows and stock prices. In addition to consistent measurement and modeling, more theoretical explanations are needed to reconcile these conflicting findings. Dellarocas, Zhang, and Awad (2007) analyze diffusion pattern for movies and find that while early volume increases forecasting accuracy, valence predicts the word-of-mouth parameters of the diffusion model. Zhu and Zhang (2010) point at the moderating role of product and consumer characteristics for the EWOM-sales relationship, and Chakravarty, Liu, and Mazumdar (2010) also show differing effects of EWOM for frequent and infrequent movie goers. Also, Duan, Gu, and Whinston (2008b) use information-cascading theory and find that user reviews only have an impact on software sales for lower-ranking products, not the most popular ones. Their study raises a related, but more general question: under which conditions do uninformed cascades (e.g., sales or box office charts) dominate informed cascade (i.e., EWOM) and vice versa? Understanding the impact of EWOM on customer outcomes is essential for companies to decide on how much to invest in EWOM management. Customers as retailers. New media provide consumers with extensive opportunities to become retailers themselves. While flea markets and garage sales have a long tradition, their economic impact has been rather marginal because of the requirement to meet personally. The internet enables consumers to sell used and vintage goods via websites like Amazon Marketplace and offer their handmade products (e.g., jewelry) through platforms like Etsy.com to other Internet users all over the world. As a result, online consumer sales dwarf traditional offline sales (Chu and Liao 2007). Also services (e.g., repairing TV sets) are increasingly being sold over the internet by individuals via the use of specialized portals.

## X. UNDERSTANDING CONSUMERS

Some studies have looked at consumers' interest in used products, often browsing at flea markets and taking a consumer culture theory perspective (Sherry 1990). However, extant research considers such behavior as a "funny" niche activity, while new media has transformed it into a mass phenomenon. So, do flea market-related findings hold for new media consumer retailing? Under which conditions do consumers prefer used products to new ones? Furthermore, does the possibility to easily resell products via the internet change consumers' purchase behavior (e.g., are consumers more willing to buy certain products if they see the possibility to resell them later)? And does the purchase of used (and usually less valuable) products affect consumers' brand perceptions? In contrast to new products, the brand's appearance cannot be controlled by the producing company. Interesting research questions also arise from the broadening of customer-company relationships that occur when a customer acts as a retailer. How do consumers who hold a positive attitude to

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eBay's customer service balance this attitude with a negative perception of eBay's treatment of them as sellers? Customer interactions.

The presence of online second-hand mass markets poses the threat of cannibalizing the sales of new goods. But it could also be argued that second-hand market increases the value of products that demonstrate low obsolescence and a long product life cycle. In a business-to-business context, Ghose, Telang, and Krishnan (2005) investigate the implications of electronic second-hand markets on supply-chain profits and new goods prices, and find that an increase in the availability of used products decreases the prices of new products and, thus, harms suppliers. Does this finding also hold for consumer markets? Also, for which industries and product categories is the growth of second-hand markets important, and what roles do brands play in this respect? How does customer-oriented behavior affect customers that also act as retailers? How should customer orientation be balanced with retailer orientation by companies that maintain dual relationships with consumers? Can stakeholder management (e.g., Freeman 1984) be used for successfully managing such dual relationships? Marketing research might also want to take the perspective of the consumer as a seller of products.

What is the best environment for generating profits, and what is the respective value of the platforms (e.g., Amazon Market-place) and the network of other retailers? Stephen and Toubia (2010) reveal initial insights by studying the value of the social network between individual (consumer) sellers on a large platform. Customer measurement and relationship outcomes. Data on online resale markets is widely available and might be useful for multiple parties. How can companies use such information? to gain insights into the consumer's quality perception of the product over time and its life cycle? Does the sale of a branded product constitute the ending of the brand relationship or the beginning of a new life cycle phase (maybe with an improved version of the product)? Can such information be embedded in existing segmentation models? And can companies motivate consumers that sell and buy products to share information with the company, as this would be required for future personalized communication? regarding relationship outcomes, retailers like Amazon and platform providers like eBay that host multiple relationships would benefit from learning how customers' dual roles affect customer satisfaction and retention. Online social communities. Consumers spend a substantial share of their social life on websites such as MySpace and Facebook, which host so-called "online communities" – consumer groups that interact online to achieve personal as well as shared goals of their members (e.g., Dholakia, Bagozzi, and Klein Pearo 2004). Online communities complement their real-world counterparts (e.g., Schau, Munitz, and Arnould 2009) and serve as forums for consumers exchanging thoughts and ideas. Firms are increasingly trying to use online communities to enhance their customer relationships (McAlexander, Schouten, and Koenig 2002). For example, in online communities of information technology such as Hewlett-Packard and Microsoft experienced customers support peer customers who face product-related problems ("consumer support forums"; e.g., Mathwick, Wiertz, and De Ruyter 2008). Understanding consumers. Previous research mostly focuses on reasons why consumers participate in online communities and how active participation among community members can be maintained (e.g., Koh et al. 2007; Wiertz and De Ruyter 2007). For consumer support forums, Nambisan and Baron (2009) provide empirical evidence for the critical role of four consumer benefits (learning/cognitive, social, hedonic, and status) for active community participation, and Dholakia et al. (2010) support the relevance of functional and social benefits in the same context. Both results

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mirror the general motivations for new media usage derived from uses and gratifications theory above. Related, Sledgianowski and Kulviwat (2009) study user adoption of social network sites and find that (perceived) playfulness and critical mass attract consumers most. Less attention has been dedicated to the effects that consumers' active participation in online communities has on consumer behavior (e.g., Ansari, Koenigsberg, and Stahl 2008; De Valck, van Bruggen, and Wierenga 2009). Does personal communication become less important the more consumers actively participate in online communities, and how does this affect consumers' commitment and contribution to offline social communities? As with virtual worlds, it would be valuable to know how much overlap exists between consumers' activities in virtual and offline communities – do consumers have the same roles and identities as in offline communities? How about sharing feelings and knowledge with other community members – a potentially powerful way that creates solidarity and bonding. Does it play a similar (or even stronger) role in online communities? Research suggests that online communities can shape consumers' brand perceptions through EWOM (e.g., Jansen et al. 2009), but we need to know more about the conditions under which online communities can exert such effects. Customer interactions. Marketers are showing a growing interest in organizing and managing online communities (Bagozzi and Dholakia 2002). Given that communication within communities can affect brand perception, how can “general” communities such as Facebook be used for brand management? And what kind of brand communication is most promising – what benefits must a brand offer community members to turn them into their “virtual friends”? How should brand owners react to the development of brand communities that are operated independently? What are the risks of such communities (e.g., “hijacking” of community by competitor brand)? Regarding service-support forums, it is crucial to understand the conditions under which such communities work. Wiertz et al. (2010) study governance mechanisms and find that normative and meritocratic governance interact in a complex way. Research is desired on the role in which companies that run such a community should dedicate service personnel when customers provide incomplete, wrong or offending answers to their customers' questions. And should consumers be stimulated to contribute via economic incentives, or do such stimuli crowd-out consumers' intrinsic motivation, leading to lesser engagement instead of increasing it, as suggested by self-determination theory (e.g., Deci and Ryan 1985)? Customer measurement and relationship outcomes. Virtual Communities usually collect a tremendous amount of data. A major measurement-related challenge refers to how companies can obtain usable information on consumer activities and communications generated in such communities. Although it is relatively easy to collect information about what community members say about a brand, it would be valuable to also capture the structure of communication processes within the community; social network analysis (e.g., Berkowitz 1982) has been introduced as a promising methodological approach. Another issue is consumers' willingness to provide personal data to companies (e.g., Nene 2009; Peltier, Milne, and Phelps 2009), more information is needed on the conditions under which consumers are willing to reveal such information. Finally, data integration will cause challenges, as data generated in online communities and a firm's transaction data usually are separate information sources, which have to be merged. Regarding relationship outcomes, existing research has shown that referral in online communities enhances customer acquisition (Trusov, Bucklin, and Pauwels 2009). Firms also want to know whether marketing activities in online communities affect relationships with existing

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customers and their retention, cross-buying, and lifetime value. Likewise, it is desirable to quantify the incremental customer value of flagship brand stores on Second Life and find such stores to positively influence consumers' brand attitudes and real-life purchase intentions toward the brand. What kind of advertisements most persuasive on multimedia sites? How should budgets be allocated between different new multimedia sites? In terms of brand management, how should companies react when consumers criticize them publically via the new multimedia channels, as musician Dave Carroll did on YouTube with United Airlines after experiencing a severe service failure (his song "United breaks guitars" even hit the music charts; Harvey2009)? Domino's Pizza's revenues declined and its brand image suffered after two employees uploaded a video on YouTube showing them doing disgusting things to pizza (Beaubien2009). Their response might offer initial ideas on how to handle such a crisis situation caused by new multimedia content, stressing the role of regaining consumer trust in such situations which can occur and spread wildly in the new multimedia channels. The Dove case provides initial ideas how new multimedia services can be successfully used by a company for brand development (Deighton 2007), but questions on how to do so remain. Customer measurement and relationship outcomes. New multimedia services offer ample opportunities for measuring consumers' brand attitudes and brand engagement. But how can the abundance of behavioral data generated on multimedia sites through registered members be employed? Existing studies discuss rather generally a possible extension of narrative analysis for video sharing sites (Pace 2008) and how virtual worlds can be used for marketing research (Kaplan and Haenle in 2009a). Regarding advertising, how can managers avoid neglecting long-term effects required for brand building and relationship development when using click-stream data, which focuses on short-term consumer behavior (e.g., Qui and Malthouse2009)?

Can consumers' behavior in virtual worlds be used for Real world predictions. At this point, it is also unclear how existing brand relationships are affected by new media services. To what extent can customer and brand equity be influenced by YouTube campaigns, events and stores in virtual worlds, and placement in MMOGs? Digital consumer articulation. Consumers use new media for sharing comments and reviews about services and products and the companies that produce them. The channels which are used for such articulations are multifarious and include portals such as ciao.com, retail websites such as amazon.com, and online travel agents sites such as orbitz.com. and whistle blowing websites such as untied.com. New media makes such articulations – which have been labeled electronic word-of-mouth (EWOM; Hennig-Thurau et al. 2004)

– accessible to online and even off-line shoppers, as consumer can use mobile devices to reading restaurant reviews while out on the town. EWOM can easily be "forwarded" to others (a practice that has led to the prominence of the "Doubletree incident", where an uploaded Power-point complaint prepared by an individual consumer was shared numerous times via email), usually has no terminal date, and is now available in real-time through Twitter and similar instant-messaging services. As demonstrated by Dave Carroll's complaint video about United Airlines, EWOM is not restricted to text, but can be multimedia. Understanding consumers. Research has shed some light on the motivations that drive EOM and its consumption, finding that social-psychological, identity, and utilitarian motives are among the most relevant ones for posting EWOM (Brown, Broderick, and Lee 2007; Hennig-Thurau et al. 2004), while consuming EWOM is strongly driven by utilitarian motives such as getting purchase-or consumption-related advice (Hennig-Thurau and Walsh 2004). As

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most existing research ignores the heterogeneity of EWOM about a product, we consider consumers' selection of reviews and their subsequent evaluation as an exciting area for future research. Initial findings indicate that consumers seem to value review texts more than summary statistics (e.g., stars; Chevalier and Mayzlin 2006), and consider the author's expertise (Sen and Lerman 2007) and credibility (Brown, Broderick, and Lee 2007; Mayzlin 2006). In an interactive forum context, perceived information value depends on other consumers' evaluations of the author's previous postings and the author's response speed and breadth of responses (Weiss, Lurie, and MacInnis 2008). Extreme and deep reviews are considered more helpful by consumers, but this differs between products (Mudambi and Schuff 2010). The role of EWOM timing also deserves a better understanding. While most EWOM research focuses on consumer statements about products that are already on the market, substantial "buzz" exists months, sometimes even years before some hedonic products such as movies are released. What are the determinants of such early consumer articulations and how do they affect decision making and, eventually, product success? Finally, for products such as movies, music, and games a substantial share of revenues is usually generated before quality information is available. Now that consumers can post reviews when the end credits of a movie are still rolling, EWOM effects might unfold faster and significantly hinder the diffusion of poor products (and help good ones). Managers and journalists posit this effect (e.g., Sragow 2009), but empirical evidence is lacking. Customer interactions. A major challenge for companies is to develop appropriate response strategies to negative EWOM (e.g., Roehm and Tybout 2006; Stauss 2000). How should hosts manage chat sites, e.g., censoring or filtering content, moderating discussion (Gordon 2010)? Does it make sense to internalize consumer articulation, i.e., by offering an organization's own website as an open forum? Godes and Mayzlin (2009) analyze the creation of EWOM by the company itself and find that such firm-initiated EWOM has a stronger effect on less loyal customers and noncustomers than on loyal. (2010) distinguish different "social media communication strategies." What are appropriate ways to interact with consumers who have posted negative reviews? Hennig Thurgau et al.

## XI. CONCLUSION

We have illustrated that the enormous rise of new media is highly disruptive for the management of relationships with customers, something which becomes evident in the conceptual framework that underlies our discussion of new media effects in this article. The framework illustrates that new media require a shift in marketing thinking – consumers have become highly active partners, serving as customers as well as producers and retailers, being strongly connected with a network of other consumers. Managing customer relationships in the era of new media resembles pinball playing, with extensive information being available on brands and products which can multiply, but also interfere with the companies' marketing messages (such as bumpers do when playing pinball) and make it more complex to control brand images and relationship outcomes such as customer equity. Based on a detailed analysis of the specific characteristics of new media, we identify 10 new media phenomena. For each new media phenomenon, we summarize the existing literature and highlight important areas for future research that refer to marketing's understanding of consumers, the management of customer interactions, and the measurement of customer data and relationship outcomes. Researchers are encouraged to use this pinball framework as a road map that can help to shed light on exciting new research

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questions, while managers might benefit from the article through its analysis of new media trends and their potential impact on traditional marketing models.

## NOTE

1. New media brand engagement is part of the broader concept of customer engagement, which also covers brand-related behaviors which are not related to new media. See van Doorn et al. (2010) for a discussion of customer engagement.

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