Economic and Technological Aspects of Social Networks in European Business Sector

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Abstract. The Internet has become an inherent part of human life. The number of internet users has been constantly growing. Social networks are a significant tool for supporting the development of learning organization and knowledge management in companies. They become an important communication channel. The aim of this paper is to analyze the use of social network in European business sector. Technological and economic aspects of the use of social networks will be described. The basic methods used are analysis of the external environment and the subsequent SWOT analysis. The analysis shows that, given the corporate internet facilities in Europe, there is great potential for its use that is not currently used.

**Keywords:** Social network, technological environment, SWOT analysis, Europe.

1 Introduction

The Internet has become an inherent part of human life. The number of internet users has been constantly growing. According to the last surveys, almost 2 billion people worldwide uses the Internet, about half a billion in Europe. With the arrival of a new form of communication and sharing the content of the Internet, the so-called web 2.0, a new trend has become prominent, namely social networks.

Current companies realize the need to integrate tools using the concept of social networks in their business processes. Social networks are a significant tool for supporting the development of learning organization and knowledge management in companies. They become an important communication channel and take over a lot of functions previously provided by e-mail [1]. The term social business more and more frequently applies to the company capable of using the potential of social networks to the full [2].

The international comparison of using social networks by individuals with an access to the Internet from households shows graph no. The EU average is 46% (Fig.1).

The aim of this paper is to analyze the use of social network in European business sector. Technological and economic aspects of the use of social networks will be described. Moreover, in the end they will be summarized in the SWOT analysis.
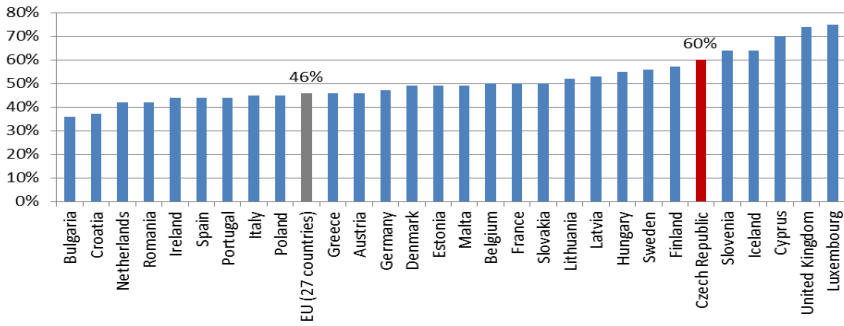
Fig. 1. Use of social network (in 2011, %), source: the author according to Eurostat

2   Methodology

The basic methods used are analysis of the external environment and the subsequent SWOT analysis. The external environment involves forces outside the company or, in this case, outside the whole ICT sector that can potentially influence the use of cloud computing. Analysis of the external environment and the characteristics of the technology has been described in detail in the context of previous work and internal research [2]. Given the scale of this paper is only the current situation of social network accessing described and then directly so-called SWOT matrix (Strengths, Weaknesses, Opportunities, Threats), where are summarized strengths, weaknesses, opportunities and threats of the given segment [3].

3   Technological Background of Social Network

The social network is an interlinked group of people. In a sense, social network is any group of people that communicates in various ways. Currently, there exist a lot of social networks, which vary by their purpose, their members' character, needs, and goals. Social networks exist inside and outside organizations, they are open to anybody or exclusive, i.e. open to a given community only. Social network can be defined as web based services that allow individuals to do the following:

- construct a public or semi-public profile within a bounded system
- articulate a list of other users with whom they share a connection, and
- view and traverse their list of connections and those made by others within the system.

The nature and nomenclature of these connections may vary from site to site [4]. Social network architecture is described in the figure no. 2.

There are so many variations of social networks that they can be utilized in almost any human activity. Concerning their respective focuses, they can be divided into several categories [7], [8], [9].
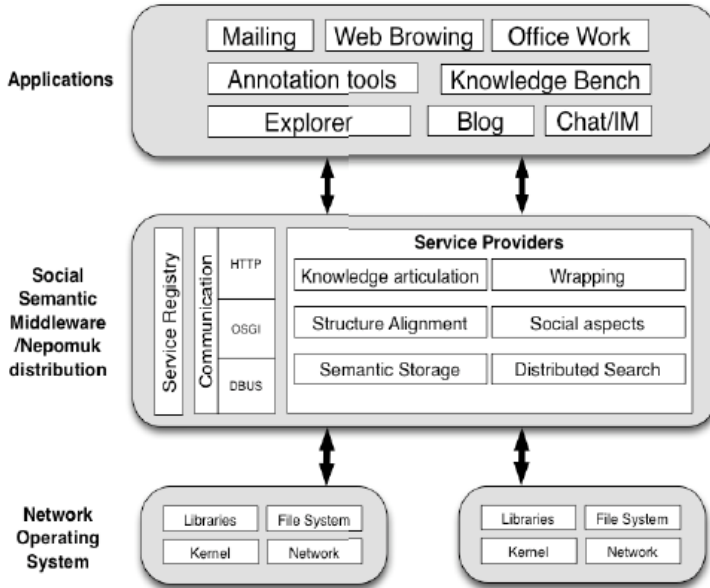
Fig. 2. Social Network Architecture, source: according to [5], [6]

General Social Networks

These networks can offer something to almost any user and above all they enable anybody to be registered. An example of such a social network is Facebook.

Specialist Social Networks

This group includes social networks that associate users interested and/or working in the same branch, industry, or any other activity, no matter whether they are professionals, students, or hobbyists. These networks are established around particular websites focusing on the topic in question. The basic types of branch social networks are as follows:

- Professional social networks – networks of this type associate professionals from the given area, they are only rarely anonymous or open to anybody, they are specifically designed for given professional or interest groups,
- Hobby social networks – this group includes social networks that unify hobbyist users interested in the given activity,
- Student social networks – these networks do not have to unify exclusively students as they focus on the study of one or more fields.

Among the currently most important social networks belong, for instance, Facebook, Twitter, Google+ and LinkedIn. Each network is specific and differs from others [10].

4   Use of Social Networks – SWOT Analysis in Europe Business Enviroment

The ensuing SWOT analysis provides a summary of benefits and risks in the company's use of social networks. Factors in the SWOT analysis include items that characterize the economic and technological background of social networks in the Europe and on what it brings to those companies that use it (table no.1).

Table 1. SWOT analysis of social networks

Strengths	Weaknesses
Growing accessibility of high quality internet connectivity in households and companies, • growing number of PC-equipped households, • growing ICT literacy of the population [12], • companies realize the importance of social networks, • network of contacts surpassing geographical and cultural differences, • it is possible to target customers who show up near the company' location, • procuring information on a specific subject is faster and easier.	• A large amount of companies that use social networks for advertising purposes, • strong competition means it is necessary to stress innovation. • Problem of choosing information and functions of social networks so that the company gets the best of it (it should not be at the expense of employees, etc.). • It is necessary to monitor changes and new possibilities of social networks as they continually change and improve, which means that companies have to adapt effectively and promptly. • It takes time to maintain the social networks updated and full of attractive information. • Some marketing functions are limited to paid services. • Social networks are limited to those from 13 years of age (this is often trespassed).
Opportunities	**Threats**
• Growth in the use of social networks worldwide, • decreasing number of networks that dominate global market – a better opportunity for companies to communicate with more users in the same place.	• Different legislation and regulations in various countries – problem of data protection, • little adaptation to the culture and ways of communication in other countries. • Identity theft,

Table 1. (*continued*)

Opportunities	Threats
• Participation in social networks means that users and friends can become company product sellers, • environment for making new contacts with business partners, or for finding skilful employees, • getting feedback from non-clients, which is valuable information and open new opportunities to attract new clients [11], • professional user base on some social networks means great opportunities for B2B marketing, • increased loyalty of customers to the brand, • possibility to create the company's "personality", • possibility to address a lot of potential customers at relatively low costs.	• possible abuse of personal data, • too many channels of communication through social media in one company can hinder potential customers' orientation, • implementation of a social network can have negative impact on the employees' labour productivity, • dissatisfied customers can spread their experience among a large number of users, • risk of accidental sharing of sensitive information or intellectual property, • neglecting the company website in favour of social networks, • competition can harm the company by e.g. publishing negative reviews.

The above mentioned analysis shows some recommendations. Companies have to consider what information to share with users, how to communicate and what rights they provide their customers with. The threat of losing or abuse of data is palpable. It is also important for every company to choose a sufficiently impressive and personalized approach. Many social network users are inundated with advertisement and necessarily have to choose which of them to respond to.

Social network company profile administration must be done conceptually. First, target groups should be determined, then, based on the features of these groups, the company chooses the most suitable social network to approach them. In order to use the full potential of social networks, it is necessary to understand how they work and how they can be used. The choice of suitable marketing strategy is vital as the potential audience is plentiful and a potential mistake may significantly damage corporate image.

5   Conclusion

The aim of this paper is to analyze the use of social network in European business sector. From that point of view, the onset of social networks made companies revise their marketing strategies and adjust business to people. The age of participative economics, when customers are not satisfied with passive product consumption and

want to be involved, has just started. Apart from that, the companies have higher and higher demands. They want openness, relaxed attitude, originality, and diversification. Social marketing platforms provide tools for immediate sharing of information, photographs, videos, events and comments. Social networks also made companies to move investments from huge mass campaigns to smaller and more segmented ones. Marketing influences by means of social networks above all current customers. New customers are attracted more slowly, in particular by means of the current customers' reference sharing. Owing to a simple way of communication and sharing, it is possible, in case the company did a good marketing job, to leave a large part of promotion to the users themselves. It is not possible to ignore individuals because they can spread their negative experience within minutes among hundreds of people and households.Social networks provide companies with a huge amount of the so-called Big Data for analysing. Nevertheless, it is not easy to understand the data correctly and draw relevant conclusions. It is therefore necessary to educate the employees and keep up with the latest trends.

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