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### Social Networks Based on Locality: Connecting Residents to Local Merchants

The ability to leverage spatial locality is advantageous to the newly developed social networks that are blossoming on the World Wide Web. While the Internet is successful in bringing together similar people regardless of their geographical proximity, studies have found that individuals who rely on the Internet are likely to exhibit higher levels of interaction within their local communities. (Castells 120) As a result, many services on the Web choose to base their business model solely on the high rates of assortative mixing within physical communities. Larger more established players such as Google and Yahoo! have also noticed the market for connecting people to their nearby surroundings and are relying on existing social networks spawned by old media corporations, such as newspaper and yellow page publishing firms, to maintain their dominance in the marketplace. Because people living in a similar geographic area exhibit strong levels of homophily due to their similar lifestyles and socioeconomic characteristics, entrepreneurs and developers are focusing on the creation of applications that take advantage of the symbiotic social relationships between residents and the businesses in their surrounding local communities. In order to ensure success, entrepreneurs must maximize their customer's social capital by studying the mechanisms and processes by which embedded resources in social networks are captured as investment. (Lin 3)

Coupon DJ is an example of a social network based on locality created by Duke entrepreneurs that bridges the digital gap between small local businesses and their customers by promoting social participation in the community. Coupon DJ takes advantage of the Internet's ability to strengthen social relationships at a local level amongst nearby merchants with whom residents have relatively weak existing social ties. (Castells 123) To accomplish this feat, the service allows for local merchants to create and maintain an online dynamic profile page based on user-generated content via a simple Web-based interface. Vendors have the ability to post up a wide variety of multimedia and textual content. If a resident is interested in a local merchant, they have the ability to receive updates from the vendor by subscribing to their profile. If an exciting offer appears, they will be notified by email and can choose to forward the offer to their mobile phone for future redemption. As vendors post up general news, events, jobs, specials, and coupons for their venues on their individualized profile page, locals who rely on the service will have easy access to timely information, and thus will remain connected to the merchants in their physical community.

Many other content management solutions exist on the Web that have similar features to those offered by Coupon DJ. The ability to maintain a dynamic presence on the Web has proven to be very effective in maintaining social network ties, and therefore entrepreneurs have flocked to the space looking for success. (Lin 212) According to Dr. Nan Lin, this is due to the fact that "humans show an interest and ability to maintain persistent and profitable relationships at a reasonable transactional cost". (Lin 157) In the Raleigh/Durham area, several restaurants have established their virtual store front using MySpace, where they upload videos and pictures of past events. Because MySpace is a social networking site with millions of users, local businesses plan on leveraging the service's social resources as a means to increase their recognition and keep their current loyal customers informed. Small businesses also rely on Craigslist, a digital bulletin board where anyone can post anything, to display dynamic information concerning their

venue. However, both MySpace and Craigslist fall short of Coupon DJ in the sense that neither service was originally developed from the ground up as a tool to serve the needs of local merchants. MySpace is a large social network that targets local artists and college students, and therefore is not designed to meet the needs of vendors in the community. Unlike college students, local merchants don't benefit from having a "wall" or the ability to post up relationship status. Furthermore, MySpace does not adhere to geographical boundaries, and therefore users may encounter profiles of distant merchants that are irrelevant to their local social network. While physical location plays a crucial role at Craigslist, anyone can be a user and post up whatever content they desire. This leads to a wide variety of random information from various people, which results in a lack of authenticity and organization primarily due to the absence of registered individualized profile pages. Since the existing applications are insufficient due to their generalized approach, Coupon DJ addresses the gap for a niche social network based on connecting local merchants to their customers.

Coupon DJ provides a wide range of rich features to complement existing social ties between local merchants and nearby residents. To entice Coupon DJ's target market of local merchants, many of the features focus on supplementing and simplifying existing business operations. By keeping track of how many residents are following a local merchant's profile, vendors are made aware of the social resources in their network. This allows them to realize their available social capital, which "consists of the resources embedded in one's network", and maintain direct ties with customers through automatic email updates whenever they add new content to their profile. (Lin 56) Local merchants also benefit from information graphs that depict social trends surrounding their establishment. This powerful feature allows merchants to understand which of their offerings is the most successful in wooing customers away from their competition. Users also benefit from Coupon DJ's various social aspects. Coupon DJ's ability to commit data across multiple networks allows for users to maintain constant bonds with local merchants. Because of this, users can send and receive data about offers that interest them from their cell phone or access it directly via the Web. By installing the service's Facebook application, users can easily inform their friends of the coupons, events, and specials that they have expressed an interest in. As a result, the data posted by the local merchant is aggregated throughout Facebook's system via the news feed. Because the accumulation of social capital is exponential, local merchants are able to rapidly grow their social network and recognition in the local community via the indirect ties created on Facebook. (Lin 135)

Coupon DJ's approach to feedback helps heighten the social experience of reviewing local merchants and distinguishes it from existing content management solutions. Unlike other competitors, Coupon DJ allows local merchants to directly manage the feedback they receive. Services such as Yelp, Yahoo! Local, Google Local also allow for users to leave feedback, but place all of the emphasis on the residents who review local businesses. Many local merchants are not aware of these services and do not know that data concerning their business is accumulating on these sites. Because these independent services lack a user hierarchy and thus have no social structure, owners of local businesses cannot prove to other actors on the individual networks that they are the rightful authority with the power to control valuable resources. (Lin 33) As a result, local merchants lack the power to address the negative feedback that may amass on the Web, which could hamper their reputation and lead to a drastic loss of social capital. (Lin 157) Coupon DJ takes a different approach, and privatizes the feedback users leave, since "spreading a bad word in the network can lead to negative recognition and ill repute". (Lin 161) Because "reputation is a network asset" that "reinforces the legitimacy of certain actors who claim their resources and positions, and [...] offers incentives for further social exchanges and unequal transactions among actors", it is in the local merchant's best interest to secure and control it. (Lin

158) Vendors on Coupon DJ still benefit from being able to communicate with the users in their network, but don't have to publicly disclose any information if they choose not to do so. Should someone leave feedback concerning a negative experience, the local merchant has the ability to contact that user with the intention of further discussing the matter in hopes of achieving a resolution. Afterwards, the user has the ability to edit their original feedback, which minimizes the blow to the vendor's reputation should the business choose to publicly disclose their feedback for viewing. If the user does not want to be confronted by the local merchant, a vendor has the ability to "disengage from the relationship if the network in which the recognition takes place is not resource-rich", which prevents the vendor from being able to contact them. (Lin 161) As a result of implementing these networking qualities, Coupon DJ strives to be fair to both the local merchants who populate the system with their content and users that make up the online community.

Tools such as Coupon DJ benefit both the merchant as well as the resident according to Dr. Nan Lin who states that "persistent relationships increase the likelihood of the spread of recognition" in his book on social capital. (Lin 156) Coupon DJ translates to advertising benefits for vendors through increased recognition, which in turn leads to social and monetary capital that can spur further growth. Local businesses also benefit from having a dynamic online presence due to the fact that "users of the Internet tend to have larger social networks than non-users". (Castells 121) As a result, the information that a local merchant posts online has an increased likelihood of virally spreading to a wider audience of potential customers than it would otherwise. Web applications such as Coupon DJ are also effective in maintaining weak social ties that would otherwise be lost "in the trade-off between the effort to engage in physical interaction and the value of communication" according to a study by Professor Barry Wellman and his colleagues at the University of Toronto. (Castells 129) Coupon DJ provides local merchants with a cost effective way to easily advertise their offerings to a targeted audience that has already expressed initial interest in the products they sell. Therefore, Coupon DJ users will not be transforming their behavior, but rather adapting the Internet to simplify their lives and cut down on transactional costs. (Castells 128) The service also highlights social trends in the local community such as which business has the largest following and what offers are most popular at the current time. As a result of such features, the service gathers information concerning homophilic relationships, which can be forwarded to local merchants so they can better captivate their target market. Vendors benefit from the "possession of or access to resources" since they "protect and promote an individual's standing in the social structure", which is vital to success on Web-based social networking sites. (Lin 41) The virtual community created by Coupon DJ promotes robust social interaction by juxtaposing the old technologies involving bulletin boards with those of the new Internet age. (Castells 145) By allowing for local merchants to easily digitize all of their store's dynamic data, Coupon DJ is an example of how the Internet helps enhance and maintain weak social ties in the local community between residents and vendors that would otherwise disappear due to high transactional costs. (Castells 123)

Coupon DJ faces aggressive competition from other services such as MerchantCircle and Facebook Pages that also provide local merchants with dynamic online profile pages to neatly organize data. However, these companies are technology oriented and lack social ties and relationships with local merchants. Facebook plans on baiting its existing social capital as an incentive for local merchants to join their rapidly growing network where they can form additional social ties. However, Facebook has done nothing to reach out to this market segment, and therefore many small businesses have not yet taken the initiative to sign up. This is due to the fact that they are not aware of the services Facebook provides. MerchantCircle on the other hand is a Silicon Valley based start up that has raised over \$14 million to build a robust sales

force, which will work on developing relationships with small businesses. Because human capital grows at an additive rate, it makes sense for small technology companies such as MerchantCircle to convert the funds they raised into social capital that increases at an exponential rate and will have an equally positive effect on their corporation's valuation. (Lin 134) However, this approach of status attainment, where a company trades financial resources for returns in socioeconomic standing, poses a risk since the returns on social capital are not guaranteed to meet expectations. (Lin 78) Both companies are starting from scratch in an attempt to accumulate social capital by building social links with local businesses.

It is very difficult for these lightning fast technology-based companies to form social bonds with slow moving local businesses that are not in sync with the Web and need time to be brought up to speed. Many large corporations such as Google and Yahoo! have chosen to leverage the existing social ties old media corporations have with small business owners to build up their own local social structure.<sup>1</sup> According to a recent report by IBM's Global Business Services division, large publishers and broadcasters are broadening their creative roles in order to minimize resource loss due to increased competition, and therefore are significantly more willing to work with high tech companies in the future. Since a rising number of local merchants are relying on user-generated and peer-delivered content systems, established technology and old media companies will be able to complement each other in bringing low-cost advertising solutions to their customers.<sup>2</sup> Bill Gross, the CEO of IdeaLab, states that "everyone is looking to lock up as many publishers as possible", due to the value in the existing social networks that have not yet been converted into online cybernetworks.<sup>3</sup> However, it is difficult for smaller technology start ups that lack reputation in the industry to form social ties with these giant old media corporations. This is because of the growing amounts of competition in the space and the fact that "the principles of elementary economics are perfectly reconcilable with those of elementary social behavior" as stated by Homans, which leads old media companies to pick the best possible candidate for business transactions. (Lin 145) To account for this discrepancy, Coupon DJ and other low overhead sites that focus on local content must leverage their agility and team up with smaller, less established old media corporations that are competing with the giants in their industry and understand the need to rapidly change in order to survive in the competitive market place.<sup>4</sup> By doing so, they will be able to start their own individual social movements to challenge larger technology institutions. To do this, they must take advantage of the social resources accumulated by smaller old media companies across the nation with the intention of eventually turning them into financial capital that will generate the revenue needed to sustain the ongoing process. (Lin 195) This approach takes time and requires expert management due to the fact that it must be reproduced at each individual location. However, it is the only way for small technology based companies that specialize in social networks based on locality to persist.

Services on the Web are becoming increasingly dependent on various aspects of sociology. Even Tim Berners-Lee, the founder of the World Wide Web, claims it is more of a "social creation than a technical one". (Berners-Lee 123) By doing so, Tim Berners-Lee recognizes the

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1Helft, Miguel. "Yahoo Strikes Ad Deal With More Papers". 17 April, 2007. New York Times. Accessed on 2 Dec, 2007. Available at <<http://www.nytimes.com/2007/04/17/technology/17search.html?ref=business>>.

2IBM Global Business Services. "The End of Advertising As We Know It". Accessed on 2 Dec, 2007. Available at <[http://www-03.ibm.com/industries/media/doc/content/bin/adqrfinal\\_qr.pdf](http://www-03.ibm.com/industries/media/doc/content/bin/adqrfinal_qr.pdf)>.

3Helft, Miguel. "Yahoo Strikes Ad Deal With More Papers". 17 April, 2007. New York Times. Accessed on 2 Dec, 2007. Available at <<http://www.nytimes.com/2007/04/17/technology/17search.html?ref=business>>.

4 Kirkpatrick, Marshall. "Can Yahoo! and Local Papers Save Each Other?". November 20, 2006. TechCrunch. Accessed 2 Dec, 2007. Available at <<http://www.techcrunch.com/2006/11/20/can-yahoo-and-local-papers-save-each-other/>>.

need for technology to complement existing social capital in human networks. As a result, “the ultimate goal of the Web is to support and improve our weblike existence in the world”, which has led to the creation of online social networks. (Berners-Lee 123) Repeated social interactions are historically known to occur in nearby markets and religious establishments.<sup>5</sup> Because “social interactions tend to take place among individuals with similar lifestyles and socioeconomic characteristics”, the number of online niche social networks based on locality is expected to increase. (Lin 39) Coupon DJ and other social networks that focus on providing local business owners with a dynamic presence on the Web are likely to succeed. This is primarily due to the fact that local businesses tend to “gain and maintain valued resources to promote their well-being” and therefore benefit from being able to have an online presence where they can maintain weak social ties with their customers. (Lin 41) Since it is difficult for a technology company to build ties with local merchants around the country, they must reuse and rely on the existing social networks formed by the old media giants. As newspaper and publishing firms join forces with technology companies, the “dream of people-to-people communication through shared knowledge” will be one step closer. (Berners-Lee 157)

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5 Watson, Sophie and Studdert, David. “Markets as sites for social interaction: Spaces of diversity”. 11 Sept, 2006. Joseph Rowntree Foundation. Accessed on 10 Dec, 2007. Available at <<http://www.jrf.org.uk/bookshop/details.asp?pubID=823>>.

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2. Castells, Manuel. "The Internet Galaxy". Oxford: Oxford University Press, 2003.
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6. Lin, Nan. "Social Capital: A Theory of Social Structure and Action". New York: Cambridge University Press, 2007
7. Watson, Sophie and Studdert, David. "Markets as sites for social interaction: Spaces of diversity". 11 Sept, 2006. Joseph Rowntree Foundation. Accessed on 10 Dec, 2007. Available at <http://www.jrf.org.uk/bookshop/details.asp?pubID=823>.