
Value creation and appropriation in social media – the case of fashion bloggers in Sweden

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Abstract: This paper explores and explains the emergence of commercial blogging. Studying the contents of 18 of Sweden's top fashion blogs, our findings suggest that bloggers create value by generating improved transaction efficiencies. Fashion bloggers have high credibility and thus facilitate the flow of consumer information and choice. The blogs present a combination of private and commercial content, thereby creating a customer intimacy that differentiates them from more traditional market channels. The value of these relationships is appropriated partly through advertisements and partly from other sources of revenue, such as the creation of brands and online stores. Bloggers have become powerful intermediaries who often have a better contact with end consumers than fashion firms. This paper therefore suggests that management of the blogosphere is an emerging source of competitive advantage for fashion firms.

Keywords: social media; blogs; fashion; business model; transaction costs; Sweden.

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1 Introduction

Information and communication technologies (ICTs) have enabled forms of interaction between firms and consumers (Dodgson et al., 2006). One such example is the increased use of social media, defined as interactive communication solutions which build on ICTs. Within the plethora of such solutions, one of the most prominent can be found in blogs. A blog can be defined as a website ran by an individual who publishes content in a reverse chronological order. The contents are often of a personal nature both in terms of style and ownership (Shen and Chiou, 2009).

In some industries, blogs have become powerful intermediaries between firms and consumers, reaching more readers than regional newspapers. While it is clear that bloggers have become increasingly professional over time (Pihl, 2011), literature is still scant about the commercial aspects of social media and blogs. Previous research has described the formation of blogging communities (Chittenden, 2010) and several different usages of blogs, such as knowledge management and data mining (Rickman and Cosenza, 2007), but little is known concerning how bloggers make money and what value they actually create.

Our paper aims to fill this gap both theoretically and empirically. It explores how bloggers create and capture value while also identifying emerging managerial challenges related to the increased prevalence of blogs. Specifically, it seeks to address the following question: how can the emergence of commercial bloggers be explained? This research question is approached through an observational netnographic study (Kozinets, 1998; Beaven and Laws, 2007) of fashion bloggers in Sweden. It is argued that the primary source of value creation is related to a decrease in transaction costs for consumers, defined as the costs incurred when participating in the market. The results also demonstrate that commercial bloggers combine private and commercial content, and by doing so build relationships with consumers while appropriating this value both directly through ads and indirectly from other sources of revenue.

In the next section, a conceptual background to the blogging phenomenon is provided where special attention is paid to transaction costs. This is followed by a description of the employed method. The subsequent section analyses how bloggers create and capture value. Finally, the managerial implications of the findings are discussed, and a concluding remark is presented.

2 Conceptual background

Business transactions conducted over the internet offer high reach and richness of information in comparison to physical markets (Evans and Wurster, 1999). A larger number of products, and more information about them, can be accessed quickly and

easily because online markets are not constrained by geographical boundaries. Also, larger quantities of information can be gathered and exchanged online.

The internet has therefore generally resulted in lower transaction costs. A transaction cost can be defined as the costs related to participating in the marketplace, i.e., the costs associated with setting up a transaction. These costs are often categorised as search and information costs, bargaining costs and policing and enforcement costs (Coase, 1937). Williamson (1975) identified sources of transaction inefficiencies, including bounded rationality, uncertainty and asymmetric information. Bounded rationality refers to the idea that individuals are not assumed to be perfectly rational in their decisions because they have limited time and access to limited amounts of information while also being subject to cognitive constraints (Simon, 1957). Transaction cost economics suggests that increased transaction efficiency is an important source of value creation. Reductions in uncertainty and in search and information costs can thus provide firms with a competitive advantage. This can be done by e.g., building a reputation or by fostering trust among the transacting participants (Williamson, 1983).

The increased availability of information and lowered transaction costs have at times put established information brokers in an awkward position (Amit and Zott, 2001). Travel agencies, newspapers and other intermediary businesses have struggled to re-position themselves as information has become more accessible via the internet. At the same time, ICTs have enabled new forms of interaction between firms and customers. For instance, firms are, to an increasing extent, innovating through links to the external environment (Chesbrough, 2003; Lee and Cole, 2003; Spaeth et al., 2010; Muller-Seitz and Reger, 2010). Growth in ICTs has also made it possible for geographically and organisationally dispersed actors to engage in collaborative work (Dodgson et al., 2006). Phenomena such as open source software communities, blogs and other means of interaction have gained importance. These communities have in some industries become a source of competitive advantage for firms (Dahlander et al., 2008).

The internet has therefore sparked a process of creative destruction, where some businesses have become increasingly obsolete while new opportunities are generated for others. Such a pattern can be seen in e.g., the Swedish fashion industry. Before the rise of social media, and especially blogs, marketing channels accessible to fashion producers were primarily related to professional actors in traditional media. Fashion journalism has generated trust and acceptance by a large share of the audience they serve. Items covered in the media are regarded as superior and fashion periodicals therefore become an important source of information (Kawamura, 2005). By doing so, they seem to develop a form of customer intimacy (Treacy and Wiersema, 1993) that gives them credibility and a large audience of readers. Since 2005, however, entrepreneurial consumers have increasingly dominated digital media channels. Consumers who write about fashion through blogs have in some cases become so popular that they are readership competitors to traditional fashion journalism.

A growing body of literature has sought to describe and understand the emergence of blogger communities and how these relate to firms. In this context, blogs have been conceptually explained as forms of discursive community (Chittenden, 2010) in contrast to other forms of digital community such as brand community (e.g., Muniz and O'Guinn, 2001). Previous work in this area has documented how and why practitioners use blogs (Porter et al., 2007) and provided empirical illustrations of how this works in industries such as journalism (Robinson, 2006) and education (Kim, 2008). The main motives for why firms access blogs have also been described (Kaye, 2010; Hsu and Lin, 2008). One

such rationale seems to be business intelligence. Through blog text-mining, firms can forecast trends and analyse how brands are perceived (Rickman and Cosenza, 2007). As blogs are to be found among different industries, previous literature has identified a wide array of motives for why users take part in blogging. The value that blogs create for users are related to social identity (Chittenden, 2010), information seeking, convenience, expression, affiliation (Kaye, 2010) enjoyment and knowledge sharing (Hsu and Lin, 2007).

Since blogging is a relatively new phenomenon, a number of issues related to them need to be further explored. So far, much attention has been devoted to how firms can make use of blogs. Much less is known about how bloggers create and capture value, especially in some industries where they have become commercial intermediaries between firms and consumers. To be commercially successful, bloggers must create value for consumers and also be able to capture this value somehow.

3 Method and research setting

To study the value creation of blogs, an empirical setting was chosen where bloggers have become increasingly professional and commercial over time. One good example is the fashion industry. Here, bloggers writing about fashion have gained importance, especially in Sweden, where they in some cases have become celebrities running their own businesses.

The number of internet users in Sweden reading and writing blogs has been estimated to 500,000. Reading and writing of blogs is especially popular among girls and young women (Findahl, 2011). The largest segment of blogs in Sweden consists of fashion blogs that focus on fashion brands, fashion products and fashion e-commerce. In August 2009, more than 60 Swedish fashion blogs had more than 10,000 visits per week. Ten of these bloggers had more than 100,000 visits per week.

The most popular fashion bloggers were identified using the Swedish blog ranking service 'Bloggportalen'. This blog ranking service offers independently measured data regarding weekly visits on Swedish blogs. It is the largest of its kind in Sweden and also includes such capabilities as listing the most popular blogs in different categories, such as fashion. Through this portal, a sample of the 20 largest fashion blogs, defined in terms of weekly visits, was created in August 2009.

Due to a large amount of missing data in two cases, the sample was reduced to 18 blogs. In light of our aim to study how bloggers create and capture value, the sampled blogs were first reviewed in further detail based on the following criteria:

- 1 who owned and operated the individual blogs
- 2 the technical platforms they used
- 3 whether the blogs were operated through a registered company
- 4 whether blog-related businesses and commercial collaborations among bloggers in the sample could be identified.

During 2009, detailed data was collected from the sample blogs using a netnographic approach inspired by Kozinets (1997, 1998, 2002). Netnography is a method of research

using an ethnographic approach on the internet. It allows the researcher to observe or participate in consumer discussions on public websites (Kozinets, 2002). In contrast to Kozinets' proposed procedures for data collection, this study employed an observational approach (Beaven and Laws, 2007; Langer and Beckman, 2005). The sampled material was downloaded and each individual blog post was recorded using Excel. Field note data together with copies of particularly relevant blog posts were collected in individual documents for each blog.

Having collected the data, the sampled bloggers were categorised based on data generated from the initial review combined with bloggers' published contents. Next, the method of content analysis was applied to the data following the sequential steps presented by Silverman (2006, p.159). Two major interrelated aspects of the blogs related to our research purpose were analysed in further detail:

- 1 the references to brands in blog posts
- 2 the integration of brands by bloggers in the same blog posts.

All blog posts were reviewed to identify fashion companies or e-commerce actors mentioned. When a post included a reference, the name of the fashion brand or e-commerce business was recorded, including the number of times it was mentioned. Fashion companies were defined as "companies specializing in apparel, shoes or accessories" and e-commerce as "online retailers specializing in fashion products in terms of apparel, shoes or accessories." Thus, e-commerce in this study was defined as retailers of fashion, not the actual owners and managers of fashion brands.

Similarly, the integration of brands by bloggers in blog posts was analysed by categorising blog posts in the following way:

- 1 blog posts that did not contain references to fashion brands or fashion related e-commerce, referred to as private posts
- 2 blog posts which contain commercial references to fashion brands and e-commerce businesses but simultaneously include a private context, shorthand referenced as posts referring to brands
- 3 blog posts that did not contain a private context but only references to fashion brands or references to e-commerce businesses, referred to as advertisement posts.

For our purposes, a post was considered to include private content when it included narratives of a blogger's everyday life, such as writing about school, pets, boyfriends, family vacation plans, etc. Thus, in blog posts that contained commercial references but also private material, the commercial references in these cases became integrated into these personal and private narratives.

In addition to this categorisation of blog posts, three reoccurring commercial activities exhibited by the bloggers were identified from field note data collected through the netnographic study. These included 'today's outfit', question times and competitions. A common characteristic among all three activities was that they, in a majority of cases, integrated fashion brands and fashion related e-commerce.

4 Results

This section first presents the studied bloggers and their main sources of revenue, followed by a presentation of the private and commercial content that bloggers publish on their blogs. In the next section, three identified activities relating to integrating fashion brands and e-commerce on blogs are described. Lastly, an example is provided that illustrates how one of the studied bloggers has undergone a shift from being an amateur to becoming increasingly professionalised.

4.1 Main characteristics of bloggers

Since 2005, several bloggers have generated large audiences, in many cases more than 100,000 readers per week. Table 1, below, describes characteristics of the studied fashion blogs. Eleven of the 18 top bloggers have registered companies, demonstrating that these fashion bloggers have become increasingly professional over time.

Table 1 Characteristics of the sampled fashion bloggers

<i>ID</i>	<i>Age</i>	<i>Gender</i>	<i>Number of visits per week (August 2009)</i>	<i>Operation time (months)*</i>	<i>Registered companies</i>
1	19	Female	642,182	60	Yes
2	18	Female	641,989	48	Yes
3	18	Female	586,629	36	No
4	19	Male	211,256	22	No
5	22	Female	206,263	36	No
6	18	Female	172,307	24	Yes
7	27	Female	153,509	24	Yes
8	15	Female	149,565	24	No
9	31	Female	144,670	24	Yes
10	30	Female	92,732	22	Yes
11	36	Female	79,740	24	Yes
12	25	Male	75,877	24	Yes
13	16	Female	74,262	48	No
14	25	Female	70,761	60	Yes
15	35	Female	61,211	24	Yes
16	29	Female	61,045	60	No
17	20	Female	58,091	36	Yes
18	27	Female	55,349	48	No

Note: *Up until 2010

Based on the initial review of the studied bloggers operations and the netnography, four categories of fashion bloggers can be identified (see Table 2 below). The first group is entrepreneurial bloggers (EB). These are five bloggers who exhibit entrepreneurial traits and have chosen to operate their blogs through registered companies. EBs are 18–25 years old. Four women and one man belong to this category. Their current businesses stretch beyond their blogs. However, in all cases the blog was the starting

point of their business careers. A common characteristic among the blog posts this group publish is that narratives of their everyday life are combined with reports on their entrepreneurial ventures.

Bloggers in the second group have also generated large audiences but have not yet registered companies. They are therefore described as amateur bloggers (AB). The group contains six bloggers aged between 16 and 22. Instead of starting their own businesses, ABs collaborate with blog services companies. These companies provide technical platforms for operating blogs and have developed infrastructures for advertising distribution. Based on the amount of generated traffic, ABs obtain revenues from these companies. The group also differs from EBs in that they have not yet explored other business opportunities related to blogging. In terms of their published blog posts, these entries often contain more private and personal content in contrast to EBs.

Table 2 Main revenue sources, main characteristics of published content, and blog related businesses and commercial collaborations of the identified four categories of bloggers

	<i>Entrepreneurial bloggers</i>	<i>Amateur bloggers</i>	<i>Fashion experts</i>	<i>Celebrity bloggers</i>
Main revenue sources	Limited companies and sole proprietorships	Employment in blog service businesses	Employment in media businesses	Limited companies combined with employments in media businesses
Main characteristics of published content	Combines narratives of their everyday lives with stories of their entrepreneurial successes.	Take a profoundly private and personal point of departure in published blog posts.	The published material is filtered through their journalistic role in terms of providing fashion advice, combined with glimpses of their private lives.	Write about their careers in the entertainment industry, combined with personal stories of their everyday lives.
Blog related businesses and commercial collaborations	<ul style="list-style-type: none"> • Owner of a blog network • Owner of an e-commerce business • Owner of a fashion design company • Design collaborations with fashion design businesses • Modelling • Host of a programme broadcasted by MTV • Lectures services • Book contracts 	<ul style="list-style-type: none"> • Appearances at different venues such as department stores, night clubs and TV-shows 	<ul style="list-style-type: none"> • Owner of a virtual community • Book contract 	<ul style="list-style-type: none"> • Owners of limited companies and sole proprietorships related to the entertainment industry

Traditional media companies publishing newspapers and magazines, and broadcasting television channels, have in some cases employed fashion bloggers. This group of fashion experts (FE) is associated with traditional media companies in their areas of interest. FEs are slightly older than EBs and ABs, being between 27 and 30 years old. In addition to their prominent role on the internet and the Swedish fashion blogosphere, FEs are also important figures in Swedish fashion media. In total, this group consists of four bloggers. The material this group publishes seems to be filtered through their journalistic role and a more professional approach can be discerned compared to EBs and ABs.

The fourth and last group consists of three bloggers who are between 31 and 36 years old. Before they started their blogs, they were already celebrities and prominent public figures. These characteristics could explain why they have generated a large number of readers rather quickly. They are referred to as celebrity bloggers (CB). They differ from EBs and ABs in that their commercial activities did not originate in blogs. Rather, they entered the blogosphere after having built a celebrity status through other activities. A distinctive trait among this group is that bloggers often report on their careers and combine this with more personal stories.

4.2 Blog content

Blog content was reviewed for frequency and share of references to fashion brands and e-commerce, as shown in Table 3 below. A significant number of commercial references (16,755) were published by the bloggers during 2009, and especially by FEs (9,906) and EBs (3,932).

Table 3 Frequency and share of fashion brand references, e-commerce references and total references for 2009

	N	<i>Fashion brand references</i>		<i>E-commerce</i>		<i>Total</i>
		<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>
Entrepreneurial bloggers (EB)	5	3,559	90.5%	373	9.5%	3,932
Amateur bloggers (AB)	6	1,581	79.9%	397	20.1%	1,978
Fashion experts (FE)	4	9,820	99.1%	86	0.9%	9,906
Celebrity bloggers (CB)	3	931	99.1%	8	0.9%	939
Total sample	18	15,891	94.8%	864	5.2%	16,755

The private nature of blog-published content in general is one of the features characterising the group of market-leading fashion bloggers [see Table 4. The majority of blog posts (77.6%) are dedicated to describing the private and personal lives of bloggers. Stories from their daily lives are published, often in a rather intimate manner. Interestingly, advertisement posts amount to a relatively small share (2.9%), whereas the number of posts that integrate narratives and brands is significantly higher (19.4%). A cross-tabular comparison of the total number of references to brands and e-commerce (16,755) with the aggregated number of posts referring to brands and advertisement posts (5,526), suggests that individual posts show a significant number of references to brands and e-commerce (3.03 references per post].

A significant share (46.4%) of posts referring to brands comes from FE bloggers. The EB group exhibits the second highest share of posts that refer to brands and products (20.3%) as well as the second highest share of advertisement posts (4%). When aggregating the share of posts that refer to brands with advertisement posts, as part of measuring the share of commercial posts, FEs exhibits the highest degree (51.8%) compared to EBs (24.3%), CBs (13.6%) and ABs (8.7%).

Table 4 Frequency and share of private posts, posts referring to brands, and advertisement posts for 2009

<i>Fashion blog category</i>	<i>Private posts</i>		<i>Posts referring to brands</i>		<i>Advertisement posts</i>		<i>Total posts Frequency</i>
	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>	
Entrepreneurial bloggers (EB)	4,424	75.6%	1,190	20.3%	235	4.0%	5,849
Amateur bloggers (AB)	9,626	91.3%	761	7.2%	161	1.5%	10,548
Fashion experts (FE)	2,587	48.2%	2,491	46.4%	289	5.4%	5,367
Celebrity bloggers (CB)	2,545	86.4%	358	12.2%	41	1.4%	2,944
Total sample	19,182	77.6%	4,800	19.4%	726	2.9%	24,708

4.3 Commercial activities

Among fashion bloggers, there are three common activities that blend private and commercial communication. The first commonly used activity is to publish 'today's outfit'. In these posts, the blogger describes her or his garments, shoes, and accessories that they wear, day by day, using photographs and text. Readers can see the entire outfit in the photographs, while the text discusses included brands. In the most cases, but not all, today's outfit is an advertisement post with no private context but with references to brands, products or e-commerce.

Another frequently used practice is question times. This activity is especially common among the groups of entrepreneurial and amateur bloggers. During these sessions, readers may question bloggers about virtually anything. Usually, question times are announced through a blog post that encourages readers to post their questions as comments to that particular post. When enough questions have been posted, the blogger publishes yet another post containing answers to a selected number of questions. A considerable share of the posted questions concern fashion trends, fashion brands and fashion products. Frequently recurring themes include which garments the bloggers recommend for the coming season, or which brands fashion bloggers like best.

Competitions are the third commonly used activity. In the majority of cases, competitions are announced through a blog post where instructions, prizes and deadlines are presented. Readers are urged to compete to win products and gift cards, often related to the fashion industry and fashion brands. This activity provides yet another illustration of how commercial content is integrated into blog content. The bloggers usually urge their readers to compete and thus, the exposed brands become an integrated part of the relationship between bloggers and readers.

4.4 *Example of an entrepreneurial blogger*

One good example of how fashion blogging has become professionalised among the bloggers sampled for this study is Isabella Löwengrip. She started her blog, 'Blondinbella', in January 2005. As her blog increased in popularity, she decided to found a company, Blondinbella AB, from which she has managed her blog since October 2007.

In May 2008, she created another company, Spotlife AB. One of the main purposes for this company was to create an exclusive network of bloggers. To generate revenue, a sales partner was contracted. She created a new e-commerce company in July 2008, and in February 2009, another company was added, Classified AB, from which Löwengrip released her own fashion collection. In April 2010, Löwengrip founded Löwengrip Invest AB to work with publishing and lecturing services as well as venture capital for advertising and marketing. The latest addition is Egoboost Magazine AB, founded in April 2011, a company that publishes Egoboost magazine.

Löwengrip clearly illustrates how bloggers, by adopting new technology at an early stage, has created platforms for additional businesses. Blogging becomes the central praxis around which other businesses evolve. The blogs provide a marketing channel to communicate their latest business ventures as well as report about their private lives to their readers. For Löwengrip, the aggregated turnover of all her blog-related companies was about SEK 7.7 million (€ 850 000) in 2010. Löwengrip is not an exception. Several other leading bloggers have exploited the commercial value of blogs in a similar way.

5 **Analysis and discussion**

This section explains and discusses why commercial fashion blogs have emerged as important actors in the Swedish fashion industry. It depicts how fashion bloggers create and appropriate value based on a set of activities. Entrepreneurial bloggers, in particular, have built profitable businesses as a result of their blogging activities. To better understand value creation and appropriation in this setting, this section will devote special attention to this category of blogger.

5.1 *Value creation*

Fashion bloggers differ from traditional marketing activities and market channels in an important way. Fashion bloggers publish a combination of private and commercial content that distinguishes them from brands and fashion stores (see Tables 3 and 4 above). Only 2.9% of posts are pure advertisements, while 19.4% of all posts contain references to brands. By so doing, they seem to develop a form of customer intimacy (Treacy and Wiersema, 1993) that gives them credibility and a large audience of readers.

While fashion bloggers clearly depend to some extent on commercial content, they are nevertheless still rather independent. Their ability to integrate brands and stores into a description of their daily lives differentiates fashion bloggers from more traditional marketing. Through blog activities like 'today's outfit' and Q&A sessions, fashion

bloggers create a story around the products they refer to and thus, they build a relationship with customers.

Put differently, fashion blogger activities seem to reduce transaction costs associated with fashion consumption. Transaction costs are normally defined as the costs incurred when participating in the market (Coase, 1937; Williamson, 1975). The value creation of fashion bloggers is primarily related to reduced search and information costs and reduced uncertainty as consumers search for products they want and information that can be trusted. Fashion is, by definition, subject to constant change. It has a high degree of subjectivity, especially when it comes to which products are currently to be preferred. Because customers have limited time and incomplete information, fashion bloggers seem to be an important source for knowledge and reduction of uncertainty. Moreover, there is an abundance of competing products on the market and it is not obvious how those should be assessed or combined. Hence, it can be argued that the search and information costs related to acquiring fashion products have historically been rather high.

Fashion bloggers generate so much online traffic because they reduce search and information costs for consumers who can be regarded as boundedly rational in this setting. By visiting a couple of fashion blogs regularly, consumers may efficiently stay updated with current trends. Bloggers also reduce search costs and, because many fashion bloggers have become celebrities in Sweden, they have built a strong reputation for being knowledgeable about fashion, which also seems to generate improved transaction efficiencies.

Transaction costs are further decreased through the publication of both private and commercial blog posts. This combination increases the reliability of blogs as consumers can view fashion products in different social settings. The more personal content makes it possible for consumers to identify themselves with the fashion bloggers, and subsequently with the products they use. This also lowers transaction costs.

5.2 *Value appropriation*

The value created from increased transaction efficiencies are appropriated both directly and through related revenue sources. Through registered companies and in some cases employment, several of the fashion bloggers studied have created revenue streams that come directly from some of the products and advertisements featured on their blogs. In this sense, bloggers act as brokers who obtain a certain amount of the value generated through the lowered transaction costs. Indeed, EBs have a higher share of commercial blog posts (24.3%). This suggests that as bloggers become more established, they are more able to appropriate some of the created value. Fashion blogs have become a new marketing channel for fashion firms and, by reducing transaction costs, they create value for both consumers and fashion firms.

Value is also captured through other revenue sources (see Table 2 above). EBs exhibit the highest degree of these activities. The implication is that for ABs to continue to grow, they will arguably have to broaden their scope and create more indirect revenues. In perspective, the level of entrepreneurial initiatives taking its point of departure from blogs among FEs and CBs is considerably smaller. The fact that these groups already have professional occupations related to journalism and entertainment is a likely explanation for less entrepreneurial activity.

Commercial bloggers strike a balance between the creation and appropriation of value. If fashion bloggers were completely independent of the brands they feature, their

credibility would probably be even higher, thus creating even lower transaction costs. However, such a setting would imply that little value is captured by the bloggers. Conversely, if fashion bloggers publish commercial posts only, they would no longer be differentiated from more traditional marketing channels. Consequently, transaction costs would not decrease. Little value would be created, and therefore there would be less value available for the blogger to appropriate. Commercial fashion bloggers have successfully struck a balance between value creation and appropriation. In doing so, they enable increased transaction efficiencies from which they are able to benefit.

5.3 Managerial implications

The emergence of commercial fashion blogs with large audiences implies that a new set of actors are increasingly controlling how brands are perceived by consumers. The performance of fashion firms therefore becomes more dependent on their ability to master this new channel.

On the one hand, the findings in this study suggest that consumers read fashion blogs because they regard them as trustworthy sources of information. Fashion firms that manage to get the right kind of attention in the blogosphere consequently get closer to their customers and develop stronger relations with them. Thus, they acquire a competitive advantage.

On the other hand, in fashion blogs, fashion firms have less control on how their brands are positioned vis-à-vis consumers. Although most of the attention brands receive seems to be positive, it can still be problematic for firms if the perception of their products is increasingly controlled by bloggers. The image a firm wants to convey and the appeal it wants to create with a certain brand may not match the preferences of fashion bloggers. Thus, negative publicity concerning a particular brand can emerge. When this happens, fashion firms become vulnerable.

From the perspective of fashion firms, commercial fashion blogs with large readerships represent an emerging marketing channel that offers the possibility of increasing brand awareness and becoming part of brand-centred discussions taking place online. The combination of private and commercial content would arguably create favourable conditions to enhance desirable brand associations and customer intimacy. This, however, also implies that negative publicity concerning brands could generate undesirable brand associations. This represents a challenge for managers of fashion firms as they need to master this new channel strategically.

As sources of competitive advantage are, to an increasing extent, found beyond the boundaries of the firm, new managerial challenges will emerge. In such a setting, firms do not any longer have executive control over strategically important assets (Håkansson and Ford, 2002; Dahlander and Wallin, 2008). Some studies in the field of open source software have pointed out guidelines for how these challenges can be handled (Dahlander and Magnusson, 2008). In this industry, firms have successfully motivated user communities to take part in the development of new software. They have done so by using more subtle control mechanisms and tried to align incentives throughout the network. However, more research is still needed on how firms can manage beyond their boundaries, especially with regard to social media and the blogosphere. The ability to do so is becoming a critically important capability.

6 Conclusions

This paper has explored one phenomenon related to the trend of increased openness in business development, namely the emergence of commercial bloggers. Our netnographic study of Sweden's top fashion bloggers suggests that the capability of these actors to bundle private and commercial content results in improved transaction efficiencies in the fashion industry. In such a fast-changing industry, where the performance of products is largely subjective, the costs associated with searching for the right garments are quite high. Fashion bloggers, because they put fashion products in a private and personal context, can be more reliable for consumers than traditional forms of marketing. Transaction costs associated with buying fashion products are subsequently reduced. Put differently, fashion blogs generate a lot of traffic because they reduce uncertainty for readers and facilitate access to information regarding what is fashionable at a certain time.

The value fashion bloggers create is turn appropriated in different ways. Based upon the traffic they generate, bloggers receive revenues from advertisements. Further blog-related sources of revenue come from initiatives such as the development of online stores or of their own brands. Most of these revenues are related to the large audience of blog readers. Here, the blogs function as platforms for communication between bloggers and their markets.

Making money from blogging is therefore about striking a balance between private and commercial contents in blogs. Publishing commercial posts only can negatively affect the credibility of bloggers and would therefore negate any improved transaction efficiencies. Publishing private posts only would increase transaction efficiencies while at the same time reduce the value bloggers can appropriate.

The study suggests that social media and blogging in general can be further studied by drawing upon transaction cost economics. As social media is a relatively new phenomenon now receiving increasing academic attention, the arguments raised in this paper present interesting suggestions for future research. Furthermore, the emerging critical source of competitive advantage for fashion firms related to management of the blogosphere needs to be further investigated.

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