The Impact of Social Media on Entrepreneurial Business Performance in Developed Countries

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ABSTRACT

Based on a content analysis of 11 papers published from 2011-2015. This paper examines some of the roles and determining factors of social media use in entrepreneurial business performance in developed countries. Saudi Arabia is presented as a case study to illustrate the considerations made. Four key factors were found to have an impact on social media use in entrepreneurship in developing countries: (i) advertising and branding; (ii) information accessibility; (iii) consumer service; and (iv) social capital. The results of the analysis demonstrate how social media use was influential in marketing strategies and in improving the reputation of brands and services in the realm of entrepreneurial business in developed countries.

Key words: entrepreneurship, social media, e-marketing, business performance, Saudi Arabia.

1. INTRODUCTION

A ‘developed country’ might be defined as one which has a highly developed technological infrastructure [1]. Drawing from a content analysis of 26 papers, the aim of this paper is to evaluate the role and impacts of social media use on entrepreneurial business performance in developed countries. Social media serves a range of different functions for business performance in general; including advertising, branding and promoting products and services and conducting market research [7]. Furthermore, social media functions to obtain consumer reviews and feedback regarding the latest products and services offered by businesses. Referrals from one customer to another are a unique feature of social media, occurring via word of mouth marketing [7]. Moreover, social media is used by businesses to share information with users and to gather information on competitors.

This paper discusses the potential determining factors of social media use on business performance and presents a broad overview of the impacts of social media and its role for business in developed countries.

2. METHOD

An electronic literature review was conducted on papers published between 2011 through 2015, using Google Scholar and the databases
such as EBSCO and Host. All potential abstract were read. The content of 11 out of 26 published peer-reviewed were selected and analysed. The selection of papers was recruited from a variety of Journals which relate to the topic.

The author found an inductive approach more appropriate to extract the key findings from the readings and develop conclusions.

An analysis of qualitative data and examination of the effects of social media on businesses was conducted. Four key themes were identified from the literature review, which were grouped into categories namely advertising and branding; information accessibility; consumer service; and social capital.

3. CONTEXTUALIZATION

3.1 Social Media Usage in Business

It is impossible to find a consensual definition for the concept of social media amongst scholars. According to [2] social media is “a group of internet-based applications that build on the ideological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content (UGC)”. Moreover, social media might be thought of as “activities, practices, and behaviours among communities of people who gather online to share information, knowledge, and opinions using conversational media”(He, Wang & Zha 2014,p228). “Social Media is constituted by two terms; ‘social’, which refers to the instinctual needs humans have to connect with other humans and ‘media’, which refers to various means people utilize to make those connections with others” [3]. The advancement in the internet has radically changed peoples ‘attitudes and behaviours through the gathering of information and new means of communication [4].

Two thirds of the world’s internet users visit a social networking sites or one kind or another on a daily basis [3]. Globally the use of the internet has been growing exponentially; around 40 percent of the use of Internet from the whole world’s population [5]. Figure 1

![Figure 1: Internet use around the world](image)

The general availability of the internet in the developed world has given individuals the opportunity to use social media, from email to Twitter and Facebook, and to interact without the need for physical communication [6]. The most ubiquitous means of accessing the internet is via smartphones since they are
easily acquired via contract and allow for mobile, convenient usability [2].

In Saudi Arabia for example the use of smartphones is widespread. Saudi Arabia boasts the second highest rate of smartphone use per capita in the world [5]. Figure 2

Along with the global explosion of the internet social media platforms such as Facebook, Twitter, YouTube and Instagram have taken centre stage, in many ways epitomizing the cultural importance of the internet. Apart from the wide range of personal functions, social media is quickly becoming one of the most salient factors in the conducting of business in today’s fast-paced world, in many instances completely reshaping the ways in which business is done [2]. Generally speaking, social media are characterized by user generated content, which has been found to be more effective than traditional means of business marketing and communication and in influencing attitudes and behaviours of clientele bases [7].

It has been contended that people generally do not like to be told what to buy; instead they prefer making decisions themselves and seeking relevant information via communication with fellow consumers, either face-to-face or through online platforms [3]. Social media has generated new ways of thinking amongst consumers in present-day markets in developing countries and has opened up progressive avenues though which people are able to learn about, perceive and interact with products and services. With this in mind it behoves marketers to be aware of how social media impact customer consciousness and in turn understand the intimate relationship between public and corporate social media usage and business performance [3].

Nowadays, advancements in the internet have rendered new avenues available to businesses, such as social media platforms like LinkedIn and advertising on Google and Facebook. [6].

Many transnational corporations such as Dell and Starbucks use social media to fulfil business imperatives such as driving website traffic, increasing customer loyalty and retention, enhancing sales and revenues, improving customer satisfaction, creating brand awareness and building brand
reputation. However, such benefits of social media are certainly not limited to large businesses and are also crucial for small businesses [8]. Some studies have shown that consumers prefer to interact with small business owners than with large corporations [8]. Some consumers even see small businesses as their “friends” and enjoy supporting small business owners [8].

Social media is an extension of public relations because it helps businesses (especially smaller enterprises) to maintain relationships with their customers by providing direct communication to their target markets. Social media allows businesses to open dialogue with customers in order to reach out and ascertain what interests them [2].

However, social media is not merely as a marketing tool, but is in fact constitute an entire marketing strategy [9]. Marketing focuses on the benefits of pre-selling activities, including improved advertising and marketing efforts and reduced marketing costs, whereas sales refers to the actual benefits related to the sale of a product or service, including increased market share, revenues, and product improvements [10].

A critical success factor for small businesses is their ability to market themselves efficiently and cost effectively by reducing or eliminating marketing and sales costs, and social media provides an opportunity to do just this [10]. 66 percent of small business owners with two or more employees strongly agree that social media is important for their business [10].

Social media is used for various purposes such as for branding, advertising and promoting products and services, as well as for conducting market research, which assists in determining customers’ desires and needs, receiving referrals (word-of-mouth via likes, shares and followers in Facebook, Twitter, etc.) and also to generate customer opinion and feedback about existing products and services [7].

The main purpose of social media then is communicating and building relationships with potential customers. It should not be seen merely as a sales and marketing channel but also as a tool for building brand awareness [2]. Sales are only a secondary effect [2]. It is therefore vital to select appropriate social media platforms for communication since social media offers massive power for public relations practitioners to build relationships between businesses and the public [2]. In particular it is necessary to determine which areas companies should begin to work on and how they can reach the most potential target groups in developing and sustaining business performance [9]. For smaller start-ups it is recommended that work starts on a single social media platform (e.g. Facebook), and then move to other platforms, whereas
established and well-known companies should engage the social community in several ways [9].

3.2 Corporate Social Media Use in Saudi Arabia

Recently, social media use by businesses in the Middle East has gained significant scholarly attention. Many studies based on this region have analysed the use of Facebook and Twitter in particular in business marketing [2]. These studies shed light on how social media has been highly effective as a marketing tool in the Middle East. Social media is potentially effective for business performance due to the increase of social media usage among populations in Middle Eastern countries [2]. However many companies in the Middle East are yet to grasp this potential, particularly the power of social media as a means to interact with their customers [2]. This is thus a highly topical and relevant field of inquiry and one that requires further investigation by scholars.

Nowadays, every person in Saudi Arabia for example carries at least one smartphone, which amongst other purposes are used to access social media platforms such as Twitter, Facebook and Instagram [2]. It is believed that social media attracts Saudis for many reasons. Individuals in Saudi Arabia use Facebook and Twitter for entertainment and to communicate with their friends and families, to find out what is new and trending in the fashion industry for example and what is popular around the world [2]. People in Saudi Arabia thus spend a lot of time using social media to gather information for personal and professional purposes [2].

Next is presented the key findings of this paper, which discuss four primary factors that influence the use of social media by businesses in the developed world.

4. FINDINGS

4.1 Impacts of Social Media Use in Businesses

This section presents and discusses four key impacting factors of the use of social media by businesses and on their performance. In particular these factors shed light on how social media impacts entrepreneurial business performance in developed countries. They are as follows:

(i) Advertising and branding
(ii) Information accessibility
(iii) Consumer service
(iv) Social Capital

4.2 Advertising and Branding

Advertising is understood to be the most widely recognized use of social media for all firms, both large and small [10]. Brands play a vital role in business growth, representing a promise to provide specific product and/or service benefits, features and experiences
consistently to customers and/or clientele [3]. Social media are increasingly emerging as the voices of brands [7]. The advent of Web 2.0 has seen a drastic redefinition of customer/brand relations; namely where consumers talk to brands and brands talk to consumers, and most importantly consumers talk to each other [7].

Recently, digital advertising such that conducted on Twitter and Facebook have greatly reduced the cost of advertising, and have also significantly reduced marketing costs [7]. Social media thus offer small businesses in competition with larger business cost-efficient means to limit advertising expenses as well as to expand their reach to potential markets both on local and global levels [8]. Furthermore businesses are able to utilize social media in marketing strategies in the promotion of services and products via online platforms, thus keeping customers informed and up-to-date [3]. Sites like Instagram are particularly popular for online business marketing, with over 50 percent of the top brands in developed countries using the platform as a marketing channel [11].

There is no doubt that social media are also used to enhance the word-of-mouth communication; [7] marketing takes place online but then continues and amplifies through interpersonal contact (both virtual and physical) and sharing of product/service knowledge. As a result of online communication related to business Electronic word-of-mouth (eWOM) has emerged as a popular buzzword and has been shown to be tremendously effective in promoting brand and services via the exchange of r customers’ experiences and opinions [12].

Social media has a massive influence on brand reputation, through for example what Wally [11] calls "Friendvertising"; the establishing of contacts via sites like Facebook to drive advertising. People are more and more frequently serving as informal advertisers of brands by posting online content that very often inadvertently promotes the brands that feature in posts. Through advertising driven by businesses directly using social media as well as ripple-effect advertising by online users and/or potential or existing customers, customer loyalty is built. Such loyalty is generated by successful bands, where ideally brands are defined by what customers say about brands and how they experience brands [3].

4.3 Information Accessibility

A second key impact of social media use in business is information accessibility; one of the most important effects since it is easy to gather large amounts of information about consumer needs and interests from their comments and conversations online [9] and [7]. Social media are virtual where information about products and services are shared and
discussed (Chen et al. 2011a). Moreover businesses benefit from gathering information about competitors, their activities, their improvements and their social media tactics and strategies [9][7]. A comment from a respondent of a study conducted by Parveen illustrates this point:

“...yes we do see what our competitors do, I personally subscribe to the social media pages of all competitors, we do have a social media monitoring platform, currently it is very basic, through which we gather basic information, such as number of fans they picked up, why and how they promote people to join their Facebook page. This year we are going to look more specifically and conduct a detailed search about our competitors; we can subscribe to monitoring services, then we can look at what others are doing, so that we can leverage on whatever information we have...”[7].

Information accessibility also work in favour of consumers; where it is possible to gain access to limitless business-related resources, very often, recommended or shared by other consumers through social media sites. Social media platforms can be conceptualized as a kind of safe-haven where consumers are able to interact with one another freely and confidentially [3]. Furthermore, consumers are actively encouraged by businesses to rate and review products and services online [6]. On the other hand, inevitably not all feedback will be positive, and businesses are confronted with dealing with negative comments and reviews and reacting accordingly despite the merit or lack thereof of online feedback [9].

4.4 Consumer Service

Consumer service activities are another very important impact of social media on business performance, mainly used is to generate effective communication and develop positive relationships with customers [7]. Social media quite effortlessly provide platforms for convenient communication with customers whereby businesses are able to respond to consumers’ queries immediately by answering consumer queries via social media and directing them to the relevant places for more details and services [7].

On the one hand, establishing large quantities of users is a massive advantage of using social media, yet on the other hand a disadvantage (an unavoidable reality) is that it is not possible to reach all potential target groups (mostly younger users, between the ages of 15 and 34 years) [7].

More and more people spend their time on social media sites such as Facebook and Twitter, marking a major move away from traditional media such as television, radio, newspapers, and magazines, notwithstanding the continuing popularity and importance of these forms of media, both in the developed and developing worlds. Businesses are harnessing this enormous potential to enhance
their performance by marketing their products and services via social media.

Increasingly different kinds of social media are being utilized and experimented with such as Instagram [13]. 5 million photos are shared on Instagram on a daily basis, symbolizing the efficacy of this platform as an effective tool to reach consumers [11].

Businesses are increasingly using social media to respond to enquiries and concerns around the quality, price, payment options etc. of products and services offered, thereby interacting with customers as efficiently as possible and dealing with questions without the need for face-to-face contact [13].

4.5 Social Capital

Studies have illustrated how businesses can make lucrative and highly effective use of social media and how social media could significantly impact an enterprises’ reputations, sales and even survival [8]. The impact on sales refers to the actual benefits related to the sale of any given product or service, including increased market share, revenues, and product improvements [10].

As the world of business rapidly transforms, social media has a key role to play in every step of the sales process; understanding the customer, approach, needs discovery, presentation, close, and follow-up is intimately related to the application [13].

4.5.1 Understanding

The goals of businesses engaging on social media are building communication and gathering information as a second effect of marketing processes such as advertisement [9]. Moreover e there is a link between social media and understanding.

By paying attention to and thus understanding customers’ issues, questions, concerns, and experiences voiced on social media platforms, businesses are able to better tailor their products, services and marketing strategies to match customer preferences and perceptions. Understanding the customer leads directly into crafting the next step of the sales process the approach [13].

4.5.2 Approach

The initial approach to the customer gives the salespeople an opportunity to build rapport, gain the prospect’s attention, introduce themselves while establishing credibility, and qualify the prospect, among other things [13].

It has been found that posting local community information or social responsibility activities on social media pages could very well strengthen customer trust and loyalty, improve businesses’ e reputations, as well as encourage followers and their friends to participate in the online promotion and marketing of products
and services [8]. Social media build trust between businesses and their customers/clients in effective and efficient ways, particularly in reacting to and meeting customer needs [13].

4.5.3 Needs discovery

As discussed consumer (both prospective and existing) make use of social media to share information on products and/or services as well as make inquiries. By these means salespersons or marketing groups are able to follow posts, and react to them accordingly, thus avoiding similar concerns of future customers. Moreover, customers will discover answers to questions they did not even know they might have had; thus better informed buyers and better relationships between customers and businesses through such online interaction can be created [13].

4.5.4 Presentation

Presentation occurs after the needs and wants of customers have been explored. Now the salesperson considers the needs of the prospective customer/client. At the same time the prospect can continue to ask questions, not only to the salesperson directly, but also by using social media to gain information and advice from previous or existing customers/clients. The salesperson can also use visual aids to convey his/her message and engage with the prospect to find solutions together; a process known as "customer co-creation of value" [13]. It then becomes a prospect/salesperson collaboration rather than the salesperson simply offering a product or service [13].

4.5.5 Close

This final stage occurs when the customer decides to buy or make use of a given product or service. If all other steps have taken place successfully using social media, it is far easier to turn the prospect into a customer. Therefore if social media has been used throughout, social media will can then assist in the close of a sale. As mentioned social media can be used to present testimonials from past customers which are posted on social media websites, generated from customers and not directly from salespersons. At this point the prospect is ideally well-informed and able to collaborate fully in the close [13].

4.5.6 Follow-Up

The sales interaction components are the sales follow-up and customer service, comprising the greater part of a successful sales process. Social media applications offer dynamic online spaces where incredibly useful communication between customers and businesses can be established and sustained. Communication, tracking customer activities, success stories, data mine followers and sharing information can be used through social media (via Twitter
or LinkedIn) [13]. Social media has a great influence on sales as secondary effect not as a sales channel (Svatošová, 2012) by building brand awareness and business reputation [9].

5. DISCUSSION & CONCLUSION

This study illustrates that social media have profound and far-reaching effects on all aspects on business namely; advertising and branding; information accessibility; consumer service; and social capital. Most studies analysed showed that social media are extremely useful for advertising, branding and promoting their products, for conducting marketing research and also to obtain referrals for products and services as the need arises [7]. Moreover word-of-mouth has a great influence on brands and marketers are coming to realize how the use of social media can significantly reduce marketing costs.

Some studies showed that information accessibility is one of the important impacts of social media usage; due to the ease of gathering vast amounts of information and obtaining immediate feedback and recommendations from other users.

Advancements in technology have dramatically changed the ways in which businesses interact and connect with customers [3]. Social media being particularly instrumental in these functions. Businesses should realize that social media is mainly used to build bridges for communication and to develop strong relationships with potential consumers.

In conclusion then, the most essential benefit of social media on business performance is creating communication bridges between businesses and customers. Such communication is usually reflected in sales figures [11]. Businesses would do well to keep in mind that social media are key tools – if not absolutely critical - for successful businesses. The very success of businesses is increasingly contingent on the effective and relevant use of social media platforms in developed countries.

6. REFERENCES


