

# Social media in business

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ITIMS51 Theories and approaches of interactive media

20.10.2013

**Keywords:** social media, social network, internet, business, Facebook, Twitter, sales, marketing, strategy, communication, advertising

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## Introduction

The world of new social media has changed the way how companies conduct business. My focus in this essay is to summarize the recent academic research of how brands and companies use social media.

My research is based mostly on peer-reviewed papers, which may not reflect the very latest findings in the area. In some cases I will add references to resources with a non-academic background.

Possible outcome of the essay is to evaluate the current state of research which may bring up questions like „Do the studies confirm each other or are they more contradictory?“ or „What areas of use of social media in business haven't been explored thoroughly yet and contain many things that need to be uncovered?“ Also the essay will give a reader basic understanding of the topic.

## Defining social media

The good starting point will be to define what social media means. Defining social media proved to be hard as it is new, intangible and general. Several definitions were presented in the paper by Andzulis et al. - definition 1: [Social media is] the production, consumption and exchange of information through online social interaction and platforms; definition 2: [Social media] create opportunities for companies to tell their own stories; and finally they proposed their own definition that is: [Social media is] the technological component of the communication, transaction and relationship building functions of a business which leverages the network of customers and prospects to promote value co-creation. (Andzulis et al. 2012)

So what can we imagine as social media platforms? We can classify various platforms or services as social, eg. social networks (Facebook, Foursquare; further mentioned services), blogs, microblogs (Twitter, Tumblr), forums, podcasting, photo- and video- sharing services (Instagram, Flickr, YouTube, Vimeo, Pinterest), social games, ratings and reviews, wikis, etc. (Andzulis et al. 2012) (Narayanan et al. 2012)

## Social media presence is (almost) a must

The social networks have evolved tremendously over the last years. Let the figures speak for themselves. Facebook has reached 1 billion of active users last year and Twitter has over 140 million active users now. (Narayanan et al. 2012)

The research indicates that 93% of companies based in the US use social media (86% use Facebook and 59% use Twitter). 75% of Fortune's 100 companies are on Facebook and 87% of them are on Twitter. (Narayanan et al. 2012) SAP was the first big company that started using social media, it was already back in 2003. (Agnihotri et al. 2012) There are a few more interesting figures regarding likelihood of people buying a certain product or a service after they have become a fan or follower of the specific company - 51% of people were more likely to buy a product after becoming a fan on Facebook and 67% on Twitter. (Narayanan et al. 2012)

## Benefits of social media presence

Social media are great tools for raising brand awareness, customer loyalty, extending customer service, building relationship and trust with your customers, broadening sales person's reach, reminding them of your presence on the market and a new way of doing business. (Agnihotri et al. 2012) (Andzulis et al. 2012) But according to Andzulis' et al. paper, social media has the greatest effect in lead generation and prospecting. Companies can also gather feedback from their customers on their products, this is suggested by Narayan et al. in their paper.

Rodriguez et al. say that sharing content and building a network of contacts are the principles behind social media. Also that social media usage has a positive impact on creating opportunities and managing relationships. It would be bold to say that social media boosts sales. In Rodriguez's paper they state that social media didn't increase outcome-based sales performance (as revenues or sales quota).

Do you run a dishonest business with unethical practices? Then you should reconsider your presence carefully. People can tear you apart and seriously damage your brand. (Andzulis et al. 2012) (Narayanan et al. 2012)

## Who should be responsible for social media inside a company

This question was discussed in Andzulis et al.'s paper and they propose that it must be a joint work of sales and marketing department so they convey the same message to their customers; but also it should be in alignment with customer service, public relations and corporate communications departments.

## Social media strategy and metrics

Therefore, social media strategy should be worked out in cooperation of sales and marketing reps and agreed by others fore mentioned departments. Rodriguez et al. believe that adding social media to

one's marketing strategy is critical to doing business in today's conversion-laden sales process. They also prefer, as well as others, that pull strategy is more suitable than push strategy. (Rodriguez et al. 2012) (Agnihotri et al. 2012) Push strategy can be understood as an attack towards a customer (eg. ads). On the other hand while performing pull strategy, customers are pulled towards a brand by generating interesting content. (Agnihotri et al. 2012)

Agnihotri et al. recommend the following to craft the strategy: define business goals, find out use of social media by target audience, take into consideration competitor's moves and strategy, keep track of market events and set milestones to follow progress. Narayanan et al. exaggerate by appealing not to have a social media strategy, but to create products and services that compel social activity themselves.

Setting milestones is trickier than it seems at first. How do we measure our efforts and outcomes on social media platforms? All papers I have reviewed agree that growth of the audience (number of new fans/followers per week) is the most misleading metric even though it's very commonly used among companies. (Agnihotri et al. 2012) (Narayanan et al. 2012) Narayanan et al. add one more irrelevant metric and it's ratio of followers to followings; what matters is everything after you post or tweet.

As good metrics are considered conversation rate (number of audience comments or replies per post), amplification rate (number of shares or retweets) that helps you to get your content among 2nd level (or more level) fans; applause rate which reflects how well we understand our audience (measured by likes, favorites or +1s) and economic value (sum of short and long term revenues and cost savings). A decent metric provided easily by Facebook is *people talking about it* which is an amount of people who engaged by liking, commenting or sharing in the last 7 days. (Agnihotri et al. 2012) (Narayanan et al. 2012)

IBM for instance sets goals for each initiative, eg. after posting a link to their blog, they measure traffic on the blog, but don't measure conversion ratio at the same time. Agnihotri et al. in their paper recommend each company to create their own metrics that best fit their purpose of social media. And stress that evaluation criteria should be aligned with business goals.

## One word to rule them all - engagement

All the papers agree that social media is here to engage with the customer. (Andzulis et al. 2012) (Narayanan et al. 2012) (Agnihotri et al. 2012) Why? For example customer engagement leads to stronger brand loyalty and push strategies are likely to be more effective when customers are highly engaged. (Agnihotri et al. 2012)

It reflects the fact that social media unlike old advertising methods (eg. banners) offers two-sided communication and how can you have a conversation with somebody without listening? (Narayanan et al. 2012) (Andzulis et al. 2012) This is the second crucial thing that can be achieved easily using social media - companies should listen to their customers (and competitors, as Andzulis et al. claim). (Agnihotri et al. 2012) Listening is a primary component in building trust with them. (Andzulis et al. 2012) If a company wants to communicate with its customers, it should know what they want or need and if it doesn't know it, it should acquire this knowledge. Social media presence is a waste of resources if it doesn't attract customers or deliver any value to them. (Andzulis et al. 2012)

Unfortunately, interacting with customers on social media is beyond the scope of this paper. The core of the interaction is to give customers added value and not just what company wants to spread. (Andzulis et al. 2012) Various discount coupons, special offers and contests and also asking for their opinions are means widely used by companies to engage the audience and raise their engagement. (Agnihotri et al. 2012) (Andzulis et al. 2012)

## Future research topics

Social media already has solid foundations in research papers, but still there are some areas to explore more closely. To mention a few, it's crisis management, how social media affect customer's choice and how to evaluate ROI of social media. According to Cooper's blog post *A scientific guide to posting Tweets, Facebook posts, Emails and Blog posts at the best time* research should also answer questions regarding posting on social media. She claims that existing studies are conflicting each other. (Cooper 2012)

## Recommendations

There is one book I'd like to recommend for further investigation of social media, it's by Dave Kerpen and it's name is *Likeable social media: how to delight your customers, create an irresistible brand, and be generally amazing on Facebook (and other social networks)*. The book is not academic, but it provides a very good guidance in a easy-to-read way with lots of real world examples. (Kerpen 2011)

For readers who prefer academic books, there is a new book from the Springer publisher called *Handbook of Social Media Management Value Chain and Business Models in Changing Media Markets* or from the Wiley publisher called *The social media management handbook: everything you need to know to get social media working in your business* which may both also answer many questions. (Friedrichsen et al. 2013) (Smith et al. 2011)

For those who prefer condensed information online, they may visit Buffer Blog (<http://blog.bufferapp.com>), which brings a lot of useful articles on managing social media.

## Conclusion

This paper can give companies a good starting point before social media deployment. Because of the limited scope of the paper I couldn't cover findings regarding use of Facebook and Twitter, tools for managing social media, as well as go deeper in a matter of interaction with customers on social media. The state of research is very good and in vast majority of cases congruent. We still have some unanswered questions, which require further research. All the papers I have reviewed can be considered very recent, usually published in 2012 or 2013 and we can expect more coming as it's a popular topic.

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