

A STUDY ON IMPACT OF SOCIAL MEDIA ON COMPANY PERFORMANCE

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Abstract

Social media is the new buzz area in marketing that has businesses, organizations and brands jumping to create news; make friends, connections and followers; and build communities in the virtual space. The purpose of this research was to understand the impact of social media on how Indian companies were adapting their marketing strategies to incorporate social media. A qualitative research study was conducted using structured interviews with 25 social media experts. Social media can be used for internal communications as well as a method of engaging with both existing and potential new customers. It states that the real business revolution occurs in the arrival of several social media sites, such as LinkedIn, Face book, and Twitter. It also discusses the use of social media websites in businesses. Social media is a genuine game changer for business. Companies that invested early to harness the power of social media claim higher returns, with even greater gains predicted to be on the way.

Key words: Business opportunities, Social media, brand image, internet marketing, communication in marketing.

Introduction

Going to the routes of each word, social media can be defined as an instrument that helps to communicate and interact. Media is a tool used for communication, like TV, newspaper, radio etc. Social media are media for social interaction, using highly accessible and scalable communication techniques. Social media is the use of web-based and mobile technologies to turn communication into interactive dialogue. Andreas Kaplan and Michael Haenlein (2010) define social media as "a group of Internet-based applications that build on the ideological

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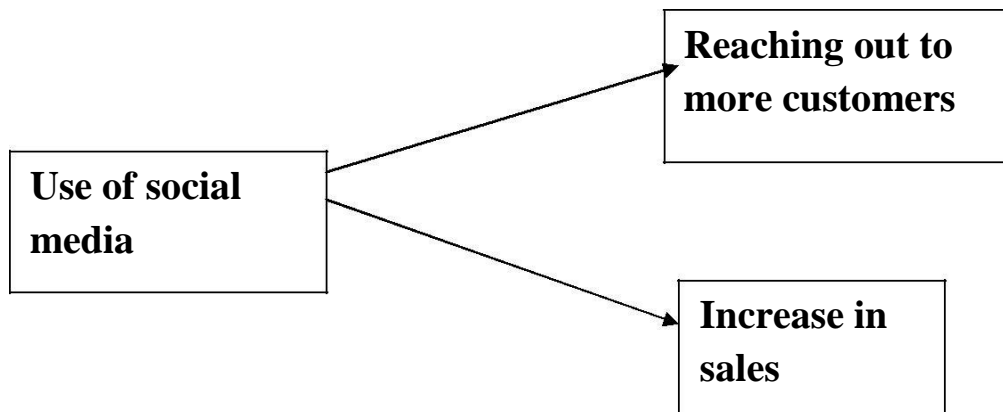
and technological foundations of Web 2.0, which allows the creation and exchange of user-generated content. Businesses may also refer to social media as consumer-generated media (CGM). But social media is not only about communication, it includes as well interaction between users. The most important characteristics that social media has are:

- Participation – everybody is continuously involved in this contribution process – to share news, to give feedback
- Openness – the barriers are small; the content is reachable and opened to discuss into Conversation – the dialog is really important; you offer information but as well receive feedback or/and other information
- Community – common interests, hobbies, passions are creating groups where you can share all these
- Connectedness – permanent connection, links between people, resources, life styles etc. The main benefit of adding social media to your overall marketing communication strategy is to create a platform that attracts the attention of clients and prospects of products, services and capabilities, or prompts them to share their views on a topic of common interest.

Objectives of the study

- To study how companies use social media in their business processes which will transform their relationships with customers?
- To study how companies can harness the power of social media keeping in mind the pitfalls.
- To study the importance of social media and how companies can use social media as an important tool to reach out to their customers.

Conceptual framework: Here we are trying to see how use of social media can help a company to (i) reach out to more customers (ii) increase its sales. Hence we have proposed the followed the following conceptual framework where use of social media is the independent variable and there are two dependent variables namely reaching out to more customers and increase in sales.



Hypothesis

1. We need to see whether there is any relationship between use of social media and reaching out to more customers. Hence we can write the following hypothesis:

H0: There is no relation between use of social media and reaching out to more customers.

H1: There is a relation between use of social media and reaching out to more customers.

2. We need to see whether there is any relationship between use of social media and increase in sales. Hence we can write the following hypothesis:

H0: There is no relation between use of social media and increase in sales.

H1: There is a relation between use of social media and increase in sales.

Research Methodology

A secondary study has been done about how companies use social media for various functions in marketing their products. Information from journal articles and websites was taken to provide this information. A literature review of the work done by eminent writers was done to get a clear understanding of the topic. Then a primary study was done on 25 companies from various sectors using a structured questionnaire to find out whether they used social media for promoting their products/services and what were the benefits and problems experienced by them.

Table 1: Successful use of social media

Area	Company	Activity Undertaken	Impact
Increasing brand awareness	Adobe	Activity holding consumer interest through engagement ads on social networks-set up of an online game	1. The game was played 14000 times during the one month campaign 2. Rise in page view by over 48000 a week
Product promotion	MTV India	Capitalizing on social media to keep the show buzz alive. Creation of an online and highly interactive model of the real game show	Over 40000 fans on facebook
Product development	Dell	Partnering with customers to contribute to, and integrated into, Dell's product development	1. 12511 ideas contributed to community, with 86,255 comments 2. 366 ideas implemented leading to launch of 'Latitude laptop'
Employee engagement	IBM	Multiple in-house versions of web 2.0 with the intention of bringing employees, alumni, partners, vendors and customers together	1. 60000 blog users, 17000 different blogs, 1 mn page views per day on internal wikis 2. Launch of corporate social networking visualization and analysis tools like Atlas.

Table 2: The Multiplier effect—usage across business areas

Brand awareness	Product and service promotion	Customer service
Customer understanding	Product development	Employee engagement
Promotion of social causes	Knowledge sharing	Brand building

Apart from connecting with consumers, companies like IBM and Best Buy have taken social media to a different level. IBM uses social media to foster collaboration with stakeholders as well as to connect with its employees across the globe, bridge the geographic boundaries and bring in transparency. Best Buy uses it to bring in a cultural shift in the organization, making staff more customer-oriented and foster innovation.

Use of social media by human resource

Use of social media for recruitment—a social recruiting survey conducted by US based firm by Jobvite shows that social media has become an important tool for recruiting top talent. According to the survey, which asked over 600 HR and recruiting professionals as to how they use social networking in their recruiting process, 73.3% said they currently use social media to recruit candidates. The most commonly used medium is LinkedIn (78%), followed by Facebook (55%), Twitter (45%) and blogs (19%). Jobvite also found that 46% of respondents were spending more on social recruiting in 2010 than they were in 2009.

From primary data

A primary study was done on 25 companies from various sectors to find out whether they used social media for promoting their products/services and what were the benefits and problems experienced by them.

Table 3: Does your company use social media

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	17	68.0	68.0	68.0
No	8	32.0	32.0	100.0
Total	25	100.0	100.0	

Table 4: Which media preferred?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid traditional media	1	4.0	4.0	4.0
social media	3	12.0	12.0	16.0
combination of both	21	84.0	84.0	100.0
Total	25	100.0	100.0	

Table 5: Do you feel customers like to be approached through social media

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	20	80.0	80.0	80.0
No	5	20.0	20.0	100.0
Total	25	100.0	100.0	

Table 6: Are you able to reach more customers by social media

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	21	84.0	84.0	84.0
No	4	16.0	16.0	100.0
Total	25	100.0	100.0	

Table 7: Customer problems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	unclear message	10	40.0	40.0	40.0
	Chaos	9	36.0	36.0	76.0
	online image not matching with brand image	6	24.0	24.0	100.0
	Total	25	100.0	100.0	

Descriptive Statistics**Table 8: For additional benefits**

	N	Minimum	Maximum	Mean	Std. Deviation
Increase in product awareness	25	1	5	3.52	1.447
Increase in sales	25	1	5	3.12	1.054
Enhancing the brand image	25	1	5	3.60	1.291
Valid N (list wise)	25				

Descriptive**Statistics****Table 9: For problems posed by social media**

	N	Minimum	Maximum	Mean	Std. Deviation
Poor feedback affecting sales	25	2	5	2.96	.889
Lack of security	25	1	5	3.04	1.136
Image of product not highlighted properly by social media	25	2	5	3.48	.872
Customers getting repelled online	25	1	5	3.08	1.152
Valid N (list wise)	25				

Descriptive Statistics

Table 10: For reasons for using social media

	N	Minimum	Maximum	Mean	Std. Deviation
My competitor uses it	25	1	5	2.96	1.060
I can satisfy my customer needs better	25	1	5	2.40	1.080
I can reach more customers	25	1	5	2.00	1.118
It supplements use of traditional media	25	1	4	2.16	.850
Valid N (list wise)	25				

Table 11: Testing of hypothesis:

Hypothesis	Test used	Calculated value	Significance value	Decision
1	Chi square test	4.046	0.044	Reject H0
2	Chi square test	7.649	0.1	Reject H0

Table 12: Chi square test for Hypothesis 2

Does your company use social media * Increase in sales Cross tabulation								
			Increase in sales					Total
			Strongly disagree	disagree	neither agree nor disagree	disagree	strongly disagree	
Does your company use social media	yes	Count	0	2	11	3	1	17
		Expected Count	1.4	2.0	8.8	2.7	2.0	17.0
media	no	Count	2	1	2	1	2	8
		Expected Count	.6	1.0	4.2	1.3	1.0	8.0
Total		Count	2	3	13	4	3	25
		Expected Count	2.0	3.0	13.0	4.0	3.0	25.0

Chi-Square

Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.649 ^a	4	0.1
Likelihood Ratio	8.044	4	.090
Linear-by-Linear Association	.153	1	.696
N of Valid Cases	25		

a. 9 cells (90.0%) have expected count less than 5. The minimum expected count is .64.

Since the significance value = 0.1, we reject H₀ and conclude that there is a relation between use of social media and increase in sales. Hence this shows that social media helps the companies to increase their sales.

The major **findings** are:

- (i) 68% companies used social media for promoting their products/services
- (ii) Most of them (84%) used a combination of traditional and social media.
- (iii) 80% companies said that customers like to be approached through social media.
- (iv) 84% companies said that they are able to reach more customers by using social media.
- (v) Increase in brand awareness and enhancing the brand image got the highest average rating among the additional benefits obtained by using social media.
- (vi) Poor feedback affecting sales was the major problem posed by use of social media

Conclusions

Majority of the companies are using a combination of traditional and social media to reach out to their customers. It has been seen that use of social media has helped companies to reach out to more customers and to satisfy their needs better. Companies have seen an enhancement in their brand awareness and brand image by use of social media. Companies can use the social media better by making their message clear, avoiding chaos and ensuring that their online image matches with their brand image. Marketers consider social media, a space many of their consumers, as a gold mine for brand building.

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