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An In-Depth Analysis of the Benefits Derived by Businesses through Social Media Marketing

Aakriti Chaudhry

Assistant Professor, Gargi College, University of Delhi, India

Abstract:

Social media is a revolution. It enables interaction and cross-communication to take place like never before. Be it social networks, blogs or forums people can now have a conversation online with anybody anytime and on any subject.

Unlike traditional modes of communication which were based on one way experience, social media is built on two-way interactive experience between the company and the consumers. Social media offers businesses huge opportunities to promote their brand, products and services and to enter into long term relationships with their customers. It also facilitates interactive dialogues to take place amongst the consumers. Because of the freedom and personal autonomy that internet offers, consumers are actively interacting and connecting with each other and talking about their experiences and sharing their opinions about the products and services they have tried or even heard about. This paper seeks to analyse the benefits that social media offers to businesses.

Key words: Social media, Social media marketing, social networks, Facebook

1. Introduction

On an average, 500 million tweets are sent per day; more than 30 billion pieces of content are shared on Facebook each month, 55 million Instagram photos are posted daily, there are approximately 181 million blogs throughout the world and 5,922,000,000 search queries are made daily on Google.

In the current scenario Social media and predominantly Social networks have become important in the consumer purchasing decisions largely because they amplify word-of-mouth. Moreover, social media has become more significant than advertising as a trusted source of information. However, in social media marketing marketers have less control over the messages and positioning. According to Evans “When the Internet really started to take off, consumers started to tune out those carefully crafted messages and take more control over how they voiced their experiences with products and services. From websites to blogs, to forums and message boards, conversations started to spring up around products, brands, and companies. These conversations have had more influence on what others buy, subscribe to, and believe is more valuable than any marketing message could manage.” According to Ipsos, a marketing research company, 61% of global Internet users research products online.

2. Social Media

The advent of “Open Diary”, by Bruce and Susan Abelson, a social networking site that brought together online diary writers into one community began the era of social media. During the same time the term “Weblog” was first used and a year later was abbreviated as “blog” when the noun “weblog” was transformed into a sentence “we blog”. The concept popularised more because of the growth of internet, leading to formation of social networking sites such as Facebook and Myspace. Consequently, the term Social media was coined and contributed to the prominence it has today.

Andreas Kaplan and Michael Haenlein have defined social media as “a group of Internet-based applications that are build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content”. Saffo and Brake refer to social media as “activities, practices and behaviours among communities of people who gather online to share information, knowledge, and opinions using conversational media”.

Social media enables people with no knowledge of coding to post unique content and share it with the world immediately. It is all about creating sharing and exchanging of ideas information experiences and perspectives among people in virtual communities. It intends to offer a more-appropriated or informed choice at the end

Social media is a broad term encompassing a wide variety of online and mobile word of mouth forums like blogs, social networking websites, microblogs, social bookmarking sites, product or service rating websites and forums etc.

As per Saffo and Brake a blog is “the easiest and most effective way to provide a conduit for two way communication to take place”. It is like a personal website that enables individuals to share opinions, thoughts, ideas, photos, videos, links to other sites etc. from time to time.

Weinberg defines social networking sites as “a generic term for sites that are used to connect users with similar backgrounds and interests”. It is typically a community of people with common interest and provides its users a variety of ways to interact with each other and share information resources. According to a study by the digital marketing agency ODM Group, 74% of consumers rely on social networks to guide purchase decisions.

Microblogs like twitter are similar to blogs but limit the number of words of each post thus facilitating faster modes of communications. It is being used by a number of companies to create buzz about their product and services and tap into the prospects, influencers and consumers.

Social bookmarking sites like Digg and Reddit allows users to collect and share interesting links such as videos images or articles that they have discovered and may wish to revisit. It also enables users to vote on content around the web.

Media sharing sites such as Pinterest and YouTube enable users to upload, store and share multimedia files such as photos, videos, music with other users.

3. Social Media Marketing

In simple words, social media marketing is the process of gaining traffic or attention through social media sites. Weinberg has defined social media marketing as “a process that empowers individuals to promote their websites, products, or services through online social channels and to communicate with and tap into a much larger community that may not have been available via traditional advertising channels.”

Social Media Marketing is marketing that focuses on people, not product. The company can present its products with a number of qualitative features and promotional tools, but what really matters is the opinion of customers about the product, the comments and appreciations left by the customers. Customers are the ones who provide the content and this is the reason why social media marketing is challenging for the marketers. The marketers are no longer the ones who control the content with regard to their products. Negative word of mouth spreads worldwide in a matter of minutes only.

The explosion of internet based messages through social media is the key factor influencing various aspects of consumer behaviour such as awareness, information gathering, consideration, attitudes, opinions purchasing decisions and post purchase evaluation. Marketers need to recognize the power of conversations and therefore the capability to influence the crowd effectively is the most significant quality required by marketers.

4. Social media marketing and customers

In today’s scenario, internet has become the most common medium that consumers use to find information about products and services. For almost all types of purchases, before making the decision to buy, it has become important to learn about the product or service, the brand and make comparisons with competing brands. The potential consumers do so by interacting with friends on social networks, searching about the product on Google, reading experiences of those who have used the products on forums and blogs.

Information shared on social media platforms has more value and is considered more trustworthy in comparison to the information provided by marketers. Messages on social media platforms are considered far more objective than company generated messages. According to the Nielsen Social Media Report 2012, 26% consumers are more likely to pay attention to an ad that has been posted by one of their social network acquaintances, 17% feel more connected to brands seen on social networking websites and 14 % have made a purchase after seeing an ad on social networks. Moreover, 70% of social media users participate at least once a month in hearing others experiences, 65% learn more about brands/products/services, 53% compliment brands and 50 % express concerns/ complaints about brands/services.

Before the advent of social media, media was largely concentrating on building awareness. Through traditional channels the goal of the marketing message was to make the consumer aware of the product or service that the company has on offer. It was believed that awareness drives demand and at the point of purchase awareness helps in affirming the pending purchases. The more aware the consumer was the more likely they were to making their purchase decision.

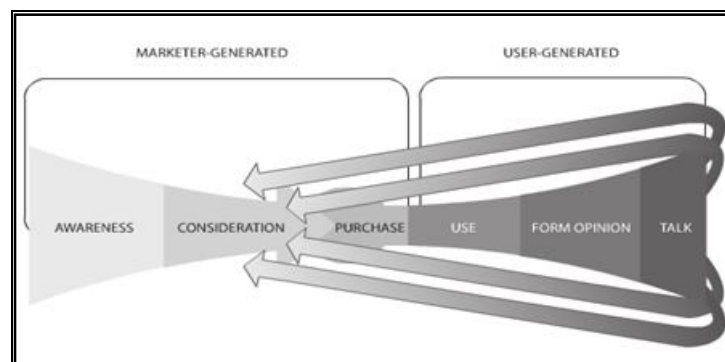


Figure 1: Purchase funnel

Figure 1 shows the contemporary version of the purchase funnel after incorporating social media into it. It shows how user generated content in the post purchase experiences has an impact on the basic stage of consideration which was traditionally

influenced by market generated content. User generated content is a result of the consumers expectation and the extent to which the experience from the product matches the expectation. Once the customer purchases a product, he will use it and experience the advantages and disadvantages associated with the product and on the basis of this experience he will form an opinion about the product or service. The customer will then talk about the product or service using social media channels some of which the company's marketer might never see. The conversations that customer is holding on social media forums will be seen by prospective customers who are in the consideration stage of the purchase funnel. These people will be searching for information about the product or service they intend to buy. These prospective customers will trust the opinion of the customer as they are an objective source of information. If the customer has appreciated the product the prospective customer is likely to buy the product and in case of a negative feedback he will start look for alternatives.

The consideration phase of the purchase funnel acts as a vital link between social web and marketing. A social feedback cycle is created by post purchase feedback which is a result of expectation of the consumers and the satisfaction derived from the product or service. The feedback stimulated word of mouth carries greater trust than traditional media and gets back into the purchase funnel in the consideration stage. As a result, social media plays a vital role in the purchase funnel as it connects the experiences of previous customers to the purchase funnel. The consideration phase of the purchase funnel was inaccessible to marketers but now it is highly influenced by the information shared on social media platforms. This makes it very important for companies to listen and respond to the customers and build relationships with them.

5. Benefits of social media marketing

Businesses are using social media extensively because it represents cost effective marketing solution. Social media tools can be used easily and free of cost as compared to traditional promotional tools. It enables businesses to use unconventional means to achieve conventional goals. Social media aids in creating awareness about products and services, fosters communication around brands, amplifies word of mouth marketing, helps in conducting marketing research, facilitates idea generation and development of new products and assists in reputation management. According to social media marketing report 2013, an overwhelming majority of 97% marketers use social media to market their business and 86% indicated that social media is important for their business. Moreover, 62% of marketers are using social media for 6 hours or more and 36% for 11 or more hours weekly. The following section will analyse the benefits that social media marketing offers to the businesses.

5.1. Brand Exposure and Awareness

Increased brand exposure is the primary benefit acquired by businesses implementing social media marketing as indicated by figure 2. It takes place when the consumers become aware about the product, service or brand name and is able to recognize it distinctly from amongst the numerous products, services or brand names. Businesses coming out with new brands can use social media platforms to foster awareness. Existing brands can also raise the awareness level of the consumers using social media platforms. Businesses can use social media extensively to build the reputation of their brand and enhance its popularity. According to social media marketing report 2013, 89% of all marketers indicated that their social media efforts have generated more exposure for their businesses indicated in figure 2.

Creating blogs, pages and profiles on social networking sites offers numerous opportunities for brands to be seen and reach its target audience in an interactive way. It is important for marketers to localise these blogs, pages etc. according to the country and state in which the company is operating its business. Moreover, it is necessary to post valuable content on these platforms and follow it up with good community interaction.

5.2. Targeted Traffic

Social media platforms with millions of users offer a convenient target base for businesses to market their product or service online. They are the most effective way to drive targeted traffic to company's website or blogs. Though search engine optimization still plays a significant role in driving traffic to the company's website or blogs, but social media has opened many new avenues for businesses due to millions of members and unlimited reach. The more the number of social media channels employed by the business in its marketing strategy the more will be the traffic that will be directed to the businesses website.

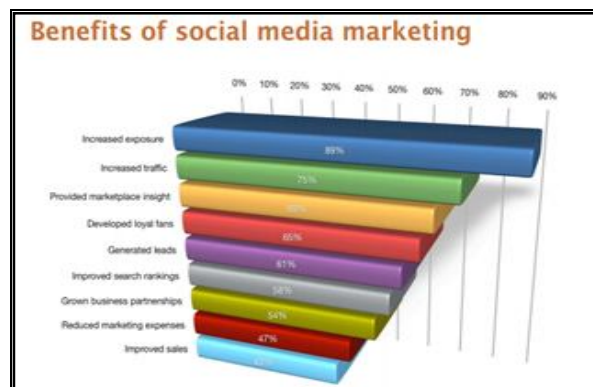


Figure 2: benefits of social media marketing

Social media offers businesses the opportunity to target the customer's more effectively than traditional channels. Social media platforms have all kind of data with regard to the customers such as age, gender, geographical location, interest etc. This data can be used by businesses to reach the target audience. The marketing messages can be directed to only those people who are likely to notice them and click on them.

5.3. Lead Generation

Lead refers to the potential customers or the sales prospects. Businesses have an opportunity to connect with a large number of prospective customers through social media platforms. Every person who likes their Facebook page or follows them on twitter is a prospective customer. Businesses can raise their chances of generating new customers by gaining more and more followers online. They need to focus on encouraging people to visit their social media sites and offer such stimulating content on the social media sites that people keep revisiting it. They need to keep their social media pages and official website updated to represent the company efficiently and making meaningful connections with the users by offering valuable content, offering information to the users that they want and timely answering their requests, queries and critics. Social media is a two-way street, making it important for businesses to engage in exchange of ideas. They should refrain from only talking about the company and the brand. It is also important for the businesses to highlight the personality of the brand through the social media platforms employed by them. According to social media marketing report 2013, 61% of marketers acknowledged that using social media in their marketing strategy helped them generate leads as indicated in figure 2.

5.4. Market Insights

Social media marketing has brought a transformation in the way market research is conducted and competitor monitoring is being accomplished. Various social media platforms serve as a database with information about the target audience as well as about the competitors. Businesses can watch and read closely about what the competitors are doing with regard to their websites, blogs and other social media platforms. Competitive benchmarking is important part of the social media strategy. Businesses need to keep a track of how active the competitors are on their social media sites every day, the number of social media sites they have created, how frequently they are updating content on the social media platforms and how people are responding to their posts. Using social media to understand the competitor's activities offer useful insights to businesses. They can understand what strategies are successful and which strategies are not and make appropriate decisions without the expense and risk of trying them first.

Moreover, the organisation can also find out what consumers feel about their brand and the products and services they offer. They can also know what consumers feel about their brand vis-à-vis about the competitors brand offering similar product or service. This kind of an insight helps the organisation to strengthen those features of their product or service that customers like and make alterations in areas where they are lacking when compared to the competitors.

Also, the information available on social media platforms provides businesses enormous data with regard to their target audience such as their characteristics, needs and expectations. Businesses can gain knowledge about the demographic and behavioural characteristics of the target audience by analysing the way they interact on social media channels. Access to such information enables businesses to design the most adequate marketing message to reach their target audience.

5.5. Customer service and feedbacks

Businesses have lost the power they once had over the consumers with the birth of social media. At present, the reins are in the hands of the consumers. Consumers have taken away the privilege of one-sided conversations from the businesses and are empowered to share their brand experiences and opinions. Social media channels facilitate interactive dialogues to take place between brands and their present and prospective customers. It provides businesses an opportunity to educate consumers about the utility of their product and how their product is better than those offered by the competitors in a more interactive way. Also consumers can request for help and support regarding the product. Nearly 1 in 3 social media users prefer to reach out to a brand for customer service through a social channel compared to the phone as per the NM Incites 2012 state of social customer service. This kind of communication with the consumers helps to foster long term relationships between companies and their customers.

Through social media businesses are able to offer quick, efficient and personalized customer service which is appreciated by the consumers and helps in building trust in the brand. According to NM Incites 2012 state of social customer service report 71% of consumers who experience a quick and effective brand response on social media are likely to recommend that brand to others, compared to just 19% of customers who do not receive a response.

Moreover, interacting with customers on social media platforms helps to reduce cost as the online community might as well as help answering the problems. The cost per interaction in customers support is cheaper by using social media platforms as compared to telephone or e-mail support.

5.6. Cost effective

Generally a traditional marketing campaign involves television, radio newspapers and magazines. A 10 second ad on a top Indian channel costs during primetime costs Rs. 350000. Yet when the ads are run people generally go for snacks, or go to the restroom or surf channels. The chances that the ad might never be seen are quiet high and the huge amount of money spent on it goes to waste.

Popular radio stations such as Radio Mirchi and Radio City charge up to Rs. 7000-8000 for a 10 second spot. This rate increases in cities like Delhi, Mumbai and Bangalore. Also with products like iPods the number of people listening to radio is quiet less. Moreover, when ads are played people generally switch channels. The probability of people tuning in to a radio station when the

companies ad is being played is very less. Because of these reasons, considerable amount of expenditure on this medium id not justifiable.

Advertisement in newspapers cost wise is less than TV or radio. The cost of advertising 5 lines for business purposes in Times of India, popular English daily is Rs 3180 in Delhi and Rs 2300 in Mumbai. But generally due to scarcity of time people hardly concentrate on advertisements.

Thus, in comparison to other modes of promotion social media does not need high advertising costs or extremely high amount of time. Once the company is aware of its target audience, it can interact with them with a small investment through social media channels. Most of the social media channels are free, offer unlimited reach and are available 24/7.

5.7. Public Relations

Public relations specialists were amongst the first few people who embraced the power of social media. The aim of both public relation and social media is to foster relationships. Social media has made the task of professional networking exponentially easy as hundreds of relevant connections can be tapped into only just a click of a button. PR specialists use social media extensively, almost every day to get the word out about clients, to communicate with customers and to respond to their problems or queries.

6. Conclusion

Businesses are offered a number of benefits through social media platforms such as brand exposure, targeted traffic and lead generation. But businesses need to make a lot of efforts if they want to derive maximum benefit from social media channels. Social media in fact is not always easy quick and cheap. Depending on the type of business, its size and age considerable efforts need to be made.

Companies need to commit human and time resources in order for effectively manage their social media presence. Sometimes it becomes important to have a complete team dedicated to managing social media channels so that they are able to respond to customer's feedback and complaints instantly. The staff hired in the social media team should be trained and qualified so that they are able to answer all the questions and are able to react when negative comments are made before they get viral. Moreover, the team dedicated to social media needs to produce new content regularly. The businesses need to always stay active on social media so that continuous conversation can take place with the target audience and long term relationships can be built.

Moreover, the results of the social media marketing strategy need to be controlled and monitored regularly to have an understanding of what is working and what is not. It is also important to measure the effectiveness of each media channel so as to devise a stronger marketing strategy.

The businesses implementing social media marketing strategy have to face many risks. One of the main risks to businesses is the damage to their reputation if they use social media channels ineffectively. Too much advertising, presenting products and services in a commercial way and pushing for sales without interacting and engaging with the audience is seen very badly by the audience. Furthermore, employees can harm a company's image very easily by showing undesirable behaviour on social media channels or posting information that could be embarrassing for the company. Thus, the reputational risks can easily equal or exceed reputational benefits of social media marketing.

Secondly, a number of legal risks with regard to privacy, security, intellectual property, employment practices can come up due to social media marketing. Understanding of the information technology law before creating a social media strategy is very important. Security and operational risks are also very high. Security breaches might occur when malware viruses or spyware are downloaded involuntary while using social media platforms. Intellectual property and media risks' concerning the protection of third parties or publication of fake positive reviews is a big concern for businesses. Also the privacy of audience needs to be protected at all times.

On the whole, social media marketing is a powerful tool that every business does not know how to use in an effective manner. It is very important for businesses adopting social media marketing to understand the downside that exists and devise their strategy accordingly.

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