

An Investigation into the Role of Social Media Marketing in Organisational Performance

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ABSTRACT:

Purpose: In an era that is characterised by speed and ruled by technology, new communication tools are required to achieve business objectives in a fast and innovative manner. This is facilitated by the emergence of Web 2.0 tools. Consequently, social media aroused as an assemblage of internet-based platforms that utilise the technological and ideological foundations of Web 2.0. While social media changed the fundamentals of business, marketing and communications in general, it also redefined consumer behaviour and patterns of consumption.

In spite of the popular use of social media platforms by businesses, there is a lack of research and empirical evidence examining how, if any, social media platforms impact on the overall business performance. Return on Investment (ROI) is traditionally used to measure business performance. A new concept called social ROI, emerged as a central topic in strategic marketing in recent years. However, little is known on how to formulate this metric in a meaningful way.

Consequently, in this paper we focus on social ROI and investigate how organisations measure the outcome of their social media marketing programmes. We aim to contribute to social media research by presenting empirical evidence on the following issues:

- RQ1: What benefits can businesses gain by presenting an active presence on social media platforms?
- RQ2: In what ways can social media be utilised to help to achieve business objectives?
- RQ3: What are the drawbacks of using traditional ROI metric to measure the performance of social media marketing activities?

Methodology: Taking a positivist approach, we designed a quantitative study. A questionnaire was emailed to 150 businesses operating in the United Arab Emirates by using snowball sampling method. 96 businesses completed the survey, which resulted in a response rate of 64 percent. Six questionnaires were discarded due to a large number of missing questions. Hence, our data analysis is based on ninety fully completed questionnaires.

Findings: We present empirical evidence that the companies that participated in our research still utilise traditional ROI to measure the outcome of their marketing programmes. At the same time, there was agreement across the respondents that ROI had limitations to measure the impact of social media campaigns. Consequently, a number of alternative metrics were being used ranging from “audience growth rate” to “engagement rate” and “visitor frequency rate”. Moreover, the study respondents highlighted the role of social media in (i) promoting customer relationships and (ii) having a potential in improving sales performance by generating new leads.

Managerial Implications: This research suggests that businesses can benefit from participating on social media platforms if their social media marketing objectives are set out well and executed accordingly. Firms should embrace social media as a key aspect of their overall business and marketing strategy and should not treat social media solely as another promotional channel. However, it will not be beneficial

to rely on traditional ROI. Alternative performance metrics should be used for measuring the performance of social media marketing activities.

Keywords: social media marketing, return-on-investment, social media ROI, business performance, survey research.

1. Introduction

This research will highlight the importance of the use of social media as a marketing tool and its influence in the performance of businesses. The exploration will go beyond listings of benefits and drawbacks of social media technologies. We will analyse to what extent the employment of social media technologies has a measurable impact on business performance.

In spite of the significant growth and development in ICT and web 2.0 technologies, , businesses still question whether social media can be used as a marketing tool to contribute to overall business performance in a measurable way. Interestingly, some businesses still consider social media platforms as no more than a communication tool for personal use, with little value for commercial outcomes.

This study will contribute to social media research by investigating the role that social media plays in the performance of organizations as well as the ways that can be utilized to achieve business objectives. Moreover, we will investigate how meaningful return on investment (ROI) metric in evaluating the performance of social media marketing activities. Consequently, the purpose of this study is to present empirical evidence on the role of social media marketing in contributing to organisational performance by addressing the following research questions:

RQ1: In what ways can social media be utilised to help to achieve business objectives?

RQ2: What benefits can businesses gain by presenting an active presence on social media platforms?

RQ3: What are the drawbacks of using traditional ROI metric to measure the performance of social media marketing activities?

2. Literature Review

2.1. The Impact of Social Media Marketing on Business Performance

The expansion from traditional marketing communications to internet marketing facilitated the growth of social media marketing. Social media marketing offers a number of benefits to organisations from building brand awareness to gaining competitive advantage and creating customer engagement (Wilkinson, 2013; Pace, 2008; Thompson, 1995; Zaglia, 2013). Despite the increasing popularity of social media research, there is limited research on the relationship between social media marketing and business performance, with few exceptions such as Smits and Mogos (2012).

However, the increase of internet accessing gadgets all over the world has precipitated the increased rates in reliance to social media. The development of portable sophisticated devices such as Smartphones has led to direct access to social media forums, thus expanding their social media outreach. Firms have taken advantage of such opportunity to constantly carry out brand marketing through regular updates of posts, tweets, photos and even status. The ever-eager clients feel acknowledged and carry consumer-to-consumer online conversations at ease. Consequently, it is hardly surprising that businesses are willing to incorporate the use of social media into their processes. (Benedikt and Werner, 2012)

Social media marketing is essential for all organizations to ensure their market share as well as their brand awareness. Marketing process is crucial since it is the prime section of both the customer base and revenue collection (Wilkinson, 2013). A firm may utilize social media as a marketing tool with the sole aim of ensuring that it will not only grow but utilized the digitalize technology to ensure entry to

the international playground (Stefano, 2008). The internet has experienced a phenomenon adaptation since Twitter and Facebook have further made interaction quite easy. Recently, a lot of attention has fallen into the marketing departments of dissimilar companies. Social media has been utilized as a platform to market the products and services offered by companies to the promising market (Thompson, 1995). For instance, a company may create a Twitter, Instagram or Facebook profile in order to stay connected with its clients. This facilitates easy follow up of the activities the company is undertaking. Furthermore, it creates a possibility for wide outreach synonymously.

The reason why most consumers feel that the social media platform is suitable and useful is because they can also access other customers' reviews thus use the dissimilar referrals to select products that match their taste, preference and choice. Furthermore, seeking customer care through the social media platform seems to create a lot of tension among the concerned organizations managements which leads to quick follow up routines towards ensuring that clients are fully satisfied. Catering for the needs of customers is essential since it is the prime cause of customer loyalty (Kendall and Martin, 2000).

In their study on the impact of social media on business performance, Smits and Mogos (2012) specified three propositions, linking social media use, capabilities and performance. They found that a combination of inter-linked social media form a social media ecosystem that enhances business capabilities. They also found empirical evidence that supports their propositions and conclude that the use of social media enhance business capabilities.

2.4 How to Utilize Social Media to Achieve Business Objectives

Determining the best way of using social media to serve the business objectives is the most critical phase. Similar to any marketing campaign, firms should approach their social media marketing programmes in a systematic way and design their campaigns in light of their overall business and marketing strategies. The literature highlights the following four stages as the core elements of successful social media marketing programmes.

2.4.1 Identifying Business Objectives

The first stage is about identifying the main goals and objectives of the business. Choosing an effective marketing strategy requires identifying the company's needs and expectations from their campaign and deciding what social media platforms to utilise and how. Commonly used performance metrics to measure the success of a social media marketing campaign are sales revenue, company credibility, brand awareness, website traffic and customer-company interactions. Using an appropriate marketing strategy is a critical element for business success. Choosing an effective strategy requires knowledge of what various alternative marketing strategies exist and understanding how they work under varying environmental and organizational conditions.

2.4.2 Choosing the Right Platform

Choosing the right platform that suits business objectives maximises the benefits of using social media, which is overlooked by many organisations. It is crucial that businesses research well their macro and micro environment and monitor closely their social media activities. This will highlight the successful tactics that the business should focus upon. This analysis will also highlight what social media platforms are commonly used by the customer base which will be important when designing segmentation, targeting and positioning strategies. Although it may be tempting to announce campaigns in popular social media platforms to maximize the visibility of a brand, this should be done in light with having the right resources and capabilities to achieve the overall social media marketing objectives. For instance, customers expect a relatively much faster response to their queries posted on social media platforms in comparison with traditional communication channels. If the management does not have necessary resources to address such expectations a social media channel may not be optimal.

2.4.3 Creating Valuable Content

Creating and publishing the right content is vital. Content must be valuable and interesting for the target audience. The type of content and the time of posting this content are two major factors that should be considered in a successful social media content strategy.

The type of content depends on what kind of information the company wants to present, share and discuss with its audience. The content can be in the form of textual information as well as photos and videos. It could be presented in a formal language as well as humorous way or can even be in the form of a question.

Time of posting is as important as the content. Every company should study what is the perfect time for posting information, which should be related with expected highest engagement level with their audience. Next, organisations should develop a plan to maintain consistency of interaction. This might be achieved with the help of some software programmes.

2.4.4 Targeting the Right Audience

In general, social media consumers can be classified under three different types: customers who are ready to buy, those who are not ready to buy and others who will never buy. Targeting the right audience is facilitated by a good understanding of segmentation, targeting and positioning concepts. By identifying their audience and communicating them with a valuable content will result in an effective use of corporate resources.

2.5 Measuring ROI of Social Media

Return on Investment (ROI) is one of the most popular performance measurement metric (Jahn and Kunz, 2012) which is used to understand the productivity of a venture, or to compare the effectiveness of separate outlays (Knapp and Kendall, 2000). A commonly used financial ROI is the ratio of net returns against investment:

$$\text{ROI} = \frac{\text{Return}}{\text{Investment}} = \frac{\text{Gross Margin} - \text{Investment}}{\text{Investment}}$$

With the emergence of online and social technologies, performance tracking has become a standard requirement in all digital marketing (Tuten, 2008). ROI examination, when correctly applied, becomes an important test to evaluate existing information systems as well as taking up-to-date decisions on software procurements and other assignments (Andriole, 2010).

Now-a-days, marketers are under immense pressure to show results for their spending, thus developing the right metrics is paramount for them. Traditional marketing metrics are based on a linear form of communication (Ambler, 2003), and do not suit the interactivity of Web 2.0 (Hoffman and Novak, 1996). The literature suggests that the measurement of such networks pose significant problems for marketing managers, who need to indicate the results of their spending. Similarly, Borders et al (2001) argue that existing business metrics are designed for a world of concrete boundaries and fixed categories, and hence there is a need for identifying alternative performance measurement metrics suitable for social media marketing programmes.

2.5.1 Can Social Media be Reliable for the Return on Investment?

It is now established that social media can make an important impact on brand perceptions and awareness (Fisher, 2009). Consumers feel more confident and think positively about companies that have blogs and interact with their customers on social media.

On the other hand, it is questioned how meaningful, and reliable, it is to measure “brand perception”, “consumer confidence” and “thinking positively”. However, a group of researchers argue social media activities should not be measured by using the traditional performance metrics:

“Perhaps we shouldn’t measure social media ROI in the first place. The core reason social media programs are successful is because they’re about people, not money. Look at the social media buzz words – community, conversation, dialog, sharing – all of them are people-centric, consumer-centric. Social media isn’t about sales. It isn’t about market share. It isn’t about profit margins. It’s not company or brand-centric.” (Falls cited in Fisher, 2009)

Moreover, according to research conducted in early 2011, 82% of corporations reported that they expected to have a brand monitoring solution in place by the end of 2011 while 48% reported that their primary internal focus was to develop ROI measurements for social media. While social media monitoring has become mainstream, companies still struggle with how to measure, analyze, and act on social data and insights. (Etlinger and Li, 2011).

2.5.2 Integrating Social Media ROI into Marketing Strategy

Above, we have outlined the relationship between social media and overall marketing strategy. Going further, Etlinger and Li (2011) state that social media metrics should be linked to business objectives. Thus, according to Etlinger and Li, the outcome of social media marketing programmes should be in parallel with the overall business objectives.

In comparison, other researchers outline non-traditional social media specific performance metrics including customer engagement, influence, reach, and sentiment. However, there is no consensus in the literature on how to measure the outcome of social media marketing campaigns.

3. Research Methodology

A quantitative approach was taken in this research in the form of a survey study. The primary data were collected through a questionnaire from individuals working in a range of industries operating in the United Arab Emirates (UAE). The study population consisted of businesses operating in the UAE market, mainly Abu Dhabi and Dubai, and representing various business sectors. It was intended to choose the participants from different sectors in order to reflect the prevailing role of social media in the UAE market. The sample was decided through a purposive method where the respondents were selected according to their position in the company and job role (such as being a marketer or social media developer).

Following the identification of which companies should be targeted, we considered the right people to select in each company. A briefing email was sent to 150 potential respondents inviting them to participate in our survey. 96 positive responses received while 90 questionnaires were usable which formed the sample size in this research.

The research questionnaire comprised three main sections. The first segment was about the demographic background including age, sex, educational level, position in the company and the location of the company. The second section investigated the use of social media in the given company while the last section evaluated the strategies, arrangements and procedures on execution through the use of the Likert scale.

4. Research Findings

4.1. Demographic Information

Starting with the demographic background of research respondents, the highest age group of the respondents falls into the range of 25 – 34 years old category (with 31%), while the second largest is from the 35 – 44 years category at 22%. And the least was the category of 55 years or older (10%). 60% of the respondents were male while females accounted for the remaining 40%. As for educational level, respondents with a bachelor’s degree formed 40% of our sample while the diploma level accounted for 27%; those with a master’s degree was 23% and those with a doctorate were the remaining 10%. In

relation to the level respondents held in their organization, respondents who were directors or partners occupied 21% while those holding managerial position were accounted for 36%. Respondents who had a senior level position accounted for 17% while assistant and junior level employees stayed at 14% and 12% respectively. Finally, we looked at the nationality of respondents: an overwhelming 96% of the participants were UAE residents while 4% were from other Middle Eastern countries.

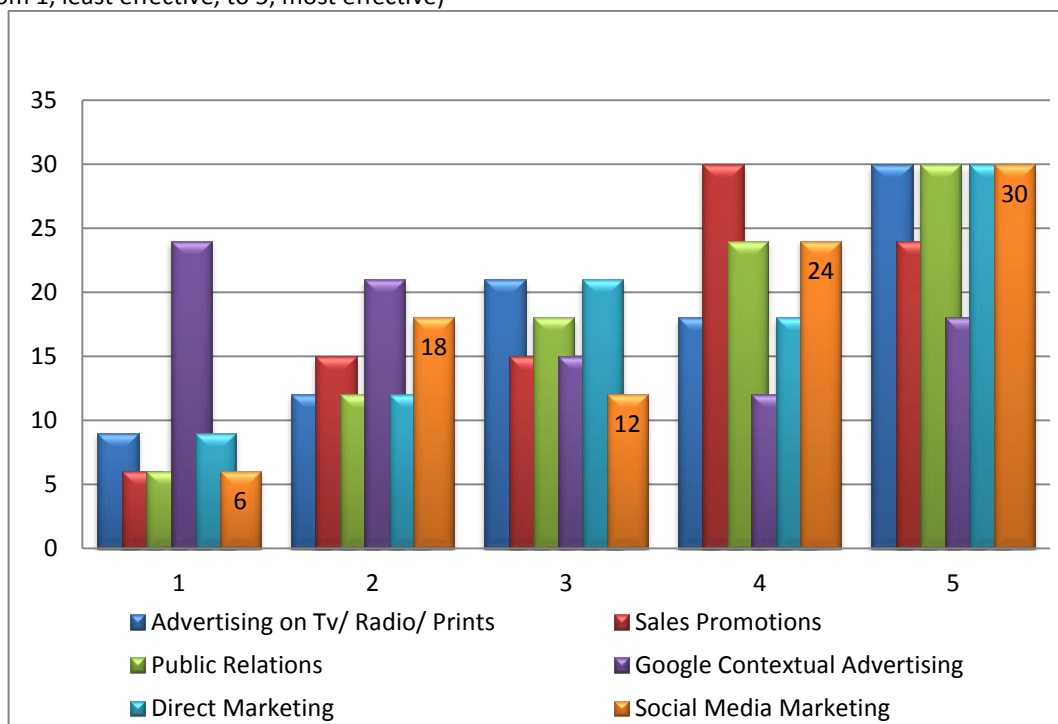
4.2. In What Ways Can Social Media Be Utilised To Help To Achieve Business Objectives?

Investigating in what ways social media can be utilised to achieve business objectives, there was an agreement among the survey respondents about the usefulness of social media in achieving their business objectives. Social media platforms were considered supportive of traditional marketing objectives, and also boosted the technological image of organisations.

Next, respondents were asked how they rated the level of involvement of their social media staff in the formation of overall marketing strategies. Only a small percentage of respondents (7%) stated the level of involvement as low whereas 44% of respondents rated it as average and a further 49% as high.

Then we asked to the respondents which communication tools have been most effective in achieving their business objectives. Our list included traditional marketing tools, such as TV and radio, and contemporary tools, such as social media. Likert scale was implemented and a scale between 1 and 5 was specified, where 1 indicates the least effective while 5 indicates the most effective. As the Figure 1 illustrates, the majority of organisations use both traditional and social media marketing tools; yet only 33% of the participants rated social media marketing as the most effective tool. This suggests in UAE companies use social media to complement traditional marketing tools, rather than relying extensively on social media marketing tools.

Figure1: Most Effective Marketing Communication Tools as Perceived by Respondents (in percentage from 1, least effective, to 5, most effective)



4.3. What Benefits Can Businesses Gain By Presenting An Active Presence On Social Media?

Having a presence on social media platforms helps to attract new prospects and partnerships. Social media presence is closely reflected on corporate and brand image perceptions by stakeholders. There is consensus in the literature that social media presence is highly valuable in terms of creating brand awareness. Social media has also proven to be a suitable platform for building an online brand strategy and hence creating a competitive edge. Furthermore, social media allows organisations to monitor their market and follow the activities of their competitors, with a potential to boost innovation.

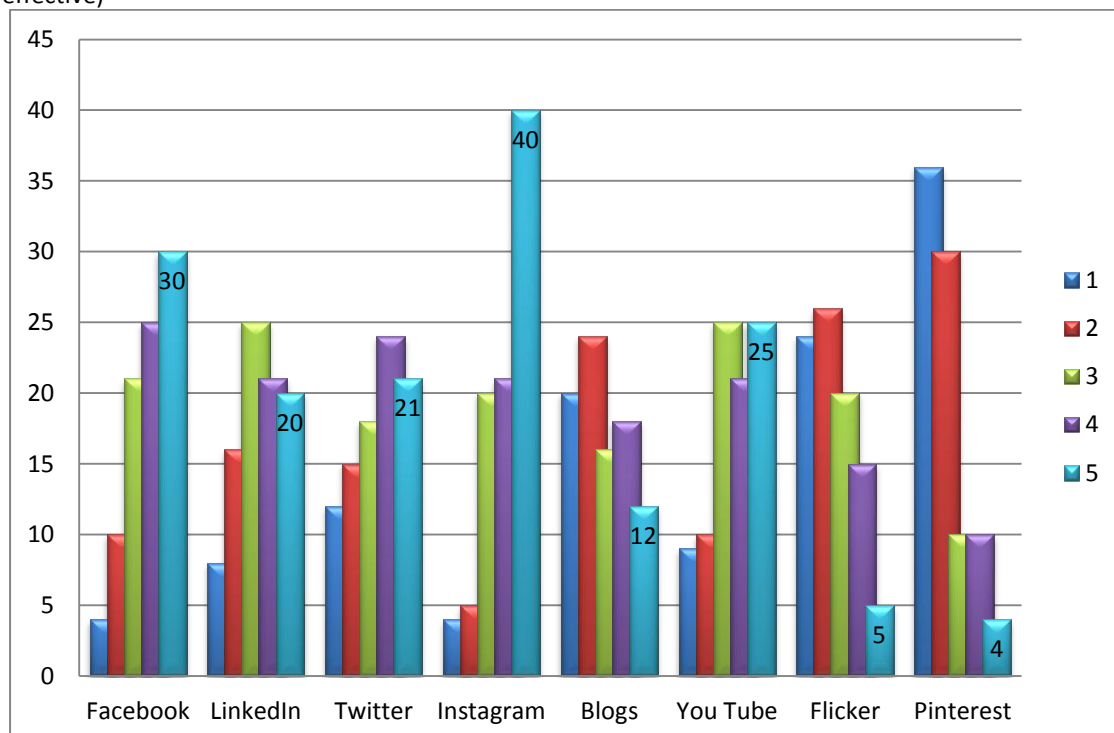
Confirming the literature findings, our data presented empirical support that the involvement of organisation on social media was a valuable marketing tool (78%). Then we investigated what the most effective use of social media was as a marketing tool. Offering valuable content was considered the most effective feature of social media in comparison with other uses of social media outlined in Table 1. The research data also suggested that the marketers' priority in their involvement in social media platforms was to satisfy their customers and hence trying to utilize social media platforms at its best for this reason. At the same time, there were issues in relation to social media being considered a trustworthy communication channel.

Table 1: Most Effective Use of Social Media as Perceived by Respondents (in percentage)

Offering Valuable Content	27
Customer Engagement	23
Customer Services	21
Updates and Follow Up	20
Market Research	9

Comparing the perceived effectiveness of social media platforms as a marketing tool, Instagram (44%) received the higher rate followed by Facebook (33%) and YouTube (28%). Pinterest and Flickr were the least effective platforms (Figure 2).

Figure2: Most Effective Social Media Platforms as a Marketing Tool (from 1, least effective, to 5, most effective)



It is interesting that Instagram was chosen to be the most popular and effective platform in the UAE market. This could be because Instagram allows customers to view products, read the details, ask for more information if they need to and also read other customers' comments all in one place.

4.4. What Are The Drawbacks Of Using Traditional ROI Metric To Measure The Performance Of Social Media Marketing Activities?

Measuring the performance of social media marketing programmes has become a growing priority for organizations (Clark et al 2006). Social Media ROI has emerged as a central topic in marketing literature in recent years. However, there is still considerable ambiguity about how to measure social ROI and its reliability.

Marketers feel pressure to utilise traditional marketing methods to measure social ROI in the absence of established performance metrics for their social media activities. Some traditional performance metrics can indeed be transferred to social media, such as the audience growth rate that can be generated from the total number of followers. Similarly, the average engagement rate is also related to the audience growth rate. Another essential metric for measuring social ROI is related to visitor frequency rate where the number of visits and revisits of the customer will be tallied. This metric is related to understanding new and returning visitors' behaviour. These metrics are now available to businesses to measure their social ROI; yet it still requires time and practice for most marketers to understand how to best utilize them.

Although there was evidence in our data that the study respondents recognized the importance of social media for their businesses, there was a lack of understanding about how to measure its performance. A large number (44%) of our respondents was unsure how to measure the social ROI. According to Hoffman and Fodor (2010), most marketers start by measuring the cost of launching a platform and then seek to calculate the return on sales, which is not the most effective way measuring social ROI. Marketers should start by thinking about what marketing objectives the given social media campaign aim to satisfy, why customers would visit this platform and what behaviours they are expected to engage in when customers are on the platform (that should be meaningful in light of the company's marketing objectives). In our data we did not observe an understanding of such an approach to social ROI.

Additionally, there was little consistency when we asked whether social media can be reliable for measuring ROI: less than half of the respondents (41%) agreed while 45% were unsure and 14% disagreed. This reflects the uncertainty that some marketers still have about how to measure the outcome of their social media marketing programmes.

5. Conclusions

This research aimed to understand how organisations measure the performance of their social media marketing activities. Our survey suggests that social media is increasing its popularity as a credible business platform in the UAE market where the use of social media platforms for business purpose is still rather under-developed. One of the main advantages of social media presence is related to promoting brand awareness. Moreover, social media marketing offers an opportunity for companies to stay connected with their customers and prospects. The content of social media page is crucial in creating consumer exposure and hence brand awareness. One of the major impacts that social media have on businesses is about generating new leads. For this, the target audience should have trust in the company as well as its brand. This requires the company being well presented, engaging well with its target audience and offering relevant products and services. In an era that is empowered by consumers, thoughtful and well planned marketing programmes on social media help companies develop meaningful relationships with their customers.

This study contributes to the lack of research in the UAE market to reflect the substantial role social media plays, when used as a marketing tool, on the performance of businesses. The findings from our survey indicated that a significant number of companies in UAE are currently implementing social media platforms to achieve their marketing objectives.

5.1. Study Limitations and Directions for Future Research

The purpose of this research was to gain insight into social media activities of the organisations operating in the UAE market. While the findings offer a good basis for a detailed understanding of social media and organisational performance, they cannot be generalised to a wider population since we employed non-probability sampling method. Moreover, a mixed method data collection strategy would offer further insights into research findings. In future research, data could be collected not just through a survey but also reinforced by qualitative interviews.

Furthermore, data in this research were collected from businesses operating in a range of industries. Future researches can consider focusing on one industry only, hence eliminating the impact of industry specific issues on research findings.

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