An Exploratory Study of Metrics Used to Measure the Impacts of Social Media Utilization on Business Performance

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INTRODUCTION

In recent years, many firms have started using social media to enhance their business (Ferrell & Ferrell, 2012). In an IBM global study of Chief Executive Officers (CEOs) conducted in 2012, 15% of the 226 mid-market CEOs were using social media as a key tool for engaging customers. Moreover, 50% of the 15% who were already using social media expected to make a significant shift from traditional media to social media to reach more customers within three to five years (IBM, 2012). Interacting with customers on brand pages of social media sites enables companies to: identify their customers' needs regarding products or services, as in the case of AT&T; increase traffic to their online web-store (Adidas being an example); drive in-store sales (Diageo being an example); and build awareness of a new brand (for example, Kia Soul). In addition, some firms are evolving brand pages into brand communities wherein customers and others can share their interest and knowledge about a particular brand with each other (Zaglia, 2013). Companies can maintain relationships with customers and potential customers within brand communities, and provide incentives to fans/customers that support the brand community (Laroche, Habibi, Richard, & Sankaranarayanan, 2012).These activities increase customer loyalty (Sherry Jr., 1983). Moreover, purchasing decisions result from visits to social media brand pages (Jooa, Kima, & Yang, 2011).

A business can expect to experience various improvements in its performance from utilizing social media. However, results can vary from one company to the next. The 2012 Social Media Marketing Industry Report (Stelzner, 2012), which was based on a survey conducted with 3,813 participants, mostly from the United States, found that one of the top 10 social media questions posed by marketers was how to measure the effect of social media on their businesses. Before identifying a solution to this practical issue, we must first investigate the common metrics used for measuring the impacts of social media utilization on businesses, and then identify the specific metrics that are useful for measuring the effects of social media on business performance. This article attempts to provide some clarifications on this issue. Quantitative content analysis of 126 publicly available case studies, including both successes and failures, was carried out to identify the outcomes, benefits, and aspects of business performance that can potentially be realized from the use of social media in advertising.

BACKGROUND

The Importance of Social Media for Advertising a Business

Consumer marketing companies use social networks to tailor highly personalized messages for their targeted demographics (George, 2010). This is because social network users have specific characteristics. For example, over 80% of Twitter users and over 60% of Facebook users are above the age of 25 years (DigitalBuzzBlog, 2010). According to DigitalBuzzBlog (2010), 30% of Facebook's 500 million users are located in the United States and 70% are located outside the United States. Of the 106 million Twitter users, 40% are located in the United States and 60% are outside the United States. These statistics show that the majority of users of the top two social media sites are over 25 years old and comparatively a significant number of them are located in the United States.

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On the one hand, social media has the potential to reach a large number of customers and specific groups of potential customers at a relatively low budget. It is, therefore, a promising tool for building customer loyalty, improving customer experience of a product, and disseminating and clarifying negative news about enterprises during public relations crisis management (Ying, 2010). On the other hand, social media can also damage a brand very quickly due to its high rate of information transfer and many-to-many form of communication, for example, with respect to the Odeon cinema chain and Ryanair, an Irish airline (Moth, 2012). Besides, social media can require a considerable investment of time interacting and connecting with others, and maintaining an active presence on these sites (Barizi Web Solutions, 2011).

Social commerce (see Ng, 2013b in the additional reading section for a detailed definition of this term) can be conducted through social media. Practically, in the context of Facebook, there are three types of social commerce store (Marsden, 2011). The first is a faux or 'fake' store that drives traffic to a company's web-store, but does not support actual business transactions on the social networking site. Examples of such stores are Pepsi and Elle Magazine. The second is a fan-store that sells a limited number of fan-exclusive products, its objective being to turn fans into advocates. Examples of fan-stores include Dove, Pampers, and '1-800Flowers.com.' The third is a full store that sells a full range of products and aims to replicate a web-store within Facebook. Examples include Hallmark and Walt Disney World). This classification of the type of social commerce store is mainly depending on the location of buying and selling transactions.

Companies Succeed and Fail in Social Media Marketing

It is evident from the trade press that there are a number of companies claiming to be successful in using social media for marketing purposes. Examples of these companies include Dell, Adidas, Arizona Office of Tourism, ASB Bank, Bob Evans Restaurant, and Mazda (Keath, 2012). However, there are also a number of companies claiming to have failed or to not be fully satisfied with their use of social media. These companies include Pizza Delicious (Henn & Chace, 2012), General Motors (Kunz, 2012), Tesla Motors, Netflix, and Goldman Sachs (Clarke, 2012).

The press reports and studies mentioned above indicate that the experiences of companies in the use of social media in their businesses differ, as do their results. There is clearly a need to understand why the results for different companies are mixed, identify the metrics used to measure the impacts of social media on businesses, and assess their similarity.

RESEARCH METHODS

As research on the impacts of social media on business is still in its infancy, this study adopted an exploratory methodological approach. The level of analysis was the organization, and the unit of analysis was the organization's documentation of its metrics used to measure its success or failure in its social media strategy. Secondary data, consisting of more than 100 publicly available social media case studies of success and failure, which were readily accessible, were examined in detail.

Data Collection: 108 successful cases and 18 failed cases, obtained from the trade press (Beal, 2012; Keath, 2012; Kunz, 2012; Moth, 2012), were analyzed. These cases were published based on their social media activities that took place between year 2007 and 2011. The cases were identified and classified as successes or failures based on contextual descriptions in each case of social media's impacts (positive or negative), outcomes, and performance related to business. Of the successful cases, 104 companies were using the Facebook social networking site, whereas only four companies were using either Twitter or YouTube. On the other hand, Facebook was used in 10 of the failed cases, and either Twitter or blogs were used as social media for advertising in another eight cases.

Data Analysis: Two phases of data analysis were conducted. The first phase of intra-case analysis involved the application of content analysis to published textual case studies of the experiences of 126 companies that had either succeeded or failed in their social media advertising. Metrics used by these companies to measure the impacts of utilizing social media in their business constituted the unit of analysis. Specifically, this study applied quantitative content analysis, whereby the 'raw' text, that is, the success or failure metrics from the case studies, were directly used as

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