

Chapter 5

The Emergence of Social Media and Its Impact on SME Performance

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ABSTRACT

This study aims to critically analyze the emergence of social media (SM) and its impact on Small- and Medium-sized Enterprise (SME) performance. This study employs a qualitative methodology for gathering information which has been able to provide clear insights, good quality, and rich data from the direct source. The evidence from this study suggests there is a relationship between the growth of a company's market share and the adoption of social media. There is also evidence that SM helps to improve sales figure, brand image and awareness. The findings in this study also suggest that SM helps to improve communication between companies and customers. The main implication of these findings is that SMEs should be encouraged to establish their presence on different social media networks in order to enhance their performance.

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INTRODUCTION

In recent years, social media has increasingly attracted the attention of academics, researchers, practitioners, companies, and customers due to its affordability and the fact that it is a global tool (Aula, 2010). Social network sites can be defined as web-based applications on smart devices such as phones, tablets, iPads, lap tops and computers that allow users or organisations to create a public or semi-public profile about themselves, compile a list of users with whom they share a connection with in the case of individuals and a target market in the case of a company (Boyd & Ellison, 2008).

The introduction of social media tools such as Twitter, Bebo, YouTube, and Facebook, has been able to attract millions of users, many of which have integrated their daily practices with these sites and, therefore, giving businesses the chance of targeting and reaching millions of people through these sites with minimal cost. The first social network site launched in 1997 was called SixDegrees.com. This was followed by others such as AIM and ICQ, Hi5, MySpace, Friendster, and LinkedIn (Armellini & Villanuev, 2011). The various formats of social media include: photo sharing, blogs, wikis, social networks, video sharing, virtual worlds, social bookmarking sites and micro-blogging. These numerous formats have created a shift from the traditional one-way communication system according to Qualman (2012) and has changed, expanded, and broken the barrier of communication between companies and their respective consumers.

Social media is the latest invention which companies, consumers, businesses, Non-Government Organizations (NGOs) and government agencies are moving towards as it has the tendency to reach millions of people by just one click (Sunden, 2003). Sunden (2003) argues that despite the adoption of the Internet by companies and customers, SMEs are still struggling with how to effectively adopt and integrate social media into their business models and strategies.

The Internet has significantly changed the world and so has social media. In the early days of social media, MySpace was one of the emerging social media networks that supported celebrity activities in terms of promoting music and videos and it also made an impact on the entertainment world and businesses at large from music to movies. MySpace was later displaced by Facebook, which offered more features and benefits such as uploading photos, creating fan page, direct communication and interactions between celebrities and fans (Mandelli & Mari, 2012). The arrival of Facebook united millions of people around the globe, thereby giving organisations the insight and the realisation of being able to potentially capitalise on the fact that customers are just a few mouse clicks away (Mandelli & Mari, 2012).

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