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Social Media Impact on Marketing and Operations of Small and Medium Companies: A Delphi study

*Skoumpopoulou, Dimitra.
Senior Lecturer, Northumbria University, UK
Vlachos, Ilias.
Reader, Northumbria University, UK
San José, J.G.
Business Administration and International Business graduate, Spain
*Corresponding author E-mail: d.skoumpopoulou@northumbria.ac.uk

Abstract
This research project investigates the impact of social media, in particular the uses of the social media in Spain, the impact of the engagement concept for the companies, the influence of the word of mouth for the businesses and the effectiveness of social media marketing in Spanish companies. Qualitative data has been gathered from five Spanish companies that use social media providing rich and detailed information. The most common use of social media in Spain is branding and promotions but Spanish companies have issues in the implementation of the online and offline strategies.
Keywords: social media, social media marketing, Spain, Delphi Study

1. INTRODUCTION

In our days the majority of customers activity is virtual, conversations about companies, brands of products are commonplace, and a type of written word of mouth is generated between members of the community (Shang, Chen & Liao, 2006). These conversations generate influencers, which are able to influence communities with their opinions. As a consequence organisations lose the control of the communication channel (Weber, 2007) and this loss of control in communication can be critical for the companies. However, the right implementation of social media channels can give companies more influence in the communication therefore gaining more control on their customers.

Social media have grown at an explosive rate; with millions of people all over the world generating and sharing content (Asur et all, 2011). The most common social media sites are social networks (Facebook, MySpace, LinkedIn, Tuenti), blogs (Blogger, WordPress), micro-blogs (Twitter, Tumblr), photo sharing (Pinterest, Instagram) video sharing (YouTube, Vimeo) and online forums and reviews (Amazon, Yahoo Answers!). Facebook is the social media site with the most registered users in total 868.451.420, more than 12% of the world population (SocialBakers, 2012). In Spain Tuenti is considered the second biggest social media website while 75% of the Spanish population are users of a Social Media website (Socialdente, 2011) which highlights further the importance for companies to change their traditional marketing approaches and participate in the new social media marketing.

The main benefits for a company to be in the social media world are: information about the customers and trends, influence the influencers and the possibility to manage the word of mouth (Ryan & Jones, 2009). For all these benefits companies are introducing the social media as a part of their communications strategies (Solis & Breakenridge, 2009) and this is when social media marketing emerges and becomes essential.

Social media is considered one of the greatest revolutions in the 21st century economy since social media changes the relationship between the companies and the consumers in one of the most important marketing variables: communication (Smith, 2009; Jaokar et al. 2009).

However, the impact of social media on marketing and operations management of small and medium companies (SMEs) has been largely under researched. For example, one of the greatest difficulties in social media marketing is to measure the impact of social media in terms of return of investment (ROI) as well as the return of conversation (ROC) (Evans, 2010). The contribution of this study is twofold: (a) it reviews the literature of social media impact on SMEs marketing and operations. (b) it investigates the challenges and applications of social media using a Delphi study (c) It proposes policies and ways that companies would benefit from social media. Due to the shortness of this conference paper, herein it reports mainly the marketing effects of social media and only the first part of the Delphi study.

2. LITERATURE REVIEW

Social Media can be defined as "*Online resources that people use to share content such as video, photos, images, text, ideas, insight, opinions...*" (Drury, 2008:274). According to iCrossing (2007), social media sites allow users to **participate** in social media promoting the contribution and feedbacks from the users who are interested in participating while social media channels are **open** for comments no matter what the opinion. The **conversation** is the basis for developing a **community** and that is what social media channels provide, an open communication.

2.1 Social Media Marketing

According to Gunelius (2011:10) social media marketing can be defined as "any form of direct or indirect marketing that is used to build awareness, recognition, recall, and action for a brand, business, product or person using the tools of the social Web". In a simpler way Jaokar et al., (2009) describe social media marketing as "an interaction with the set of online social media conversations from a marketing perspective".

Companies are spending a considerable amount of their budget on social media campaigns and some companies are finding value in this practice (Maymann, 2008). Gunelius (2011) suggests that some of the ways that social media can help businesses are:

- *Relationship Building:* Build relations engaging consumers or influencers
- *Brand Building:* Conversations can give the company the chance to raise the brand awareness, brand recognition and increase the brand loyalty
- *Publicity:* Business can share information and modify negative perceptions
- *Promotions:* Provide exclusive discounts and opportunities to make the users feel valued and special.
- *Market research:* Receive information about customers, demographic data, future trends, competitor's information.

Companies without a blog or social media campaign may lack customer's awareness and social identity (Scoble & Israel, 2006). Martin (2009) believes that the introduction of a company behind social identity devalues the conversation in social media. Dury (2008) argues about the nature of marketing, which is a commercial function, and explains that marketing has no place in social media because it destroys the human elements of social media practices. Godoy (2012) indicates that social media marketing objectives are sometimes unclear for companies and 41% of businesses participate in social media marketing in an effort to increase their sales.

Golden (2011) argues that based on the pure definition of marketing the main aim of social media is to achieve a good level of personal contact. However social media marketing uses pull techniques, through which a company's customer is pulled in by good content, but also allows the customers to engage. On the other hand traditional marketing pushes the company's product and services at potential customers through paid advertising or brochures (Skul, 2007). The traditional marketing or "marketing model of mass media" (Maymann, 2008) is based in the 4'P (Product, Place, Promotion, Price). With the introduction of social media marketing Ekinci (2010) change this 4'P to a new 19'P of social media marketing.

Communication in social media is a two-way street; it involves companies-customers or customers-company but it creates also the possibility of customer-to-customer communication (Mangold & Faulds, 2009). Maymann (2008) suggests that companies who give more control to customers in communication process receive a higher level of engagement with the company, brand or product while customers generate conversation without the control of the company (Scott, 2007). Zuckerberg (2007) one of the Facebook creators says: "Nothing influences people more than a recommendation from a trusted friend. A trusted friend referral is the Holy Grail of advertising". On the Internet, Word-of-mouth communication becomes completely important for the companies; influencers can destroy a company's reputation with comments which are becoming impossible to control (Kirkland, 2011).

2.2 Social Media and Operations Strategy

However how can companies measure the return on investment (ROI) from the use of social media? Evans (2010) suggests that to measure the ROI is probably impossible and companies should focus in measuring the return of conversation (ROC) by monitoring the conversations about their company. Gutierrez (2012) considers the Impact of Relationship (IOR) and demonstrates how it is possible to measure this impact by giving some numbers to different impacts. For example if a company receives a retweet from an influencer the company gives this impact 15 points and if this retweet comes from a no influencer just 10 points is received. Researchers (Garcia, 2012; Tobin, 2012) recommend that companies should give a monetary value to each action on social media, for example a comment on Facebook=5 cents, and calculate the return on investment with the sum of all monetary actions which happened in a determinate period of time.

3. METHODOLOGY

In this research we adopt qualitative interviews through a Delphi study research design that focuses on gathering data from social media experts in Spain. As no previous research exists on social media aspects in Spain, we employed an exploratory research and both primary and secondary data are therefore critical. This study also tries to discern the variables relating to the uses and benefits of social media, the importance of social media use, the brand image and the integration of marketing online and offline. Thus, the paper uses a two-round Delphi study. This paper will report on the results from the first round and a future paper will report on the results from the next round.

The research conducted a Delphi study by interviewing in the first round 5 social media experts in Spain. The panel of experts was recruited using a snowball technique, which is a judgment sampling technique utilizing the researcher's ability to locate an initial set of respondents with the desired characteristics. All respondents who indicated that they had specialties or experiences in the use of social media were interviewed in the first round.

With the use of interviews, the interviewees' can make sense of the world around them and "interpret their actions and their social world from their point of view" (Bryman & Bell, 2011, p.18). This study is focused on understanding the social media marketing in Spain through the consideration of the interpretation of the interviewees. Qualitative data is defined as a "descriptive non-numerical way to collect and interpret information which provides results in a descriptive manner" (White, 2000, p. 24). According to Miles (1979) the qualitative data offers a "far more precise way to assess causality in organisational affairs" and Jackson (1995) thinks qualitative data is the best attempt to understand the interviewees' experiences. According to Descombe (2007) interviews are the most effective method when the researcher needs to achieve insights from people's opinions, feelings, emotions or experiences. Saunders et al (2009) identify three different types of interview techniques depending on the level of formality and structure used by the researcher: Structured, semi-structured and un-structured.

For the aim of these research semi-structured interviews was selected, this method gives to the researcher the opportunity to ask open-ended questions to the interviewees in relation to their experiences (Bryman & Bell, 2011). With this method the researcher can cover more complex key themes than may be collected with other methods, such as questionnaires (Saunders et al., 2009).

4. FINDINGS AND ANALYSIS

Social Media Marketing
The results of the first round Delphi analysis yield several insights that shed light on the future of social media use, benefits of social media, the importance of social media use, the brand image and the integration of marketing online and offline. Thus, a social network channel can be built on a platform that is able to realize the internal motivation for investment and also seeks the best channel mix by setting up a differentiated strategy. The social media marketing channel includes the functions of generating buzz and interest, increasing sales and page ranks with the major search engines, and encouraging repeat visitors to the associated websites.

We have given the five interviewees a coded letter from A to E. All experts identify brand building as one of the key use and benefit for the social media. When the experts talk about brand building they believe that social media will bring to the company better levels of brand awareness, brand recognition, brand loyalty and brand image but experts A and D believe that social marketing is not a channel to sell. Expert A says: "*the social media is not for sales, it is for branding*" while participant D states that, "*my blog is going to be our branding tool but I don't think that we will sell on it*". Their views are in line with Gunelius's (2011:10) definition of social media marketing, which gives to social media a great impact for branding but not for sales.

The literature (Gunelius, 2011; Weber, 2007; Gillin, 2008) recognizes publicity and promotion as one of the uses of social media and agree that publicity and promotion are typical ways of using social media. For example participant B expose that "*many companies in Spain used to do a lottery of iPads for rich users in social media*" or participant C affirms "*the Spanish user right now finds in social media a way to receive promotions*", and all of them agree that this way is really good for collecting information about the customers or potential customers, "*we create promotions where customers receive incentives by filling in data*" says participant B, but participant D argues that users often just use the promotions and "*do not interact so have no worth to the company*".

The experts also believe that social media is a good tool for customer service and participant E says "*normally the company is going to receive criticism, but it is the easiest way that customers have to get close to the company*". With this new communication the company receives information about the customers' preferences and participant C admits that "*in the past companies pay money for focus group to discover the opinion of the customers, now this information is free and in real time*". The experts suggest that social media is an easy way to crisis resolution, which means that when a customer has a problem, if he posted that problem on Facebook it can be fixed faster than the regular process that the company might have. In addition sometimes customers' complaints come with bad language and companies could censure the comments but participant E does not recommend this because as "more censorship, more reaction from the customer". In the other hand participants B and C recommend the use of a digital identity document where "companies should describe the norms and regulations of social media use" and proceed to censorship as long as the regulation is not met. This view about customer service relates to Gunelius's (2011) argument that the use of social media can aid companies to get customer information through social media and build a community, thus companies need regulations. According to Solis and Breakenridge (2009) social media provide the companies with a new way of communication and participant A agrees by saying that "*we should see social media as a channel of communication*".

Social Media Engagement
The majority of the experts believe that not all the companies should participate in social media, with participants B and C suggesting that businesses should only participate in social media if they have clear objectives of what companies want to obtain. Similarly, participant D believes that "*companies should be only in Google+ because it provides other marketing online abilities like SEO*" but participant D also thinks that "*companies may be in social media if they really believe that their target customers participate on it*". Moreover, participants A and E consider it very important to be in social media because "*the conversation will be online whether you want it or not, so it is better if the company is involved*". Engagement with customers is the final step of a process that companies need to do for building a trusted relationship and all experts admitted that engagement is a very important aspect of social media while social media is one of the easiest way to achieve engagement. For example participant C states that "*engagement can be given every minute in the way that*

customers want it and the moment they want it". The participants' view is also in line with the literature (Drury, 2007; Wang, 2011) that suggests that social media generate communities in places where it will be easy for companies to interact with customers. More specifically, participant A states that "*social media gives a sense of community and is very easy and good to get the engagement with customers*", but as Wang (2011) argued, this community has to be based on trust and as expert C says "*companies cannot longer be opaque*".

Social Media and brand image

All the participants agree that social media can affect the company brand image in two ways. For example participants A, C and D agree with Wang's (2011) concept of trust as a main principle for the company. In the other hand participant B thinks that sometimes people know the power they have in social media and try to destroy the reputation of the companies only for fun and thus urges customers to start being more responsible. This relates with Weber's (2007) opinion about the loss of control by companies in communication channels.

Mangold and Faulds (2009) argue about the new way to build relationships between business and customers and as participant B says "*social media has changed relationships in a radical way*". The new relationship has changed from uni-directional, company to customers, to bidirectional, company to customers and customers to company; the customers can give feedback online, share content with the companies and finally interact. As expert D argues, "*you give them what they want and they can give you engagement or future sales*".

Participants B, D and E also believe that sometimes in Spain this new relationship is not happening in Spanish companies because businesses are not focused on customers as a central role. This view is consistent with Chaudry's (2008) standpoint that highlights the importance of organizations to be 100% focused on their customers.

Social Media and Operations Performance

One of the biggest problems in Spain is the lack of integration between company departments and as a consequence companies need to create an overall company strategy. Expert A states that "*social Media has to be based on an overall strategy, everything has to go integrated*" while expert D believes that "*do not have an online marketing plan and an offline one, you have to have a great plan that integrates all*".

According to Skul (2007) social media marketing uses pull techniques for achieving the engagement with customers and experts A and D admit the need for good content in order to create customer engagement. More specifically, participant D says "*customers want interesting content they care to read*" while participant C believes that sometimes without the use of good content "*users proactively establishes this relationship with the company*".

In Spain according to SocialDente (2012) 75% of the Internet users are registered in social media websites, but as the participants established not all of them have relationship with companies. In the future this engagement will increase because as participant E states "*the generation of digital natives are growing*".

Also, all experts except C concurred with Zuckerberg (2007) that nothing influences more than a recommendation from a friend, for example participant D says "*customers do not believe anything that came from the companies, they only believe what their online friends say*" or participant E suggests that "*if you treat customers well, they will be your ambassador*". In addition, participants A, B and D established that obtaining an online recommendation is necessary.

According to the experts Facebook and Tuenti are the best tools for promotions and creation of a community which is also supported by the literature (Parker, 2010). As participant B says: "*Facebook and Tuenti are more common in Spain than Twitter or Blogs*". This comment is in line with Galindo's (2012) argument that they are the most common social media tools in Spain. Moreover, participant D argues that sometimes for some businesses it is difficult to interact with the use of social media because "*Facebook is much more exposed to photos or family*".

According to the interviewees, it is very difficult to measure ROI in social media which is also in line with literature (Evans, 2011). For example participant D explains "*measuring the ROI in social media makes no sense*" but the experts agree that social media has to be measured. Expert A argues that "*the Internet gives us the opportunity to measure everything*" although not all companies use the best ways to measure it. For example participant B explains "*right now I only measure the sales through Facebook*" while participant D believes in taking some "*qualitative measures on a personal level*" although he did not elaborate further on this.

Although the participants do not believe in ROI for social media they think there should be a way to measure the return of social media for businesses. Giving some examples, participant B believes that companies can measure the return in social media when they have a clear objective and this idea meets with Garcia's (2012) and Tobin's (2012) theories. Similarly participants A, C, D and E understand that return can be measured through qualitative things like interaction with the customers, presence in customer minds, community (Gutierrez, 2012; Evans, 2010). To summarize as participant A mentions "*is there a return better than a faithful community*?"

5. CONCLUSIONS

Social media can have a really huge impact in branding for companies. With social media strategy it could be easy to achieve great levels of brand awareness, recognition, image and finally increase the loyalty of the customers but companies should be aware of the influence that customers can have and how customers use this "power" against brands. Also the research shows that not all the companies should be in social media, companies have to understand the implications of participating in social media and have clear objectives when they decide to use social media. According to our investigation one of the most common uses of social media in Spain is for promotion. This involves collection of information from customers, but sometimes with these kinds of users, companies attract users that only show up for the

promotion and never participate in the community. This research indicates a great level of customer service through social media but companies should identify which cases can be resolved online and which ones should be resolved in the normal way of customer service. Moreover, in Spain some companies separate the marketing online and offline and do not drive them together and according to the research companies should create an overall plan using a combination of marketing strategies for the better performance of the company.

Our study further indicates that engagement with customers should be the final step of companies to achieve their objectives in social media, but also shows how social media is the best tool to engage with customers, but obtaining a good level of engagement will be difficult for businesses due to the fact that companies have to achieve a high level of trust.

Our research makes clear that on the Internet everything can be measured, but the investigation does not clarify which of the social media marketing strategies could be the most effective and neither how companies can measure the ROI. According to the information collected, the best way to measure the effectiveness of social media will be measuring the online interaction or the brand awareness achieved in social media. The investigation also shows that Twitter and Facebook are the best tools for branding and interviewees recognized Pinterest as the best tool for the future, because it complements e-commerce.

The research has generated useful insights of the Spanish companies. However, social media is a large topic area and many questions still need to be answered before organisations can fully comprehend its impact and contribution for the company. For example a future research about the impact of the social media in the consumer purchase decision is needed. Furthermore, social media is a new phenomenon that will be subject to change so it would be valuable to repeat this study in the future to explore its development within the Spanish companies.

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