Social Networking and Small Business: An Exploratory Study

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ABSTRACT

This paper reports the results of a study of small businesses in north Georgia, to determine to what extent they are utilizing social networking and if so, for what purpose. The research finds that small business has an established presence in the social networking domain, and to some extent is aware of the possibilities and opportunities offered, however, most are not moving beyond a passive presence. The paper concludes with an outline of its limitations, proposes approaches for further work and stresses the importance of this area for achieving competitive advantage.

Keywords:
Internet, networking, marketing

INTRODUCTION

Facebook has over 500 million users – projected to grow to over 1 billion by the end of this year. Analysis of Facebook data by country indicates that almost every other American has a Facebook account. And Facebook is only one of many social networking sites and only one category. Others include Twitter, LinkedIn, and YouTube, blogs, wikis and social news sites. Businesses have many new ways to post information about their products and services. Consumers have many ways to post comments or upload videos (for example by using a smart phone) on their experiences with the product or service – favorable or unfavorable. These posts and comments have the potential to reach audiences in the tens of millions.

Across America there are millions of small businesses (in excess of 5 million with 1 – 100 employees) employing some 40 million people. In the current economic climate many of these business and their employees are facing lean times. The Obama administration is encouraging small business to become more innovative, more competitive and the people who work in them, better educated.

The rollout of high speed internet connections (broadband) across the United States will provide many small businesses and the people who work there with access to computing resources and technology far beyond what they have had available to date. It is anticipated that improving the broadband infrastructure will stimulate economic growth. However for many businesses and their staff, the technology will be new, unfamiliar, of unknown cost and benefit, and disruptive. It may provide advantages to some, including competitors, and prove costly or incur a badly managed implementation in others.

The authors believe there is a need for a comprehensive study of social networking and its potential for small business. Ideally, such a study would identify possible benefits and potential pitfalls, costs and risks and provide a set of best practice and benchmarks that small business could use to help them. The study reported here is an early attempt to explore and assess the efforts to use social networking by small business in north Georgia.

BACKGROUND

As Facebook approaches a billion users (Burcher 2010) and most Americans are connected, and as the nation continues to roll out high speed internet connections, a range of opportunities for altering and improving business processes will become available. These are many and varied and include technical

enhancements such as telecommuting, cloud computing and off-site storage and back-up, access to secure payment and delivery systems, and video links to customers, clients, suppliers and other offices. Web2 is changing business (Kosalge and Tole, 2010). Many of these changes will provide advantages encouraging the take-up of the high speed connection; once connected, the other areas may be seen as attractive too. Perhaps though, one of the most important areas to increase sales and revenue and reduce costs, is that of social networking.

> *Social networking is the practice of expanding the number of one's business and/or social contacts by making connections through individuals. While social networking has gone on almost as long as societies themselves have existed, the unparalleled potential of the Internet to promote such connections is only now being fully recognized and exploited, through Web-based groups established for that purpose.* (Whatis.com 2011)

Externally (with connections outside the company) social networking can aid in branding a community, provision of technical support and a series of professional and social contact opportunities; internally it can assist in collaboration on a project or across the organization, discussion and provision of information and instant messaging (Paul, 2009). Paul suggests that networks like Facebook and LinkedIn can be used for marketing, recruitment, prospecting and brand enhancement. In a similar vein Wallace (2007) suggested the key areas are around branding, linking to the business site, attracting traffic, interaction with the public and networking opportunities. People post a great deal of personal information on social network sites (De Souza and Dick 2009) – this can be used for targeted advertising. The costs can be significantly lower than paying for advertizing too (Mize, 2007). In addition, many think of the users of social networks as the young, however all age groups are now using the internet and all it has to offer (Raptis and Dick, 2005). Corbett (2010) reports the fastest growing demographic among Facebook users is that of those aged 55+. While these details offer tremendous opportunities, Paul (2009) does go on to point out that there are some downsides: lack of control over what is posted, the possibility of loss of content and social networking behavior changes with the audience and demographic.

Shih (2009) puts forward that social networking encourages entrepreneurial networks and provides an opportunity to maximize social capital. If we consider sales to be a social activity (of sorts) and based on trust, we can see that social networks might be considered to be a very powerful business tool. Some of the ways in which it might be used by sales staff include co-ordination and collaboration in deal making and the amount of personal information available on social networking web sites offer precision targeted marketing campaigns and a way of getting potential customers to "engage" with a brand. Entrepreneurial activities are enhanced by casual interaction – the very bases of many social networking sites and the people who participate in them.

In a summary of recent literature on this area Lazaroiu (2010) examines "interactional dimensions of social networks, the advancement and popularity of online social networks, and the booming growth of online social media demand" and points out that "companies must be creative in order to target specific audiences and make a profit. Social networking sites are instruments for building virtual communities. Businesses have an advantage of brand intelligence conducted on social networks." Some of the ways we have seen creativity include the ability to display pictures and videos of products enhancing understanding, and promoting knowledge of the product, establishing frequently asked questions sites or chat rooms where users can seek help thereby saving on costs and improving after-sales service, promoting up-coming events and special sales, coupons, and/or invitations targeted to those interested.

With the advent of "trusted" payment systems such as PayPal, and the provision of price comparison applications, many small businesses have introduced online ordering, reaching new markets in so doing further enhancing sales and reducing costs. Burnoff and Li (2008) suggest that the time is ripe to take the social networking opportunity further – listening, talking, energizing, supporting and managing the interaction. This is not to say that it is all plain sailing – McCarty (2010) points out the downsides of having large numbers of potential contributors posting negative comments and the difficulties of compliance with rules and regulations. Trade Seam indicates that the cost of doing a good job – posting frequent thought provoking comments, a critical mass of connections and time devoted to follow-up can

be expensive; however, it is allowing small business owners to take advantage of its expansive nature and viral nature to sell their products or services (Trade Seam 2010).

It seems that on the face of it, social networking has substantial benefits to offer small business, along with some pitfalls and costs of which to be wary. It seems that the rollout of high speed internet connections happening across the US will provide small business with the opportunity to take advantage of state-of-the-art technologies which may include social networking. Are they ready for it? How will they use it? What will they worry about?

The study reported here then, attempts to address the following research questions:

1. To what extent are small businesses adopting social networking?
2. How well developed are the activities?
3. To the extent that small business is using some form of social networking, how successful do they see it as being?

DATA

A limited number of small businesses (15) in the north Georgia area were chosen for the study. The study examined their use of social networking (in each case this was at least a Facebook page) and also looked as whether they had developed a web site and for what it was being used.

The businesses covered by the study were involved in a variety of industries – food services, health services, entertainment, recreation, shipping, and provision of technical services. Most had less than 50 employees. A survey was developed and each business visited to gather information. The data was then complied in Excel and SPSS and consolidated in preparation for analysis.

RESULTS

Of the small business participating in the study all had a web presence at least in the form of a Facebook page and a web site. Some had a third avenue of internet presence – perhaps Twitter, Yelp etc. Figure 1 gives the details of the Facebook sites:

Percentage of small businesses...

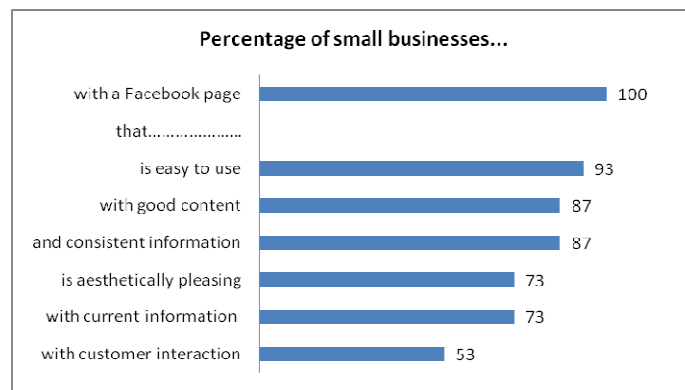|	
with a Facebook page that………………	100
is easy to use	93
with good content	87
and consistent information	87
is aesthetically pleasing	73
with current information	73
with customer interaction	53

Figure 1

The above indicates that small businesses see the need to establish a presence on the internet and that there would appear to be recognition that the social networking sites have something to offer. In addition, they have done quite a good job in setting them up – by and large they are aesthetically pleasing with good use of graphics colors and pictures, easy to use in terms of navigation, lack of clutter, organized and links. The building and maintenance of these pages is no doubt assisted by the templates and other design offerings from Facebook. The pages also have, by and large, up-to-date, consistent information

about the company and its products with links to other sites for information and sales. It is noted though that only around half of the businesses are using the pages for interaction with their customers – they appear to be being used almost as a billboard.

The picture is similar in relation to web sites – see Figure 2.

Percentage of small businesses...

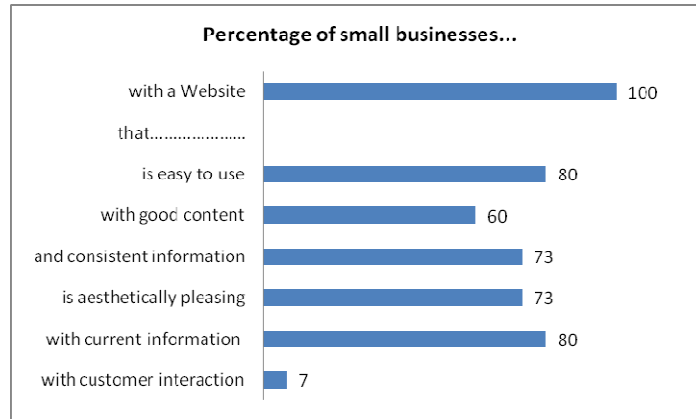|	
with a Website	100
that......................	
is easy to use	80
with good content	60
and consistent information	73
is aesthetically pleasing	73
with current information	80
with customer interaction	7

Figure 2

Figure 2 tends to underline the points made above – once again the businesses see a need for the presence but are doing very little with it other than using it as a way in which to provide general information. There is almost no customer interaction via the small business web sites and indeed this is not unexpected. Facebook offers several "ready-made" methods of interaction – The Wall, Messaging etc., which would need to be constructed and integrated on a web site.

Several respondents drew attention to the ease of setting up a page on Facebook against the difficulty of developing a web site. One respondent to the study (who paid for some 120 hours work to build the website versus 2 hours for the Facebook page) commented that

> *"the website was probably worth the investment, …. Facebook was absolutely worth the investment"*

As mentioned above some businesses in the study have developed a third (or more) internet presence – see Figure 3:

Percentage of small businesses...

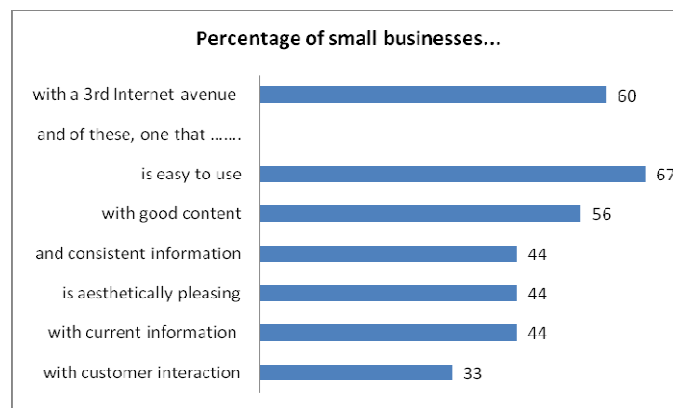|	
with a 3rd Internet avenue	60
and of these, one that	
is easy to use	67
with good content	56
and consistent information	44
is aesthetically pleasing	44
with current information	44
with customer interaction	33

Figure 3

The internet presences here include Twitter, YouTube, and LinkedIn. Once again there is minimal interaction with customers and perhaps with some of the Facebook templates unavailable the content is

less attractive.

The businesses involved in the study indicated that Facebook was easy to set up and modify – a web site was much more difficult. Many of the businesses reported using a family friend or acquaintance to set up the web sites and maintained it themselves; often this required just a few hours a week. Most of the sites did not report high activity – a few posts a week and a few dozen visitors to the site was not uncommon. In addition the businesses usually did not complete any form of formal evaluation of their investment in social media – the only evaluation was often a general feeling that they were useful to the business or not. Nevertheless a small number of businesses believed that a certain percentage of sales could be attributed directly to the sites.

LIMITATIONS AND CONCLUSION

There are several limitations to this study. First the sample size is small and this makes generalization difficult. Secondly, the data is largely self reported and may suffer from bias in that regard. And, the data was collected by students working in small teams – it is possible that data has been interpreted in different ways by the different teams. More research work needs to be undertaken. A larger sample would improve generalizability and give a more complete picture. Also a series of longitudinal studies would help identify a range of best practices that could be used widely as more small businesses follow in the footsteps of the early adopters.

However it seems clear that most small businesses see the need for an internet presence in the form of social networking. It seems they are investing in setting up these sites and making a reasonable effort to keep them current and informative. However, by and large, they are using only a small portion of what social networking has to offer business. It is not a case of "build it and they will come" – in order to exploit the potential of this technology small business will need to become much more interactive and proactive.

In summary, it seems that small businesses in north Georgia are ready for expansion and development of social networking as a tool to enhance competitiveness and innovation by social networking. The next step will be for the small businesses to become more proactive and look at ways to exploit the potential offered.

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