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Consumers using Social Media: Impact on Companies' Reputation

Bráulio Alturas *
Liliana Oliveira **
Instituto Universitário de Lisboa (ISCTE–IUL) - University Institute of Lisbon - Portugal

* Assistant Professor of Instituto Universitário de Lisboa (ISCTE–IUL) - University Institute of Lisbon, Researcher of ISTAR-IUL, Av. das Forças Armadas 1649-026 LISBOA, Portugal, Phone: (+351)217903976, E-mail: braulio.alturas@iscte.pt

** Master Student of Instituto Universitário de Lisboa (ISCTE–IUL) - University Institute of Lisbon, Researcher of ISTAR-IUL, Av. das Forças Armadas 1649-026 LISBOA, Portugal, Phone: (+351)217903976, E-mail: lili.oliveira228@gmail.com

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Abstract

This paper's topic is to address the impact of social networks on companies' reputation. Before a consumer with new aptitudes has access to new technologies and, above all, to a wider and more dynamic range of alternative communication sources, companies must pay attention to all that is written about them in social networks, and should be especially careful with what they publish and the answers they give to their customers' publications.

Recently social networks have become one of the most developed, simple and accessible means of communication. Herewith, even more companies pay attention to their reputation because one simple comment or opinion about a product/service of a company/brand could influence the decision making of other users/consumers.

Regarding the work's methodology, after a literature review, a questionnaire was applied to the users/consumers in order to analyse the usage of social networks, the opinions transmitted, and how the company's reputation could end up impaired. The intent of this was to raise awareness to the factors that can influence the reputation of companies on social networks. So it is important to plan and work on an effective business communication strategy in a radical marketing perspective.

Keywords

Social Networks; Business Reputation; Companies Reputation; Social Media Users; Consumers.

Introduction

The evolution of information technology, which has become crucial in the daily lives of the world's population, has led to what is now called the information society. However, information technology's development, cause, and effect on the Internet led to a series of transformations of society, and the way information is consumed, which in turn conduced to the Net Society paradigm (Castells, 2004). Social media is a very important piece of this phenomenon and its use could affect the reputation of companies and their impact on society.

Accompanying this growth, social networks have been one of the means most used by companies because it is the simplest way to make connections between people. These networks facilitate the identification of user profiles by revealing data such as what they like or do not like, their interests, photos, comments, and networks of friends; that is, everything that they feel to be important to share in society.

The growing number of users of social media has allowed for more information circulating over the Internet. According to Pekka Aula before this development companies had to pay attention to their reputation, that is, to their own image in the market and what consumers thought of them. As such, depending on the activity in which it is operating, a very careful communication strategy that is both weighted and consistent is required. In social networks the dissemination of opinions and the description of a less favourable event will influence the opinion of users (Aula, 2010). This author also refers that under this perspective it is easy to quickly destroy the reputation of a company.

This study aims to find factors related to the use of social networks that can impact the reputation of the companies and, consequently, in the view of Richard Laermer and Mark Simmons, adopt strategies to avoid being harmed (Laermer & Simmons, 2007).

The emergence of information society

In the 1990s, the era of Internet expansion began, where it started to reach the general population. Since this development the Internet continues to grow at a very fast pace and is already considered the largest technological creation. With the rapid emergence of access and service portals, the Internet began to be used as a social component and companies began to use this medium as a way to improve their business.

Today the Internet is essential in everyday society and is present everywhere since its use is already regarded as a basic need. As a result of this evolution, since the year of 2006 a new Internet era began with the advance of social networks. To understand the increasing power of the Internet it is important to examine new technologies and tools available for creating new social dynamics. The new generation who bases on social content such as opinion blogs and social networking sites, has been modified in the manner that users use the Internet (Siano, Vollero, & Palazzo, 2011).

In this context, there is concern in the ease of using the Internet because of the growing importance of social media influencing customer expectations as well as the reputation of a company. The Internet allows users to express their opinion which is disclosed information that companies may not be able to control, and that have the power to change opinions of third parties. The presence of content such as review sites and comments published on social media can therefore affect the relationship between companies and consumers.

Finally, Bunting and Lipski (2000) argue that what the Internet has allowed us to do is to be able to transfer a "voice" into the formation of a corporation's reputation, directly to their respective stakeholders (Bunting & Lipski, 2000). Thus, on the Internet there is a progressive ability for users to disturb the balance of reputation (Harrison, Waite, & Hunter, 2006) (Gorry & Westbrook, 2009).

Social networks

Over the past few years and following the growth of technology, social networking has been one of the most used means to communicate because it is the simplest way to make connections between people. These networks facilitate the identification of user profiles by revealing data such as what they like or dislike, their current situation, their interests, photos, comments, and network of friends; that is, all that users consider important to share in society.

An online social network can be defined as a platform that offers a space for communication and interaction with digital sets of people with similar needs and interests (Ellison, Steinfield, & Lampe, 2007). According to Gaffney and Rafferty (2009), social networks can be defined as platforms where users create a profile displaying their interests and usually follow links regarding such interests in order to find other users with whom they can share them (Gaffney & Rafferty, 2009).

In many major social networks, participants are not necessarily networking or looking to meet new people, but primarily communicating with people who are already part of their extended social network, making it more likely for a user to consume according to the influence of his peers (Boyd & Ellison, 2008).

This type of communication generates various descriptions and reviews. As Filipe Carrera says social networking is "a social structure made up of entities (individuals and organizations) that are interconnected in many ways and sharing values, ideas, financial flows, friendships, feelings of love, family ties, etc." (Carrera, 2012, p. 195). One of the key features in the definition of social networking is "his openness and porosity, allowing relationships between people. Social networking is therefore not just another form of structure, but an almost "no structure" in the sense that part of its strength lies in the ability to do and undo quickly" (Duarte & Quandt, 2008).

The biggest of these social networks is Facebook. In Portugal, the Facebook penetration rate is 39% in the general population and a whopping 80% of the online population, which translates into about four million people. This social network is characterized by its generalist nature, allowing infinite forms and contexts of interaction. According to Rebelo and Alturas (2011) the aforementioned reasons and the ability to be a marketing tool used to create buzz makes it the ideal study subject in this context (Rebelo & Alturas, 2011).

Impact of social networks in business

Social networks are globally known and are used for various purposes including personal, professional, and trade. The exploitation of the commercial aspect enables companies to make disclosure of their products and services and even of the company itself and its respective brands, something that is becoming more frequent nowadays (Alturas & Almeida, 2015).

Companies use social networks in order to garner more and more popularity, more precisely through the sale of its products or services. Social networks are a quite effective means to do so,

rather than in a company's own site, because their number of users has been growing successively, making it a free medium for business advertising.

In social networks there are several publications revealing the dissatisfaction of users, which may result in a negative impact for companies when they are released before the whole society. Pekka Aula (2010) gives the example of two cases where this situation occurred. The first case referred to one of the world's biggest air carriers, United Airlines, which refused to compensate a passenger who was a professional musician for breaking his $3,500 guitar in 2008. The passenger eventually wrote a song about his lengthy but failed negotiations with the company and he sang it in a derogatory music video posted on YouTube in 2009. His protest video ''United Breaks Guitars'' was seen by millions of people in a matter of days, and as a result the case received widespread coverage in the Internet media – blogs, forums and news websites – as well as in print and TV. Reacting to the groundswell of adverse publicity the carrier quickly responded with a settlement offer.

The second case referred by Pekka Aula (2010) was regarding the clothing company H&M that became the subject of an unexpected scandal in New York after a student found bags of its unsold clothes mutilated and dumped in the garbage by the store's personnel. Shocked that the store trashed the clothes instead of donating them to nearby agencies that would have distributed them to the needy, the student informed the New York Times. When questioned by reporters H&M's store representatives were caught off guard and refused to comment. Soon the story found its way onto Twitter, the micro-blogging service and after a public outrage spreading quickly via social media, the company gave their first statement about the ''trashgate'' incident.

Like such cases there are many others that reach social networks. In Pekka Aula's article it is stated that social networks are used freely by people who send and receive information about their surroundings. This is a topic that is not primarily ignored by companies that currently feel that they have an implication in strategy with a reputation risk. This risk threatens competitiveness, trust, loyalty and relationships, which often stirs people's sensitivity depending on their culture. The problem that is remarkable in social networks is that the information is not verifiable because it immediately comes into contact with the public and might influence the opinions and evaluations of cooperations (Aula, 2010).

Reputation management

The concept of reputation is a design that moves with society, with the functioning of organizations, and there are large challenges in order to preserve the reputation of them. In recent decades, there has been a transformation that changed the concept of reputation. This transformation is called technological revolution, and the scope that it reached is reflected in the social environment. Before this technological leap people had a certain ethic and moral, but this revolution has brought changes in their behaviour.

Mário Rosa (2007) states that "we must recognize that new technology means not only a new theory. It means a new way of thinking, yes, but above all requires a new way of acting. Technological innovation means moral innovation" (Rosa, 2007). With the new era, innovations have a great impact on how reputation is managed. We live not only in a new social environment but also in a new moral one "with new rules of behaviour, with new demands, where transgressions that previously could go unnoticed can now be displayed in real time on a global scale" (Rosa, 2007).

Today's new digital society means transmitting real-time information all over the world. Society feels increasingly more public because unlike the beginning of the 90's, technology now has provided mobile phones with cameras, filming cameras, photographing cameras, roads and elevators with cameras, micro devices, and global communication networks, to state a few examples of how all of a person's life is now recorded with an increasing level of detail. For this reason reputations are much more exposed (Rosa, 2007).

There are other authors with slightly different opinions who ultimately meet the basic concept. Mahon and Wartick (2003) state that "reputation is therefore the result of a set of public decisions that improve (or worsen) over time, and is shared socially by the various different stakeholders (customers, shareholders, employees, suppliers and so on). To summarize, reputation is based not only on past performance but also the ability of a firm to meet the expectations of consumers and to create a future value for its stakeholders" (Mahon & Wartick, 2003).

To deepen this study, we also insert the concept of e-reputation. This concept is defended by Chun and Davies when they state "this reputation element that is specifically derived from electronic contacts" (Chun & Davies, 2001). Please note that Milne and Culnan (2004) state that there is a lack of face to face communication with employees and customers, and that there is a great concern with the security theme due to personal information that is visible in the technological environment. As an example, lack of communication transpires uncertainty and risk, and in addition to that verifying someone's true identity also contributes to the aspects that make it difficult to build a reputation (Milne & Culnan, 2004).

Friedman and Resnick (2001) argue that the evolution of the behaviour of companies has increased due to the development of social networking tools, which are online platforms that serve as a means to disseminate and compare comments. They are opinion platforms where users communicate with each other and can publicize their experiences on a particular product or service. Thus, it allows users to access information about a product or service, and to compare prices and features with other products and services from other companies. The disadvantage is in the difficulty of ensuring honesty in the opinion expressed and comparing the same product or brand in several places that end up being published in different sites (Friedman & Resnick, 2001). In another article, the same authors advocate that a reputation system collects, distributes and aggregates feedback about the past behaviour of users. Though few of the producers or consumers of the ratings know each other, these systems help people decide whom to trust, encourage trustworthy behaviour, and deter participation of those who are unskilled or dishonest. (Resnick, Zeckhauser, Friedman, & Kuwabara, 2000).

In short, there are immense risks for businesses on a day-to-day basis, so the challenge is to manage the company's reputation – depending on the respective activity – even though rumours that run amid the population can easily destroy it, i.e. there are negative criticisms that have a very strong and fast power to destroy businesses reputations.

Methodological considerations

The purpose of this research is to measure the factors that can influence the reputation of companies on social networks, know the importance that feedback from users on social networks has on businesses, understand to what extent social networks may influence the image of the various companies, with particular regard to its reputation, and finally, measure the factors influencing the reputation of corporate social networks.

After reviewing the literature, it was decided that there was a need to gather data that would characterize Portuguese social media users regarding their interaction with companies on social networks. To achieve this goal a quantitative methodology was defined where a questionnaire with three groups of questions was applied: the first group focused on the usage of social media, namely what kind of social networks they use and how often. It had questions about the influence it might have as a consumer's account of the two cases described by Pekka Aula, and finally questions about the type of use they make of social networks. The second group was dedicated to characterizing the responders according to their relationship with companies that are present in social networks, and the aspects that may influence the reputation of companies. The third group was about demographic characterization.

Respondents were asked to rate a set of items in a 5-point Likert scale anchored by 1 (not important at all) to 5 (extremely important) and in other cases from 1 (Never) to 5 (Always).

The questionnaire was issued online through mailing lists and Facebook contacts to a number of selected users (sample of convenience). It was requested of them to fill the questionnaire and they were asked for further disclosure among their contacts. With this methodology a considerable number of responses were collected between July and August 2015.

The data was exported to the IBM SPSS Statistics version 22 application for statistical analysis. After some descriptive statistical analysis of the data, a principal component analysis was made to reveal the main factors. Then a search for correlations between the variables took on.

Findings

The sample comprised 138 respondents from which a considerable amount (39.1%) were between 25 and 29 years old, and the majority of them (84.8%) possessed or was attending a superior degree of education. There was a balance between genders, with a slightly higher female response (52.9%).

The universe aim of this research is centralized in Portuguese users of social networks, with emphasis on the dissemination via Facebook as it is the social network most used by the population in Portugal. When analysing a total of 138 responses it was observed that 92% of respondents are wont to using social networks and 74% use it several times a day.

Thus, the focus of the analysis was the 127 respondents who use social networks and that are within the purpose of the study. In the sample obtained it was observed that 98.4% use Facebook, followed by 58.6% who use LinkedIn, 48.4% who use YouTube, 42.2% who use Instagram, and 26.6% who use Snapchat. Of the respondents, 73.2% use Facebook to see day-to-day news, and when they intend to purchase a product/service, 71.7% go looking for information on the respective Websites, while 49.6% go looking for information in several Forums.

In addition, two examples were given in the questionnaire regarding dissatisfaction publications of users/consumers, both of which can cause a negative impact on businesses. The two examples used were taken from Pekka Aula's article (2010). In the first example the United Airlines company, one of the largest airlines in the world, refused to pay a compensation to a passenger, a professional musician, for breaking his guitar. The passenger had the idea of publishing a derogatory song of his own, telling the story on YouTube. It was observed that 39.7% of respondents could change their opinion regarding the company and 31% said that it was very likely that they would have their choices influenced. The second example is about a student from New York who found unsold, mistreated clothes from the clothing company H&M in a dustbin.

The student was bothered because he believed that the company should have arranged for a way to donate the clothes to people in need. He then reported this to a magazine – New York Times – who asked for clarification on the case that came to be published on social networks. In this situation, 34.1% of respondents are of the opinion that perhaps and most likely this news had an impact on their decision regarding the company.

After the data collection, a principal component factor analysis was computed to reduce the data and five composites were observed: intensive use of social media by the consumer (7 items with Cronbach Alpha of 0.942), proximity between consumer and company (7 items with Cronbach Alpha of 0.912), quality of the information obtained by the consumer (7 items with Cronbach Alpha of 0.914), attitude of the consumer towards posts in social media (2 items with Cronbach Alpha of 0.764) and reputation of the company perceived by the consumer (3 items with Cronbach Alpha of 0.716).

Finally, the correlation between the new variables was analyzed using Pearson's correlation coefficient (p), and it was observed that all variables were significantly correlated with the reputation variable (Table 1). In the last phase of the statistical analysis it was observed that in all the relationships between variables there is a strong linear relationship. Additionally, the ANOVA test showed the results to be significant because the values are lower than the usual significance levels ($p \leq 5\%$).

Conclusion

Social networks are increasingly stronger worldwide. Since virtually all people are linked to this environment, companies intend to use them as a communication tool. Thus, it has become an important means for the dissemination of products, services, promotions and information that assist companies in understanding the audience and interact more with customers. In the present study, a better understanding of how social networks are increasingly popular on the Internet was sought; something that is a very strong phenomenon these days and in turn does not go unnoticed by the eyes of companies. In addition, the relationship between the reputation of businesses and social networks is essential since it influences the behavior of consumers.

From the companies' side, it is necessary to invest in institutional communication in order to be rewarded later. This study confirms the claims of Pekka Aula (2010), according to whom the order of the processes needed to have a good reputation is: advertising management, strategic goals, building relationships with the public, creating value and enhancing the reputation of a company.

The outcome of the analysis of the relationships between the variables mentioned in the conceptual model is important for companies since they can implement a strategy in terms of reputation in order to avoid being affected by the contents disclosed by people on social networks. It has been proved that for this sample the variables "use", "proximity", "information" and "attitude" are highly correlated with "reputation"; and a stronger relationship with the last two (information and attitude) is verifiable, something that has been shown to be very influential in the image that consumers have on the reputation of a company.

In short, public opinion is a very important component in a company's reputation. This component is difficult to control because it cannot manage what the press and people post. The more positive the company's reputation is, the easier it is to sell their products or services. It is then important to plan and work on an effective business communication strategy from a radical

marketing perspective. For this communication to be effective it is important for organizations to hold events, projects and publications to bypass public opinion. Above all, it's important to study the characteristics and public needs, more precisely, study the users of social networks, who have increasing freedom of expression and an impact on the handed opinion.

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Appendix

Table 1

Correlations

		Use	Proximity	Information	Attitude	Reputation
Use	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	127				
Proximity	Pearson Correlation	,682**	1			
	Sig. (2-tailed)	,000				
	N	127	127			
Information	Pearson Correlation	,706**	,765**	1		
	Sig. (2-tailed)	,000	,000			
	N	127	127	127		
Attitude	Pearson Correlation	,210*	,385**	,355**	1	
	Sig. (2-tailed)	,018	,000	,000		
	N	127	127	127	127	
Reputation	Pearson Correlation	,426**	,462**	,512**	,508**	1
	Sig. (2-tailed)	,000	,000	,000	,000	
	N	127	127	127	127	127

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).