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3.6. SHORT COMMUNICATION: THE EFFECT OF SOCIAL MEDIA ON CUSTOMER BEHAVIOUR AND FIRMS' ACTIVITIES

Summary

One of the most important marketplace for the transactions of goods and services is the internet. The internet usage has been increasing and so does the transactions through internet. It is important to consider, that the internet buyers have different approaches to buying and their responses to marketing from the traditional offline consumers. In fact, in these digital era days marketing needs to change. It needs to adapt in developing brands and improving customer relationship through online marketing channels. The firms need to engage more in social media, since, more customers are engaging in social media. Thus, in this paper, we want to demonstrate the effect of social media on consumer behaviour and firms' activities. This outcome of the study can be utilized by the firms to enhance their output.

Keywords: social media, consumer behaviour, firms' activities, E-commerce

Introduction:

Nowadays, it is really appreciating to witness the wealth of new digital technologies. Direct marketers can communicate with consumers, anywhere, at any time and about anything. E-commerce became one of the most controversial topics in most of the business journals. Actually, web and the new advances have turned into a coordinated part of our lives and making easier for research and buying any sort of items. Also, the online transactions are getting to be more easier and quicker, for example people can buy most of goods through internet through online retailers (Bighiu, Manolica and Roman, 2015).

On one hand, research by Emarketer.com (2014) depicts that the usage of the internet for buying goods or services is increasing as shown in Table 1. Therefore, companies need to adopt their strategies to this trend, otherwise they face challenges in the future.

Table 1: B2C E-commerce Sales World Wide by Region (Billions Us Dollar)

Regions	2013	2014	2015	2016
Asia-Pacific	383.9	525.2	681.2	855.7
North-Amerika	431	482.6	538.3	597.9
Western Europe	312	347.4	382.7	414.2
Central & Eastern Europe	49.5	58	64.4	68.9
Latin Amerika	48.1	57.7	64.9	70.6
Middle East & Africa	27	33.8	39.6	45.5
World Wide	1251.5	1504.7	1771.1	2052.8
Change	18.25%	20.23%	17.70%	15.90%

Source: Emarketer.com (2014)

On the other hand, people are more engaged in social media. For example, Facebook's users are increasing about 271 million in just two years (Table 2). Engaging in social

media and has had an effect on e-commerce, consumer behaviour and firms activities (Darban and Li, 2012), therefore it seems necessary to have an in-depth look in the new phenomena.

Table 2: Facebook Daily Active Users

From 2013 to 2015 - in millions				
Geographic Regions and Time Periods	*FB Users in USA & Canada*	*FB Users in Europe*	*FB Users in Asia-Pacific*	*FB Users in Rest of World*	*FB Users Total World*
2013 Q1	139	179	167	180	665
2013 Q2	142	182	181	195	699
2013 Q3	144	188	189	208	728
2013 Q4	147	195	200	216	757
2014 Q1	150	203	216	233	802
2014 Q2	152	206	228	244	829
2014 Q3	155	212	242	256	864
2014 Q4	157	217	253	263	890
2015 Q1	161	225	270	280	936

Source: Internetworldstats.com (2015)

Also, reports show that the companies' home pages, email, and social media are mostly used these days. However, most organizations produce under 5% of their deals on the web, e-commerce is an upsetting power having a significant effect in changing business models. More recent research proved that social media and mobile applications will be penetrating in our everyday life. Therefore, it seems important to have a specific view to both of them and usage of them in marketing to not drop behind the new trend (Leeflang, Verhoef, Dahlström and Freundt, 2014).

The overwhelming internet recognition has brought in various online social networks or web communities. social networks radically change consumers' behaviour and their brand preferences. Numerous autonomous and commercial web sites have increased, giving consumers a medium for congregate, socialize, and exchange views and information.

There are two ways how marketers can engage in online communities: taking part in existing web communities or by setting up their own. The best would be to join an existing network. However, there are challenges while participating in the existing online social network. Firstly, the effective use of the existing online social network is on experimenting stage, and the results are hard to measure. Secondly, these online networks are largely user controlled. The company's aim is to promote their brand. However, it is not so simple for the marketers to start interacting with consumers, since they need to earn the trust (Kotler and Armstrong, 2012).

This paper begins with an explanation of terminology that defines social media and social media marketing. In addition, it will analyse literature on social media and present its effect on consumer behaviour, firms' activities, and will highlight the advantages and disadvantages of these effects.

Social media and marketing

Social media

From the standpoint of an idea, social media are the websites which bring millions of users with the same interest from the globe. Some examples of most popular social media are Blogs, YouTube, myspace, Facebook. There are various reasons people use social media (Sin, Nor and Al-Agaga, 2012).

From technical point of view, social media are gathering of Internet-based applications that fabricate in light of the ideological and innovative establishments of "Web 2.0", and that permit the creation and exchange of "User Generated Content" (Kaplan and Haenlein, 2010). According to Chaffey (2009), "Web2.0, is a collection of web services that facilitate interaction of web users to create cite user generated content and encourage behaviours such as community or social network participation, mashups, content rating, use of widgets and tagging" (p.55).

Mostly, the people want to maintain their relationship with relative or friends/colleagues. The online users of social media have gained social support, friendship and intimacy from establishing and maintain contact with other users (Dholakiaa, Bagozzia and Pearo, 2004).

Kaplan and Haenlein (2010) believe that for creating a classification scheme for social media, and to do so in a systematic manner, it's better to rely on a set of theories in the field of media research (social presence, media richness) and social processes (self-presentation, self-disclosure). Probably social presence and media richness terms are not clear, therefore we try to define and explain them. Social presence is defined as the acoustic, visual, and physical contact that can be accomplished. Media vary in the level of richness they possess. It measures the amount of data that social media permit to be transmitted in a given time interval. Accordingly, some media are more effective than others in determining vagueness and uncertainty. Table 3 presents the result of their research.

Table 3: Classification of Social Media

		Social presence/ Media richness		
		Low	Medium	High
Self-presentation/ Self-disclosure	High	Blogs	Social networking sites (e.g., Facebook)	Virtual social worlds (e.g., Second Life)
	Low	Collaborative projects (e.g., Wikipedia)	Content communities (e.g., YouTube)	Virtual game worlds (e.g., World of Warcraft)

Source: Kaplan and Haenlein(2010), p.62

Social Media Marketing

There is one thing common with the successful companies nowadays. These companies are strongly customer focused and heavily committed to marketing. In fact, these companies are ready to understand and fulfil the customer needs. Marketing

deals with the customers, similar to any other business function. In every marketing definition, the significance of customer relationship and firms can be noted. For instance, Kotler and Armstrong (2012) define marketing as the process by which firms create good relationship with customers, to lure value from customers in return.

In addition, the social media website has provided a platform for the businesses to connect and network with the potential consumers, and build relationship with them (Mersey, Malthouse ans Calder, 2010). Social Media speak to a progressive new pattern that ought to be of enthusiasm to organizations working in online space (Kaplan and Haenlein, 2010). E-commerce can be built through social media, which in turn can connect to more potential buyers.

The online shopping is a process of electronic commerce, as, customer directly contact e-vendors and purchase goods and services from an online store (Chaffey, 2009). The process of gaining attention through social media sites is called social media marketing (Trattner and Kappe, 2013). For instance, social network such as, Facebook advertise with information about the likes and dislikes of the customers and assist the firms to learn more about customer needs. In the following section, we will discuss six types of social media from Kaplan and Haenlein's point of view.

Social media and consumer behaviour

The social network affects people through complex interpersonal influences. These can be conscious or unconscious, active or passive, normative or informative. These social networks provide an opportunity for consumers to advertise their perceptions of the purchased products and create a network of communication. Actually, Kohli, Suri and Kapoor (2015) believe that the communication model from the traditional model has been changed to the social media model as you can see in figure 1.

Figure 1: Communication Model
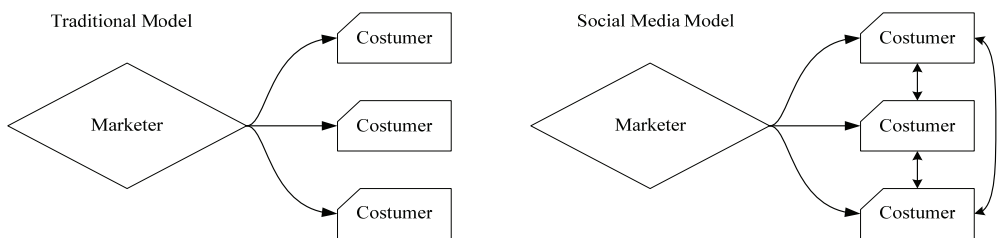
Source: Kohli, Suri and Kapoor (2015, p.37)

Consumers get information through their peers, thus, limiting the power of advertising, and making it challenging for the companies to justify large upfront investments. Social media has made consumers more demanding and discriminating. This shows the power has shifted in their favour, and they can insist marketers to provide their specific needs. Also, communication built by the consumers influences the target market and creating of the product and its delivery. Consumers would most likely respond if their

specific needs are met and social media acts as a medium for sharing information about brands that best suits ones needs (Kohli et al., 2015).

It is important for the retailers and marketers to know about the factors affecting the consumer attitudes and motives, since, consumers are aware about the brands (Heinonen, 2011). These days there is a vast change in communication technologies and has been related to user participation. Thus, more customers engaging with social media should encourage firms to engage with social media as well. The marketing communications are incorporating with digital space, marketers can link with the customers using social media (Tiago and Verissimo, 2014).

This century is the age of social commerce and it has two most important potential challenges for firms: 1.) The ability to generate and leverage deep customer insights; and 2.) Managing brand and reputation in a marketing environment where social media plays an important role.

In this digital era, large data have become the norm. Large data provide more chance to follow customers, for instance, following customer from the orientation on a product to purchase and even to becoming loyal to the product. Following of the customer journey efficiently is a key component to perfect advertising campaigns and budgets. The most important benefits that companies wish to obtain from the customer data analysis are that; these data drive sales volume, induce innovation, and enhance customer engagement also through the creation of stronger brand loyalty.

Creating brand fans and investing in social media by managers, have a positive effect on the firm word of mouth and loyalty. The brand reputation of companies is controlled by the social media, though, they are struggling to measure its real impact. One of the most important tension perceived, is that the role of social media playing in managing brand health and reputation (Leeflang et al., 2014).

There are four key components of e-commerce which have effect on online purchasing; information, design, security and privacy (Vos et al., 2014). Building consumer trust is the main factor to achieve success against competitors (Pavlou and Fygenson, 2006). Nowadays, there are a lot of advertisements on the internet, also lots of comments criticizing brands and products, so it is hard for people to decide and trust. Social media can play an important role here, where firms can build consumer trust and advertise their products.

According to Edelman (2010), two-thirds of respondents from 2100 companies, were using social media, many perceived that it was still an experiment with blurry future. Only 7% successfully integrated social media into their marketing activities. Social media can improve the design and promote of brands and has the capability to do this on an enormous scale, as, the consumers are skilful in controlling and influencing marketers through its use. Consumers not only control the information, but, also pass information to others if they find useful or interesting. Furthermore, social media has the potential to provide information very easily, and to move it, and to magnify it.

Shopping has always been a social experience and social media provides an opportunity for consumers to communicate with individuals, many of whom are likely to be strangers. The informational society influences affects the consumer decision processes and product evaluations. Social media give a chance to organizations to draw in and interface with potential customers, support an expanded feeling of

closeness with them, and fabricate exceptionally imperative relation with potential buyers. As discussed earlier, social media provides the power to the consumers to influence other buyers through the evaluation of the products or the services. Social networks can play a key role in influencing the behaviour of consumers in the digital environment. The social sites are considered as valuable and reliable source for researching products and services (Ioanăs and Stoica, 2014).

Social media and firms' activities:

In the previous section, we have discussed about the effects of social media on consumer behaviour, in this section we would be discussing about the effect of the social media on firms' activities. Firms ought to try to create advanced connections utilizing special methods that underscore the co-creation of substance and importance (Tiago and Verissimo, 2014). Picking the right medium for any given reason relies on the target cluster to become to and the message to be conveyed. In the following section we summarize Kaplan and Haenlein's research.

Low in social presence &media richness

From a corporate viewpoint, firms must be mindful that collaborative projects are slanted toward turning into the primary wellspring of data for some buyers. All things considered, albeit not all that matters composed on Wikipedia might really be genuine, it is accepted to be true by more web clients. Also, customers who end up being disappointed with or frustrated by the organization's offerings may choose to take part in virtual grumblings in blogs, which brings about the accessibility of possibly harming data in the online space.

Medium in social presence & media richness

From a corporate perspective, on the negative side, content communities convey the danger of being utilized as web sites for the sharing of copyright-protected materials. On the positive side, the high prevalence of them leads to be extremely alluring channel. Nowadays, a few organizations are utilizing long range social network to bolster the creation of brand communities or for marketing research or distribution channel.

High in social presence & media richness

Virtual social/game worlds offers a huge number of chances for organizations in marketing and human resource and internal process management. Also, the high fame of them can change traditional communication campaigns.

Conclusion

First, it seems necessary for firms to enter e-commerce, also using social media marketing and establish an internet marketing campaign to decrease the likelihood of collapse in the digital era. Secondly, social media sites are a great platform for the retailers to create an experience and the information stored on the sites can be used to

enhance user experience with their brand. Also, the awareness of the retailer's brand can be achieved by being creative when engaging customers on the social media sites.

In addition, retailers must go beyond the advertising aspects of social media sites and need to be more creative to communicate with consumers. Also, retailers need to enter their brand into the people's conversation instead of just one way communication.

Furthermore, people rely more on information from the other people who leave a comment on social media. Thus, firms should follow the customers' comments about their product and when they notice many people complain about a specific issue, try to solve the problem and sometimes ask the customers to give them some solutions or comments.

Moreover, firm contribution must stretch out reacting to negative remarks and shielding item offerings. Actually, members of social networks have the longing to connect effectively with and to end up both makers and buyers.

As a point, trust is a vital element with respect to the development and improvement of e-trade. Also, for having a long-term connection with customers in e-commerce, trust can play a significant role. Through social media, firms can build trust, have a connection with their customers and show them their truth.

Last but not least, the consumers buying behaviour through the internet has changed, since, the advent of social media. People are searching for product's information and features through social media before purchasing. It seems useful that firms provide adequate information about their products before other companies and people talk about them and criticize them.

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