

# The Impact of Social Media on Business Growth and Performance in India

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## Abstract

*Until the late 1990's the only form of media known to businesses were television, newspapers and radio, however in the early 2000s, a revolution in media was witnessed and the world was introduced to Social Media. Social Media is a just like any other form of media is a tool used for communication but at the larger scale for social interaction using highly accessible and scalable communication techniques. Social media has a positive impact and a positive influence on the company as well as the customers. Social media is becoming an essential tool for marketers, which is at a very minimum investment. In today's scenario consumers judge a company based on their online presence, hence companies can innovate and simultaneously create a strong social presence by always catering to their customers' needs and concerns. Internationally, companies have adopted Social Media as an essential tool for their marketing campaign; however the same is not adapted in India to a large extent. What are the benefits of Social media? What are the examples of Social media? This study understands the benefits, impact and importance of Social Media on business performance and growth.*

## Key Words

*Social Media, Impact, influence, Brand awareness, Business performance and growth*

## Introduction

“You can buy attention (advertising). You can beg for attention from the media (PR). You can bug people one at a time to get attention (sales). Or you can earn attention by creating something interesting and valuable and then publishing it online for free.”  
– David Meerman Scott, Marketing strategist/Author *The New Rules of Marketing and PR*. Until the late 1990's the only form of media known to businesses were television, newspapers and radio, however in the early 2000s, a revolution in media was witnessed and the world was introduced to Social Media. Social Media is a just like any other form of media is a tool used for communication but at the larger scale for social interaction using highly accessible and scalable communication techniques. According to Ann Handley – MarketingProfs, Author with C.C. Chapman of *Content Rules*, “Social media is an ever-growing and evolving collection of online tools and toys, platforms and applications that enable all of us to interact with and share information. Increasingly, it's both the connective tissue and neural net of the Web”

## Literature Review

Chen, S. (2001) in his paper ‘Assessing the impact of the Internet on brands’, assesses the claim that e-commerce will spell the end of brand management. Evidence from market studies is reviewed, and the paper identifies some key factors that make this scenario unlikely. First, the effect depends on a number of other factors, such as type of product and type of purchase. Brands serve a different role in each of these cases, and the impact of the Internet will vary according to the role that the brand plays. Secondly, there are a variety of Internet technologies which will affect brands in a variety of ways. Thirdly, the Internet is leading to some secondary effects in the market structures that affect brands. The combination of these factors, far from leading to the death of brand management, will in many cases lead to an increased role for brand management. Corcoran, Cate et al (2009) in their paper ‘Brands aim to adapt to social media world’, report on the use of social media by brands and retailers in the U.S. It states that low to high brands and retailers are embracing social media and use it in boosting sales and brand awareness.

According to New York University professor of marketing and Red Envelope founder Scott Galloway, luxury brands are now building relationships through Facebook, user reviews and consummating the transaction online. It notes that companies are now building their own social networks. Also, Dutta, Soumitra (2010) in his article on Social media strategy in *Harvard Business Review* says that social media are changing the way we do business and how leaders are perceived, from the shop floor to the CEO suite. But whereas the best businesses are creating comprehensive strategies in this area, research suggests that few corporate leaders have a social media presence-say, a Facebook or LinkedIn page-and that those who do don't use it strategically. Today's leaders must embrace social media for three reasons. First, they provide a low-cost, highly accessible platform on which a personal brand can be built, and also communicates our identity within and outside the company. Second, they allow to engage rapidly and simultaneously with peers, employees, customers, and the broader public-in order to leverage relationships, show commitment to a cause, and demonstrate a capacity for reflection. Third, they give an opportunity to learn from instant information and unvarnished feedback.

Aula, Pekka. (2010), in his article, focuses on the threat and risk of social media to the reputation of business companies. It mentions examples of events where it involves the influence of social media and how publicity can give negative impact to the reputation of a company. It notes on the most popular and interesting social media services based from the corporate perspective which include Facebook, MySpace, and Twitter. However, it says social media expands the scope of reputation risks and boosts risk dynamics. At the same time, Hunt, Kristin Gunderson. (2010) in his article investigates the important role of social media in the recruitment of employees amongst companies. It mentions that social media are not just for socialization as it could also be used in hiring and introducing some information about the companies. It mentions that companies that doesn't embrace social media such as Facebook, LinkedIn, and Twitter as a recruitment tool might lose quality candidates.

Andreas Kaplan and Michael Haenlein (2010) in their study titled

Users of the world unite! The challenges and opportunities of social media say that the concept of Social Media is top of the agenda for many business executives today. Decision makers, as well as consultants, try to identify ways in which firms can make profitable use of applications such as Wikipedia, YouTube, Facebook, Second Life, and Twitter. Yet despite this interest, there seems to be very limited understanding of what the term —Social Media exactly means; this article intends to provide some clarification. It begins by describing the concept of Social Media, and discuss how it differs from related concepts such as Web 2.0 and User Generated Content. Based on this definition, it then provides a classification of Social Media which groups applications currently subsumed under the generalized term into more specific categories by characteristic: collaborative projects, blogs, content communities, social networking sites, virtual game worlds, and virtual social worlds.

### Gap Analysis

Internationally, there has been many studies conducted to understand the importance and the need for a business to be associated with Social Media however in India not much study has been conducted in this area, therefore this study will understand social media as an essential tool for any business organisation, to understand the impact of social media and its effect on the performance and growth of the business.

### Significance

Internet connects the world and makes communication very fast and simple. The same with applied for business, makes customers, inventors, suppliers and everyone who is associated with the company connected. This study helps understand Social media as a medium to connect business with world and its positive outcomes on performance and growth.

### Objectives

The following are the important objectives of the study:  
1. To study how Social Media is used by companies as in important tool in their business process which helps connect with customers at a faster pace  
2. To Determine the Impact of Social Media on Business Performance and Growth

### Research Methodology

A secondary study has been done to understand Social media and its importance. This study also takes place to understand the how Social media can be an essential tool for reach out to consumers and determine the impact it has on consumers.

### Major Benefits of Social Media For Businesses

The following are the major benefits of social media for business:

#### 1. Improved customer insights

The business gets a better understanding of their customers and they can always share their insights as they are aware that the company is listening to them. Social media allows them to see what potential customer's opinions are and network with them as well.

#### 2. Better customer service

Social media allows businesses to respond to their grievances,

questions and concerns almost instantaneously. Customers want to be assured that, if they have a problem they can receive help at the earliest. According to Forbes, 71% of consumers who receive a quick response on social media say they are more likely to recommend that brand to other people.

#### 3. Cost efficient

When a business is running on a fixed marketing budget, social media is the most cost-efficient way to market and promote the business. Websites like facebook, twitter, pinterest, etc, allow any business to share their content for no cost at all. Hence Social media is an affordable advertising platform.

#### 4. Connectivity

The business will always be connecting to the customers in terms of changing preferences, lifestyles and resources and adapt to the changing interest of the consumers. Companies will also be able to cater to the dynamic interests and innovate on their marketing campaign accordingly

#### 5. Establishing Brand Awareness

Through social media it is possible to increase the brand awareness among customers as businesses can create awareness by building company image.

#### 6. Sales

Through the increased exposure on social media, it drives traffic into the company. This in turn converts the potential customers to actual customers. Therefore, increasing sales.

According to Brian Solis some prominent examples of Social Media are

- Facebook is a popular free social networking website that allows registered users to create profiles, upload photos and video, send messages and keep in touch with friends, family and colleagues. According to statistics from the Nielsen Group, Internet users within the United States spend more time on Facebook than any other website.
- Twitter is a free microblogging service that allows registered members to broadcast short posts called tweets. Twitter members can broadcast tweets and follow other users' tweets by using multiple platforms and devices.
- Google+ (pronounced Google plus) is Google's social networking project, designed to replicate the way people interact offline more closely than is the case in other social networking services. The project's slogan is "Real-life sharing rethought for the web."
- Wikipedia is a free, open content online encyclopaedia created through the collaborative effort of a community of users known as Wikipedians. Anyone registered on the site can create an article for publication; registration is not required to edit articles. Wikipedia was founded in January of 2001.
- LinkedIn is a social networking site designed specifically for the business community. The goal of the site is to allow registered members to establish and document networks of people they know and trust professionally.
- Reddit is a social news website and forum where stories are socially curated and promoted by site members. The site is composed of hundreds of sub-communities, known as "subreddits." Each subreddit has a specific topic such as technology, politics or music. Reddit site members, also known as, "redditors," submit content, which is then voted

upon by other members. The goal is to send well-regarded stories to the top of the site's main thread page.

- Pinterest is a social curation website for sharing and categorizing images found online. Pinterest requires brief descriptions but the main focus of the site is visual. Clicking on an image will take you to the original source, so, for example, if you click on a picture of a pair of shoes, you might be taken to a site where you can purchase them. An image of blueberry pancakes might take you to the recipe; a picture of a whimsical birdhouse might take you to the instructions.

Social media is bringing a big cultural change as businesses are using social media in innovation, customers service, brand building, information technology, etc.. With the help of Social media businesses can attract more prospects and innovate their business plan and accordingly witness profits and sales like never before.

### Social Media's Importance

According to University of Communications and Marketing, South Florida, Social media is an internet-based form of communication. Social media platforms allow users to have conversations, share information and create web content. There are many forms of social media, including blogs, micro-blogs, wikis, social networking sites, photo-sharing sites, instant messaging, video-sharing sites, podcasts, widgets, virtual worlds, and more. Social media is used all around the world to make connections and share information. On a personal front social Media allows users to communicate with friends and family, on a professional front, social media lets users communicate with professionals from the business. Social media also lets users cater to consumer needs and feedback at the earliest. Social media has opened avenues for marketers that did not exist before or were too complicated. Social media is a powerful tool at the fingertips of marketers and they can share a piece of content with the world in seconds.

Social media is very important for the business as it helps Showcase the company's brand and create a brand image by handling a strong social media presence. By regularly updating details about the company and its social happenings, prospective customers are sublimely on the lookout for the company.

Social media leads to massive exposure due to its worldwide access, sharing capabilities, and huge amount of daily users. It delivers instant information in the digital marketplace, thus giving businesses the ability to advertise their products, going beyond distance. Statistics have proven that interacting in social media networks even 2-3 times per week can significantly increase online presence in both the traditional and digital market space, while companies are building new relationships outside the four walls of your office.

Social media channels are proactive tools when it comes to increasing company trustworthiness. By closely communicating with customers on a social media level, the company become a trusted source of information which makes it a great asset when creating company awareness and brand credibility. Social media can be a great source of customer service, transforming negative customer's experience into a positive outcome for your business.

Social media allows company to get personalize their products to their customers. With increased response to customer feedback prospective customers are more likely to become potential customers as the company is available to cater and respond to their specific requirements and expectations

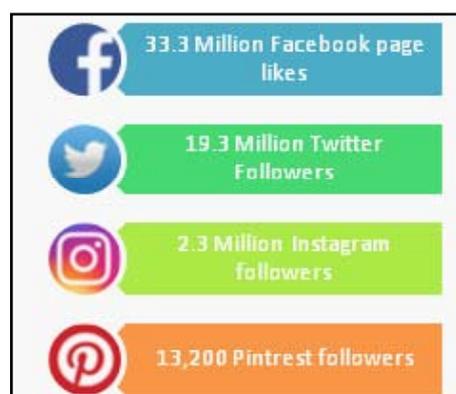
Lastly social media is the most cost efficient way to market and brand any business. Promoting any business through social media will only increase return on investment. It also allows creative advertising opportunities and energising public relations without a huge monetary commitment.

### Impact of Social Media

Social Media has a majorly impacted the world and business. There is a revolutionary change in the way people connect and communicate, Ali Kinston Mwila, Mining Information Technology at Barrick Gold Corporation says Social networks help the businesses in a variety of ways. Traditional marketing mediums such as the radio, TV commercials and print ads are completely obsolete now and demand for thousands of dollars. However, with social media the businesses can connect with their targeted customers for free, the only cost is energy and time. Through Facebook, Twitter, LinkedIn or any other social site you can lower your marketing cost to a significant level. He also mentioned in his article 'Positive and Negative Effects of Social Media on Society', Oct 2015 that social networking sites are to unite people on a huge platform for the achievement of some specific objective. This is very important to bring the positive change in society.

Social Media has had its immense effect on Politics as well. Prime Minister Narendra Modi has possibly been one of the most active and early adopters of social media. During the general elections last year, Modi Ji had the entire social media abuzz. His selfie with his mother and a tweet that followed saying, "Sought blessings from my mother," instantly went viral. One most recent example was the Prime ministers most recent visit to the USA and according to The New Digital, digital services company that combines the power of technology, analytics, creative and content for digital transformation, Twitter practically exploded with activity. From September 22nd to 28th the total engagement for #Modiinusa touched 147,038.

A Quick glance at Prime Minister Narendra Modi's Social Media Presence as on 11<sup>th</sup> April 2016:



It is only because of the above intense social media presence or Prime Minister is the most trusted in today's generation.

### Impact of Social Media on Business Growth and Performance

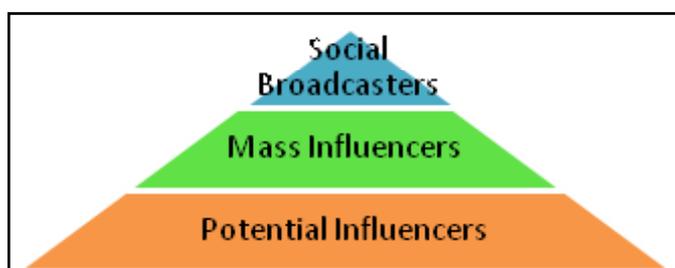
With Social media growing at an astronomical rate, there is a tremendous impact on business and the business of marketing. Social media helps develop business tactics. Famous websites like facebook, twitter, linkedin and pinetrest show an opportunity for business to grab the attention of the customers and simultaneously build brand image. These social networks allow business to use

and show many tactics and create a brand profiles like fan pages, contests, sweepstakes, etc.

Social media also shows what are the likes and preferences of our friends and family and accordingly decide on the product based on their peers preference over glossy magazine advertisement.

When there is an unhappy customer he blogs and writes about it on the many social networking sites, with a strong online presence, any company can tackle that situation by using their own unique way of innovation the product and its customer service.

When creating a social media marketing strategy, it is worth thinking very carefully about who is being targeted. There will be people within the social networks who may not necessarily be customers, but who nevertheless can have a massive impact on the marketing efforts. Forrester Analyst, Augie Ray broke the various types of social media influencers into three distinct categories:



#### Social media influencers on the business

More than 80 per cent of that population is made up of “potential influencers”. It is worth making the effort to identify who these people are in your network and connect with them to attract shares and likes which ultimately help to spread your brand name. One website which is excellent for identifying these people is Klout. Klout gives social networkers a score out of 100 which indicates how influential an individual is over their network while also identifying who the broadcasters and influencers are within that network

#### WORLD'S LARGEST CHAIN OF HAMBURGER FAST FOOD RESTAURANTS-McDONALD'S SOCIAL MEDIA PRESENCE

In *Sprinklr's Social Business Index*, According to a 2013 National Restaurant Association study they find out that McDonald's takes the number one spot across all seven key metrics McDonald's is the world's largest chain of hamburger fast food restaurants, serving around 68 million customers daily in 119 countries across more than 36,000 outlet. The global fast food brand claims almost 70 million followers across all platforms — 31% greater than incumbent Starbucks. With an active audience of 1.4 million, 104.8 million impressions, and 7,748 brand posts in 30 days, McDonald's' uses their enormous following to amplify their social media activities



Source: Which Restaurants are winning on Social Media, by Brooke Baumgartner

McDonald's manages being a tycoon in the fast food business has an immense social media presence. McDonald's the overall winners with it comes to making an online impression, having the maximum number of followers and is also known for its engagement with consumers. Because of its online presence, McDonald's a global brand and has a positive impact as its business and performance.

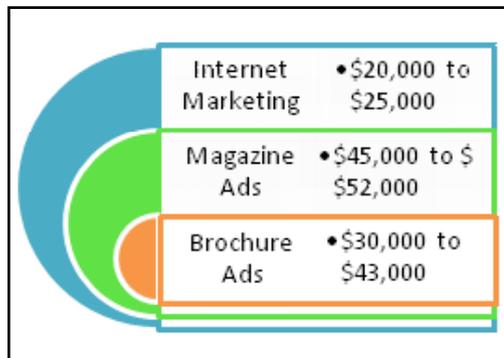
#### Social Media as an Essential Marketing Tool

Traditional forms of marketing included print media, social media and broadcast media. This had its own drawbacks. Television advertisements, leaflets, direct mail and email no longer seem to have the same impact as they used to. One of the major drawbacks was that they had the same advertisement strategy or the same advertisement repeated over many years. Businesses using social media as a means to market their product allow innovation and creativity. Social media allows the company to have a strong online presence by always reaching out to their customers and also providing great service. Companies can adopt fresh new approach to all their product innovation and increase awareness among their target audience. Social tools can also help to strengthen brand perception by communicating core values to a wider audience. This, in turn, opens up the opportunity to start conversations, grow business partnerships and expand the online community to win new followers and potential customers.

Social media demands innovation and creativity in every press release the company has to make. Companies also need to keep up with other companies to fight competition and cater to the demanding customers' needs and wants. In order to stand out from competition, companies must listen and learn from their customers to map their needs against what else is going on in the social media domain. Efforts must be put to go beyond what is already existing and convert their corporate objectives in to existing and original social media activities.

Dynamically using social media is one of the easiest ways to reach a large customer base and get the company or brand name in the heads of existing or potential customers. Not only does an already established network help to create new contacts, it will also help to deepen connections that have been formed. Even though this is

very familiar to traditional marketing techniques, social media has given it a new twist. Companies that fail to adapt to a new more connected and interactive market, will unavoidably fall behind. When Media Group conducted a study on marketing efforts for one of their long term clients, they disclosed their marketing expenditure details over 5 years.



The above figures shows us the marketing expenditure for Media Groups long term client, that Internet/online marketing has the least amount of expenditure and the most amount of exposure.

### Conclusion

Many companies are using Social media as well as traditional form of media to market their products and to have a better connect with their customers. Via Social Media, one is able to reach out to more customers and cater to their specific needs better. Companies can also build their brand image via social media. Social media is an effective tool in doing business today and brings out innovative strategies out of companies that used to be very monotonous. The above study also determines that social media has a positive impact on business and its growth and performance. Companies that are at maturity stage in the product lifecycle can adopt social media to extend their business survival, if they fail to do so, they are undoubtedly going downhill in the coming years.

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