

The Role of Social Media in Enhancing Business Performance

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ABSTRACT

Today, internet technology and social media has become a common practice for businessmen. Social media usage has now become a trend and is the most popular digital platform due to its low cost and minimum technical requirements. Social media is not only used by companies as a marketing medium, but also used to access information about market, competitors, and their customers as a tool to enhance business performance and innovation. Furthermore, social media is a mean of external communication in customer relations. The purpose of this study is to identify the factors that encourage business owners to adopt social media in their business in addition to knowing what benefits are expected to be obtained when using it. Furthermore, this study explores the benefits and perceived risks of using social media in business. The results of this study prove that social media is very beneficial for business owners in promoting products, reducing marketing costs, improving relationships with consumers, expanding market share, and gaining access to information for product development purpose.

Keywords: *Information access, business performance, customer relations, online marketing, social media usage*

1. INTRODUCTION

In this modern era, information technology develops rapidly and influences the behavior of many people. Everyone is dependent on the internet to connect with other people and to find the information quickly. This makes smartphones a necessity in their daily activities. Several applications such as online shopping, online transportation, and social media can be downloaded by smartphone users. Among many applications, social media is the most downloaded application [1]. Based on survey data regarding the most widely-used social-media platforms in Indonesia until early 2021, 93.8% of the population used Youtube, 87.7% of the population used Whatsapp and 86.6% of the population used Instagram. [2]. Other data also shows that based on mobile-application market-research data, the Top-3 applications downloaded via Android and iOS platforms during January-March 2021 were Tiktok, Facebook, and then Instagram [3].

Social media becomes increasingly popular and attractive to be adapted by many business actors due to its low costs and minimum technical requirements. Since the beginning of the 21st century, the use of internet and social media has become a part of business strategy. The result of an online survey reported that about 60% of consumers discover a product or brand through social media [4]. Social media makes it easier for consumers to find more detailed

information and to communicate with companies that sell the products they need. Social media constitutes a pool of consumers.

Many business people have taken advantage of social-media platforms that support their activities. For business owners, social is a mean of two-way communication with consumers, to listen to consumer responses and to find out what they want [5]. Companies use social media to gain benefits such as outperforming competitors, lowering costs, managing the operations more effectively, improving relationships with consumers, and improving company image [6]. The use of social media has a significant impact on the operations and success of a business [7]. Therefore, it is not surprising that many business actors in Indonesia currently are relying on social media to market their products. Moreover, in the "new normal" period of the Covid 19 Pandemic, many business actors have to adapt to this condition. A survey conducted by Sea Insights with 2,200 business actors as respondents showed that 54% of MSME entrepreneurs were more adaptive in using social media to improve their performance. Around 70% of respondents admitted that they would continue to use digital media through e-commerce to sell their goods on social media [8].

Social media is often used by companies to market their products, because social media is far-reaching. Marketing activities on social media can build brand awareness in order to attract new customers and maintain customer

loyalty, which will ultimately have an impact on increasing sales volume and the number of customers [9]. Although often regarded merely as a marketing medium by companies, social media also plays other roles that are not less important. Through social media, companies can seek more information about their market, competitors, and key consumers. The access to this information is important for improving future performance [10]. The company acquires information to explore the needs of its consumers and then strive to respond to these needs through product innovation. In addition, social media can also help improve relationships and serve consumers better without requiring customer-service fees [6]. The use of social media can be a mean of developing company performance and innovation, resource management, a tool for external communication, and relationships with consumers, suppliers, and partners [11].

The purpose of this study is to identify the factors that encourage business owners to adopt social media in their business in addition to finding out what benefits are expected to be obtained from social media and explore further the benefits and perceived risks of using social media in their business.

2. LITERATURE REVIEW

2.1. The Use of Social-Media for Business

Purpose

According to Kaplan and Haenlein [12], social media is "a group of internet-based applications that is build on the ideological and technological foundations of Web 2.0 and allow the creation and exchange of User-Generated Content". Meanwhile, according to Strauss and Frost [13], social media is defined as "online tools and platforms that allow internet users to collaborate on content, share insights and experiences, and connect for business or pleasure". Another definition was put forward by Larson and Watson [14], who defined social media as the set of connectivity-enabled applications that facilitate interaction and the co-creation, exchange, and publication of information among firms and their networked communities of customers.

Based on some definitions above, it can be concluded that social media is an online platform used by companies to disseminate contents, thoughts, and experiences to be communicated to a wide audience so that it becomes useful information for both companies and consumers.

2.2. Factors Affecting Business Organizations to Use Social Media

In general, there are 3 factors that influence a company to adopt social media, namely:

a. **Technological context**

The technological context is a technology that is available to be used by companies in improving their business performance, adapting to existing situations, and competing in the market [15]. There is a significant

effect of technology on social media use, because social media is highly observable, can be transferred by word-of-mouth and recommendations from friends, and can be discontinued at no additional cost [16]. Knowledge of the application of social media technology needs to be trained and developed so that it provides great benefits for business continuity.

b. **Organizational context**

Organizational context is all organizational features that are related to company scope, company size, and managerial trust [17]. To improve operational and marketing activities through social media, the desire to innovate and support from Top Management has a significant influence [18]. Many companies or businesses have realized the importance of adopting social media as a powerful tool in building relationships with consumers [19], and today, many companies are looking for employees who possess social-media skills. For this reason, MSME owners need to set goals and standards for the use of social media and understand the risks of using it.

c. **Environmental context**

Environmental context is the context in which the company focuses on the area of its business operations by prioritizing external factors that affect the industry and have a significant impact on the company [17]. Most of the decisions to adopt social media in business are influenced by environmental contexts, such as customers, competitors, and society as a whole [20]. One of the important tools to be able to retain customers and compete to increase business competitive advantage is also the use of social media. This is supported by the tendency of customers who have migrated to use social media in their daily lives.

2.3. The Use of Social Media to Enhance Business Performance

Several studies have been conducted to examine the relationship between social-media adoption and business performance. Research by Rienda, Fernandez, and Carey [21] stated that there is a significant influence of social media adoption on business performance. Similarly, the research of Cao et al. [11] stated that the adoption of social media has a significant role on business performance. Wong [22] in his research found that social media adoption has a positive impact on business performance.

Trainor et al. [23] stated that the intensity of social-media use in business can have a positive and significant effect on business performance. The company is able to adapt to market needs and interact with customers more efficiently resulting in an increase in sales volume.

Ainin, et al. [24] revealed that social-media use has a positive and significant effect on organizational performance.

Purwantini and Anisa [25] in their research stated that there is a positive impact of social-media adoption on business performance. Social media can have an impact on customer-service performance and financial performance;

assisting in marketing as well as sales. Social media helps employees work more efficiently and expands sales area in an effort to increase sales.

3. RESEARCH METHOD

This study used a descriptive research method, which is a method for collecting data that describes the characteristics of individuals, events, and situations [26]. The population of this study include business owners in Jakarta who use social media for their business interests. Respondents of this research were business owners or managers. The sample selection in this study was carried out by purposive sampling technique, because the selected respondents had to meet certain criteria that could provide the information needed by the researcher. This research was conducted by distributing a questionnaire through Google Form consisting of closed and open questions to explore what factors that play a part in the selection of social media, the benefits that are expected to be obtained from the use of social media, and the perceived impact of using social media. The questionnaire was distributed by contacting business actors via Direct Message in Instagram or Whatsapp applications. Questionnaire links are only sent to business owners who agree to participate. The number of respondents in this study was 609 business owners.

4. RESULT AND DISCUSSION

From the results of data collection, the majority of respondents are as follows: 74.22% of respondents are female entrepreneurs, 68.97% of respondents are aged 20-30 years old, 61.74% started a business within the last 2 years with the majority of business fields being culinary (48.93 %). The social media used by respondents for their business interests varies greatly and some of them use more than 1 social media. However, Instagram is the most widely-used social media compared to other social media, which is 88.83%, followed by Whatsapp as much as 57.80%, TikTok as much as 28.9%, Facebook as much as 26.6%, Twitter as much as 15.27%, and Youtube as much as 7.06%.

Table 1 Respondents' Demography

Item	%
1. Gender of Owner / Manager	
- Female	74.22
- Male	25.78
2. Age	
- 20 - 30 years old	68.97
- 30 – 40 years old	7.39
- > 40 years old	23.65
3. Number of years in operation	
- < 2 years	61.74
- 2 – 5 years	27.09
- 5 – 10 years	6.08

- > 10 years	5.09
4. Type of Business	
- Food and Beverage	48.93
- Fashion	24.79
- Cosmetic	5.09
- Craft	4.27
- Accessories	1.31
- Service	13.30
- Others	2.31
5. Social-Media Usage for Business	
- Instagram	88.83
- Whatsapp	57.80
- Tik Tok	28.90
- Facebook	26.60
- Twitter	15.27
- Youtube	7.06
- Others	0.81

In practice, the choice of social media is influenced by several factors, such as technological factors, organizational management, and external environment. Based on Figure 2, more than 50% respondents stated that the reason for using social media is their desire to increase business productivity, improve marketing cost efficiency, the feeling that social media is suitable for marketing their products, and social media is easily applicable in business.

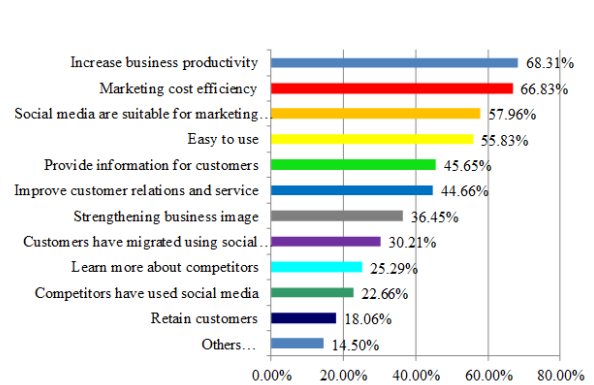


Figure 1 Factors influencing the use of social media for business

In adopting a social media, business actors expect to benefit their business through it. Figure 2 shows the benefits expected by business actors when utilizing social media. Most respondents expect that the utilization of social media will help promote their products, which leads to increase in sales. In addition, almost half of the respondents expect that the use of social media will open access to new customers and improve relationships and services to consumers.

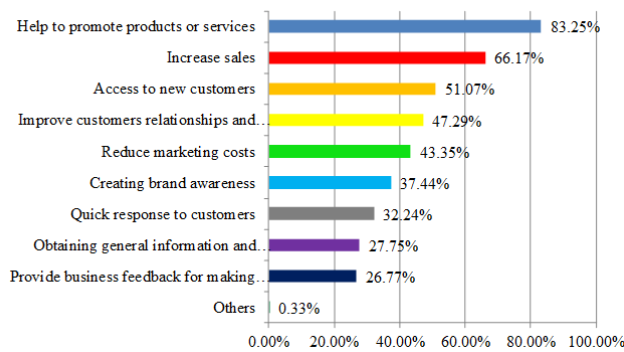


Figure 2 Benefit from Utilizing Social Media

The researchers further asked respondents about the most perceived benefits of using social media. The answers were then summarized as follows:

1. Assistance in promoting their product
2. Ability to reach the target market more effectively
3. The cost for marketing is cheaper than traditional marketing
4. Get a fast and honest response from consumers
5. Communication with consumers becomes faster and easier
6. The establishment of corporate identity such as better brand image, reputation, and business credibility.

Meanwhile, the weaknesses and challenges of utilizing social media are as follows:

1. Requires creativity when creating content in which it takes time and effort
2. Regularly updates the content so that consumers don't forget and leave
3. For small businesses, the cost of advertising and social media endorsements is quite expensive
4. Negative comments from consumers can affect the business
5. Ideas can be imitated by competitors
6. Difficult to find followers
7. Miscommunication with consumers may occur, because there is no face-to-face communication.

5. CONCLUSION AND IMPLICATION

The advancements in internet technology play a significant role towards the changes in consumer behavior. Utilizing social media is an effort conducted by business owners as a strategy to improve their business performance. Based on this research results, technological factors are the main reason why business owners use social media to achieve their strategic goals. This is in line with Cao's research [11] which stated that companies will take advantage of the technological effects of social media with the expected benefits of being able to build corporate identity (brand) and increase sales as well as establish better relationships with consumers and stakeholders. Although there are advantages and disadvantages of using social media, it is proven

through the survey results, that the utilization of social media possesses more positive implications. This is in line with previous research which stated that social media has a positive impact in terms of reducing the costs of marketing and customer-service activities, improving relationships with consumers, and accessing the information for better product development [10].

6. LIMITATION AND SUGGESTION

The data used for this study was collected randomly from business owners who were willing to take out a questionnaire. As a result, the proportion of each category in the respondents' profile is unbalanced, allowing for variations in research outcomes. The majority of respondents were young entrepreneurs between the ages of 20 and 30 years old, i.e., Generation Z, who are more comfortable with the technology.

This study was based only on the results of a questionnaire distributed to business owners without further analyzing the effect of the use of social media on business performance. Further research can analyze whether there is a difference between the expectations of the benefits of using social media and the real benefit of using it for their business activities. Those results can provide inputs for business owners to determine better strategies by optimizing the use of social media in daily business operations.

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