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THE IMPACT OF SOCIAL MEDIA MARKETING ON ONLINE SMALL BUSINESS PERFORMANCE

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Abstract

Social media has become a value-adding marketing channel. With the significance of social media for online small businesses and the lack of understanding of this area, this study attempts to investigate the impact of social media marketing on the sales performance of such businesses. Drawing on the theories of media richness and uses and gratifications, we propose a research model in which the impact of social media marketing message strategies (i.e., message content and format) on customer engagement, brand awareness, and sales performance of online small business is investigated. Customer engagement and brand awareness are expected to mediate the relations between message strategies and online small business sales performance. To validate our model, we will collect data from a Twitter-like microblogging platform Sina Weibo and e-commerce platform Taobao in China. This study is expected to contribute to research and practice on social media marketing and online small businesses.

Keywords: Social media marketing, Online small businesses, Message strategies, Sales performance.
INTRODUCTION

Social media is emerging as a key marketing platform. An increasing number of marketers and businesses are utilizing social media as a channel to directly connect and communicate with consumers (Michaelidou et al. 2011). It has been reported that by 2012 more than 100,000 businesses had created brand pages on Sina Weibo, which is one of the leading social media in China (Sina & CIC 2012). Large companies such as Starbucks and IBM have well established social media marketing initiatives. However, this trend is not only reflected in the large enterprises, but also in small businesses. According to the State of Small Business Report, around 75% of small businesses have their own company page on social networking websites with 69% of them posting status updates, and 54% of them monitoring the feedback from consumers (Neti 2011).

Companies are particularly attracted by low-cost, increasing amount of subscribers, and strong interactivity of social media marketing and thereby adopting social media in their marketing communication mix (Michaelidou 2011). Accordingly, prior studies have started to explore whether the employment of social media marketing by large enterprises is effective or not. For example, de Vries et al. (2012) investigated the effect of social media marketing by examining influencing factors of brand posts popularity on Facebook brand fan pages of 11 international brands from six product categories. Swani et al. (2013) examined the effectiveness of different message strategies on social media (i.e., Facebook) to promote online word-of-mouth activities for Fortune 500 companies. Further, Pletikosa Cvijikj and Michahelles (2013) analysed the relationship between the post characteristics on Facebook brand page of fast moving consumer goods companies (e.g., Coca-Cola, Starbucks, and Red Bull) and the level of customers’ online engagement in the content.

Although these studies are helpful for explaining the effect of social media marketing, there is limited understanding of the impact of social media marketing on the performance of online small businesses¹. Small businesses are characterized by several limitations, i.e., limited financial resources, lack of marketing skills and knowledge, and low visibility and impact in market (Gilmore et al. 2001). With these limitations, small businesses face unique challenges in marketing. Yet with the lack of understanding and literature on this topic, it is important to investigate how social media marketing affects the performance of online small businesses.

To address the research gap, we aim to examine how social media marketing influences the sales performance of online small businesses. Specifically, we investigate the effect of social media message strategies utilized by online small businesses on their sales performance. The research question of this study is: What are the effects of social media message strategies (i.e., content and format) on customer engagement, brand awareness, and the sales performance of online small business? Drawing on the theoretical perspectives of media richness and uses and gratification, we propose a research model to examine the impact of social media marketing on sales performance of online small businesses through customer engagement and brand awareness. The Twitter-like microblogging platform Sina Weibo will be used to validate the model in this study, as it is the most widely used social media platform by online small businesses in China (Startup China 2013). We are in the process of collecting data to test our proposed model. This work is expected to contribute to the literature on social media marketing and online small business. It can also contribute to guiding online small businesses on how to design the market messages on social media.

CONCEPTUAL BACKGROUND

¹ Small business generally refers to privately owned companies with less than 500 employees for manufacturing and mining industries and $7 million in average annual receipts for non-manufacturing industries (U.S. SBA 2014). Based on this definition, we define online small business as companies that operate solely online and meet these standards.
The objective of this study is to examine the effect of social media marketing strategies on online small business performance. Particularly, we intend to explain the effect of social media marketing message format (i.e., text, image) as well as the message content (i.e., business branding, call for purchase, and reposts of buyers’ reviews) that online small businesses use on customer engagement, brand awareness, and online small businesses’ sales performance. For this purpose, we employ media richness theory to explain the effect of message format, and uses and gratifications theory to explain the effect of message content.

2.1 Media Richness Theory

Media richness theory posits that different types of media differ in their capacity to convey messages and cues (Daft & Lengel 1984). The richness of a medium relies on the number of channels used (e.g., audio, video, or both), the language variety (e.g., photos), personalization, and the feedback speed (Daft & Lengel 1984). Compared to leaner media (e.g., text), richer media (e.g., image) possess more various languages, greater multiplicity of cues, more personalization, and more immediate feedback (Dennis & Valacich 1999). Media richness differs across different types of media as they have disparate communication capabilities and impacts on the receivers. In the current study, the message format used by online small businesses on social media platforms could vary in the form of the media used. The message format can be differentiated into three media types, i.e., text, text&image, and video&animation. Other than the marketing message format, the message content can also affect consumers. This effect can be explained by the uses and gratifications theory.

2.2 Uses and Gratifications Theory

The uses and gratifications theory assumes that people use media to fulfill their various needs, and the media consumption behavior is with a specific purpose (Katz & Blumler1974). The theory is not only a useful approach for understanding users’ motivations in traditional media, but also their motivations in new media such as Myspace and Facebook (Raacke & Bonds-Raacke 2008). Further, it has been applied by technology and media researchers to understand individuals’ motivations and incentives for engagement in different forms of content (Pletikosa Cvijikj & Michahelles 2013). Particularly, informativeness is a content-driven characteristic of advertising messages (Gao & Koufaris 2006). It is found to be a motive for consumers to engage in brand related content in the form of consumption, creation, and contribution (Muntinga et al. 2011). Based on the characteristics of messages posted by online small businesses, we derive three kinds of messages that convey different product and company information for consumers, i.e., business branding, call for purchase, and reposts of buyers’ reviews. Marketing message characteristics can influence people to purchase the firm’s products through the customer engagement and brand awareness that will be discussed next.

2.3 Customer Engagement

Customer engagement is a behavioural construct that goes beyond purchase (van Doorn 2010). Shevlin (2007) defined customer engagement as repeated and satisfying interactions between customers and a company, product, or brand, and the interactions that enhance the customers’ emotional connection with the company, product, or brand. In the context of this study we define customer engagement as the intensity with which customers engage in the marketing message content created by small businesses on the social media platform. Further, customer engagement should be high when the message format is richer. Customer engagement is considered as a valuable predictor of business performance, as well as a driver for sales growth (Sedley 2008; Neff 2007). Thus, we expect customer engagement to mediate the relationship between social media marketing message characteristics and online small business sales performance.
2.4 Brand Awareness

Brand awareness refers to whether customers can recognize and recall a brand, or simply know a brand (Aaker 1996; Keller 2008). Research effort has been spent on studying the relationship between brand awareness and market outcome. Prior research found that brand awareness positively affects firm performance. For example, Huang and Sarigollu (2012) studied the relationship between brand awareness and market outcome and found positive association between brand awareness and product-market performance by analysing survey and real-market data from 11 brands of consumer-packaged goods category for household use in the United States. Moreover, brand awareness can facilitate consumers’ purchase decision-making process when making a choice from many similar alternatives (Macdonald & Sharp 2000). Online small businesses face a unique environment that is characterized by the ease to replicate others’ business model, ease of obtaining information, and difficulty of evaluating the credibility or trustworthiness of the firm (Kim et al. 2002). These features make brand awareness crucial for online small businesses to differentiate themselves from others. Therefore, we take brand awareness into account in our research model.

3 RESEARCH MODEL AND HYPOTHESES

Drawing on the two theories and prior literature discussed above, we propose a conceptual model to explain the sales performance of online small business in terms of its social media message strategies, customer engagement, and brand awareness. Message strategy of the online small business includes both message content (i.e., business branding, call for purchase, and reposts of buyers’ reviews) and message format (i.e., text, text&image, and video&animation). They are expected to influence sales performance of the online small business through customer engagement and brand awareness. The proposed model is shown in Figure 1.

![Figure 1. Proposed Research Model](image)

3.1 Message Strategies and Customer Engagement

The information delivered by a company has a direct influence on consumers’ perceptions of the company and its products (Haghirian et al. 2005). Message content in social media marketing plays an important role in delivering the information of companies and their products to consumers. We categorize the content of posts into three categories, i.e., business branding, call for purchase, and reposts of buyers’ reviews. Business branding messages contain the brand name that communicates not only tangible attributes of products such as product quality but also intangible features such as
reputation (Brown et al. 2011). Posts that contain information relevant to the brand were found to cause consumers’ online engagement as they are more likely to “like” and comment on the posts (Pletikosa Cvijikj & Michahelles 2013). Call for purchase messages aim to encourage purchase of customers. In the context of this study, consumers who follow the online small business account on social media platform are actively looking for cues and information to make a purchase. Call for purchase messages that contain information such as product update time and product descriptions satisfy consumers’ information need for purchase. This in turn can encourage their engagement with company. Reposts of buyers’ reviews deliver review information from other consumers. This information can help consumers evaluate the attributes of products and facilitate purchase decision-making process. We argue that consumers are more likely to engage in the messages containing others’ reviews.

**H1a:** Business branding messages are positively related to customer engagement.
**H1b:** Call for purchase messages are positively related to customer engagement.
**H1c:** Reposts of buyers’ reviews are positively related to customer engagement.

As per MRT, different media types have different communication outcomes based on their richness. When media are rich, they are likely to convey more information content and lead to higher communication effectiveness (Otondo et al. 2008). In the context of our study, messages of online small businesses on social media platform can be delivered in three ways, i.e., text, text&image, and video&animation. Compared with text message, the message combining the text and image formats is an enhancement of both versions. For example, consumers can not only perceive product information from photos, but also obtain product descriptions from text. Further, compared to the other message formats, the video&animation messages are more likely to attract consumers’ attention by affecting multiple senses simultaneously (Xu et al. 2009). The informativeness of the posted messages enables consumers to get to know the characteristics of product and company. Multimedia content has potential to be more engaging for consumers due to its direct impact on various senses (Xu et al. 2009). Thus, we argue,

**H2a:** Messages with video&animation format lead to highest level of customer engagement.
**H2b:** Messages with text&image format lead to lower level of customer engagement compared to video&animation format, but higher level of customer engagement compared to text format.
**H2c:** Messages with text format lead to lowest level of customer engagement.

### 3.2 Message Strategies and Brand Awareness

The content of messages posted is helpful for improving consumers’ knowledge of the brand and company (Swani et al. 2013). Business branding messages that include brand name information enable consumers to remember the brand. Consumers may become more familiar with the brand by reading the business branding messages. Call for purchase messages usually contain detailed purchase-related information such as new products updating time, products introduction, special offers, and coupons. This information provides cues for consumers to know more about the product of the company. Reposts of other consumers’ reviews offer additional means for consumers to get to know the products and company, which help reinforce the impression of consumers about the product and brand. Thus, we posit,

**H3a:** Brand branding messages are positively related to brand awareness.
**H3b:** Call for purchase messages are positively related to brand awareness.
**H3c:** Reposts of buyers’ reviews are positively related to brand awareness.

Consistent with the above discussion, compared to the messages either in text or in text&image, the messages posted with video&animation format have greater capability to deliver information about products and company. Messages including both text and graphical content are able to provide consumers more vivid information of the product and company (Xu et al. 2009). Further, messages that contain video&animation content tend to be more impressive for consumers due to the various senses provided. As a result, consumers can obtain more product and company information from
messages with video\&animation format. Their knowledge of the product and company will be increased. The increased knowledge in turn helps consumers remember and recall the brand. Thus, we posit,

\( H4a: \) Messages with video\&animation format lead to highest level of brand awareness.
\( H4b: \) Messages with text\&image format lead to lower level of brand awareness compared to video\&animation format, but higher level of brand awareness compared to text format.
\( H4c: \) Messages with text format lead to lowest level of brand awareness.

3.3 Customer Engagement and Online Small Business Sales Performance

Customer engagement is consequential for firms in several ways, including financial, brand loyalty, and competition (Doorn et al. 2010). Financial consequence refers to the purchase behaviour of consumers as well as the cash flow and profit generated. Further, engaged consumers may create and disseminate information about the firm and brand. Positive customer engagement behaviours in the form of “likes”, positive word-of-mouth, and positive review contribute to new consumer acquisition and enlarging the consumer base (Wangenheim & Bayon 2007). Thus, the increase of consumer engagement may lead to more purchases and increased sales performance.

\( H5: \) Customer engagement is positively related to the sales performance of online small business.

Consumers may form positive attitudes toward the content created by the company on social media platform when they are engaged in it. Consumers’ positive attitudes towards the company may affect their behaviours in the interaction with companies. Consumers that have higher level of online engagement are more likely to share, like, and give positive comments on the messages posted by the company. The sharing and positive comments can increase the popularity of the brand among consumers (Vries et al. 2012). As a result, more people will get to know the brand and the awareness of the brand will be increased. Thus,

\( H6: \) Customer engagement is positively related to brand awareness.

3.4 Brand Awareness and Online Small Business Sales Performance

A key objective of branding activities is to increase the sales of the firm (Chaudhuri & Holbrook 2001). We argue that brand awareness can increase the sales performance of an online small business. Brand awareness serves as a cue for consumers to evaluate the product and company when making purchase decision. Brand awareness can be viewed as a signal of product quality and company commitment (MacDonald & Sharp 2000). Brand awareness also helps reduce the risk for consumers. It has been suggested that brand awareness is an indicator of high product quality (Dawar & Parker 1994). It is likely that consumers are more inclined to buy products with high brand awareness. In other words, a known brand has higher possibility of being chosen by consumers than an unknown one. Thus, we posit,

\( H7: \) Brand awareness is positively related to the sales performance of online small business.

4 METHODOLOGY

In this section, we first introduce the social media platform that we chose to conduct our study. We then provide the measurements for each construct in our research model, the unit of analysis being an online small business.

4.1 Research Setting & Data Collection

Social media have many forms, such as social networks (e.g., Facebook, LinkedIn), microblogs (Twitter, Sina Weibo), blogs, media-sharing websites (e.g., YouTube, Flickr), and social bookmarking sites (e.g., Reddit, Delicious). In our study, we focus on the microblogging platform Sina Weibo, a
social network service similar to Twitter in China, which is commonly used by small businesses to market their products (Starup China 2013). Sina Weibo was established in August 2009 and quickly developed into a popular social network website. There were around 503 million registered users of Sina Weibo at the end of 2012 (Ong 2013). Users of Sina Weibo can follow others, post messages, repost others’ messages, and broadcast contents to their followers.

Online small businesses in our study are the online stores operating on ecommerce platforms, i.e., Taobao.com. Taobao.com founded in 2003 has become the largest online commercial website in China. It provides a B2C and C2C exchange platform for Chinese small and medium-sized businesses and individual entrepreneurs (Wang et al. 2008). With the development of Sina Weibo platform, more and more online store owners of Taobao create account on Sina Weibo and utilize it as a channel to market their products and communicate with consumers. The cooperation between Taobao and Sina Weibo facilitates this trend. It is reported that Taobao and Sina Weibo share 75% overlapping users among the 500 million users they have (Advagent 2013). Due to these reasons, we choose Sina Weibo as the social media platform to collect the data of marketing message strategies, customer engagement, and brand awareness. Taobao is used to collect the sales performance data of online small businesses that are registered and marketing on Sina Weibo.

The sampling frame consists of online small businesses from three product categories, i.e. clothing, accessories. Fashion and accessories is one of the top five types of company microblog that users care about most on Sina Weibo (Advagent 2013). Based on the criteria of online small business in definition, we will randomly select online small businesses that had registered an account on Sina Weibo. We then check whether the online small business has an online store on Taobao and remove those without online stores, or those that are no longer available for transaction, or those that have inactive accounts on Sina Weibo.

4.2 Operationalization

**Dependent Variable:** Online small business sales performance is measured by the monthly sales of the online small business on Taobao. The price of each product and quantity of the product that had been sold for the business within a month on Taobao are obtained to assess the sales performance of the online small business.

**Independent Variables:** For assessing message content, we will conduct content analysis on all the posts of an online small business’ on Sina Weibo in a month. Based on the contents of posts, we will code them into three categories, i.e., business branding, call for purchase, and reposts of buyers’ reviews. The posted messages by an online small business that mention the online small business’ brand name are categorized as business branding message. The posted messages by an online small business that have explicit statements encouraging prospective consumers to make a purchase or provide detailed information of updating products (e.g., time to update, links of product) are categorized as call for purchase message. Further, the posted messages that repost consumers’ reviews about products are categorized as reposts of buyers’ reviews message. The ratio of each category (i.e., No. of messages mentioned the brand name/No. of total messages posted by the online small business; No. of messages called for purchase/No. of total messages posted by the online small business; No. of messages reposted buyer’s reviews/No. of total messages posted by the online small business) provide the measurement of each type of message content. As for message format, we identify the posted messages as text, text&image, and video&animation based on different presentation formats they used. We measure the messages in a particular message format by counting its occurrences. The ratio of each format is calculated.

**Customer engagement** Customer engagement is measured as a formative variable that includes commenting, liking, and reposting. The ratio of likes (No. of likes/No. of total followers), comments (No. of comments/No. of total followers), and reposts (No. of reposts/No. of total followers) within a month are used to measure engagement.
Brand awareness In our study, we will measure brand awareness of an online small business by counting the number of times a brand name had been mentioned in the whole network of social media platform except when mentioned in the posts of the online small business.

Control Variables: We also include several control variables that may affect the sales performance of an online small business. Business size is evaluated by the number of employees of online small business. Business age is indicated by the number of months since the business was started. Product category in this study mainly includes clothing and accessories. Product quality is assessed from the evaluation score provided by Taobao for the degree of consistency between online product description and the real product sold. Online personal contact network size of small business owner is reflected by the number of followers and the number of users he/she followed. Valence of consumer reviews is measured by the accumulated review score provided by Taobao. The total volume of messages is measured by counting the total number of messages posted by online small business owner within a month.

5 IMPLICATIONS AND FUTURE PLAN

In response to the potential value of social media marketing for online small businesses, this study attempts to investigate the impact of such marketing on customer engagement, brand awareness, and performance of online small businesses. Particularly, we focus on the different message strategies that online small businesses may utilize on social media platforms. Drawing on media richness theory and uses and gratifications theory, we develop a research model to explain the effects of message content type (i.e., business branding, call for purchase, and reposts of buyers’ reviews) and different message formats (i.e., text, text&image, and video&animation) on customer engagement, brand awareness, and sales performance of online small business. To validate our research model, we examine Sina Weibo as the social media platform, where online small businesses from Taobao connect to and interact with their potential customers.

This study has several potential contributions. It can provide fresh insights into the relationship between social media and business performance by quantifying and measure the returns from social media in terms of sales performance that has not been studied yet. The study can also contribute to the literature on online small businesses by enriching our understanding of the effect of social media marketing on their performance. The results of this study in terms of message format may extend the use of media richness theory in the social media context. Additionally, our results of message content could extend the application of uses & gratification theory in the context of social media and enrich our understanding of the theory beyond the traditional media settings.

Practical implications of this study can be shown in following aspects. It could provide guidelines for online small business on how to better take advantage of social media in their marketing strategies. The study can uncover which message strategy may facilitate the effective engagement of customers by online small business owners. To enhance consumer engagement and brand awareness, online small business owners may have to choose appropriate message strategies to get them involved and improve their brand impression and knowledge. This in turn may impact online small business sales performance.

Since this study is a research in progress, we plan to complete and extend it in several ways. First, we will test the model using data from Sina Weibo and Taobao. Second, we may include other social media platforms such as WeChat (a mobile text and voice messaging communication application). The effects of using different social media platforms on the performance of online small business will be explored. Third, not limiting the product categories to clothing, shoes, and accessories, impact of social media marketing on other small business categories may also be examined in the future.
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