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Creating Value: An SME And Social Media

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Abstract

This study examines how firms are gaining value from using social media. Social media can be used by businesses for a range of functions, including but not limited to marketing and customer relationship management. It is particularly suitable for small and medium-sized enterprises (SMEs) because of its minimal cost, low barriers to participation and low level of IT skills required to use it. This paper focuses on the early findings from one New Zealand SME, a restaurant. Of the possible sources of value investigated, the strongest evidence is that novelty, efficiency, the firm’s strategic intent, firm practices, public practices are producing value for the restaurant. There is less evidence of value produced through lock-in or complementarities. Additional sources of value were also identified that were not included in the original conceptual model. As yet, this case study has not revealed any evidence of an effect on firm performance.

Keywords: social media, value, SME.
1 INTRODUCTION

Social networking sites are web-based services that allow users to post a profile and connect to other users. Although users have traditionally been individual, in recent years social networking sites have developed so that groups, organizations and companies are able to create accounts - for example “fan pages” on Facebook. This lets an enterprise connect to customers and potential customers engage with them and build up a sense of community around the brand. Further to the use of social media as a marketing tool, firms can also use it to network with fellow professionals in the field, find work, connect with the community, conduct background research on people and as a communication tool.

As there are low barriers to the use of social networking technologies, SMEs can make use of social media in the same ways that large corporates can, without the need for extensive resources. Furthermore, customers are not merely viewing the content served to them on static company websites. They have the potential to create and upload their own content and interactively engage with companies and other customers. Thus it seems likely that through various types of interaction, SMEs could gain value from social media, including jointly created value with other parties.

This research uses one firm to identify how SMEs can gain value through using social media. A conceptual framework based on Tallon et al’s (2000) model of value creation was used to analyse the firm and help identify a broad range of types of value.

2 LITERATURE REVIEW

2.1 Business use of Social Media

The history of social media sites began with the launch of SixDegrees.com in 1997, progressed through the launch of major sites such as Facebook and MySpace in 2003 and by 2008 it had become a global phenomenon (Boyd and Ellison, 2008). Because social networking is a new technology that has grown rapidly, scholarship on it has lagged behind its adoption by users and the attention of the media.

Although social media was originally a tool for friends to connect, communicate and share it has also been adopted as a business tool (Bughin and Manyika, 2007). Many businesses now have a presence on social networks in order to assist with business processes such as marketing (Kim et al, 2010; Harris and Rae, 2009b), customer relations management, (Kim et al, 2010; Harris and Rae, 2009b; Hawn, 2009), business networking both inside (Kim et al, 2010; Leader-Chivée et al, 2008; Misner et al, 2009) and outside (Misner et al, 2009; Kim et al, 2010) the company and recruitment (Millard, 2007).

2.2 Social Media in SMEs

Chua et al (2009) and Parker and Castleman (2007) recognized that SMEs are not a homogeneous group, but rather that they differ in several ways. For example, SME owner-managers differ from each other in their age and educational level, their attitude towards eBusiness, their degree of entrepreneurship, market and/or export orientation, their business goals and their degree of preference for face-to-face interaction with customers, strategic focus, customer orientation, business growth, business processes, owner attitude and social networks, level of eBusiness knowledge and skills. Furthermore, they note differences in the pressure from customers and/or suppliers to use eBusiness. Each of these different dimensions makes every SME different and means that blogs are a more suitable tool for some than others. Additionally, many of the decision makers in SMEs are not
governed by typical business objectives such as profit, growth and competitive advantage but more by social and family motives, such as maintaining personal identity or maintaining family connections.

Harris et al (2008) point out that SMEs have often struggled to adopt technology due to their lack of skills, resources and technical knowledge compared with large firms. However, Web 2.0 provides an SME with an opportunity to overcome these difficulties. The internet has massively reduced costs of marketing compared to traditional methods (Harris et al, 2008). Businesses can take advantage of others’ connections to each other to market their products, services and brands (Harris and Rae, 2009). Thus “gifted amateurs” can “punch above their weight” (Harris and Rae, 2009).

2.3 IT Business Value

Carr (2003) is one of many to turn the research spotlight by questioning the value gained from investments in IT, and there is considerable literature on the IT productivity paradox that examines „IT investment” and its relationship with firm performance. Rather than focus on „IT investment”, Devaraj and Kohli (2003) chose to focus on „use of technology” and found that IT payoffs can be found and measured.

Many studies have attempted to identify different types of IT value. For example, Melville et al (2004) claimed IT to give both efficiency impacts and competitive impacts. Tallon et al (2000) argued that IT provides value at the business process level through improved inventory management, greater product variety, and enhanced customer service. They argue that IT influences business processes, which drive business process performance, which finally results in organizational performance.

Amit and Zott (2001) developed a theory on value creation by eBusiness. The model consists of four interlined value drivers: efficiency, novelty, lock-in and complementaries. Efficiency is about reducing the cost of each transaction, complementaries involve bundling goods and services together for a greater value than those goods and services would have unbundled, lock-in is motivating customers to continue trading and incentivizing strategic partners to maintain the relationship and novelty is introducing something new to the business environment. In eBusiness, the source of value creation is in the interdependencies between each of the sources of value (Amit and Zott 2001).

Because payoffs from technology use might not be immediate, Devaraj and Kohli recommend that IT value researchers make more use of longitudinal studies. They additionally recommend cross-sectional studies with large samples in order to generalize results across different industries (Devaraj and Kohli, 2003).

2.4 Co-creation

Marketing has historically been viewed as the exchange of goods, whereby the goal of economic activity is the production and selling of goods. In order to sell goods, they needed to have value embedded in them during manufacture so that they would be more desirable to customers than the goods manufactured by competitors. This traditional view has been challenged by a service-dominant model (Vargo and Lusch, 2004) that views marketing as an ongoing social process focused on providing a service. Value is not something residing in a manufactured good, but is in fact defined by and co-created with the customer (Vargo and Lusch, 2004, 5). In the service-centered logic, a good is not a repository for value, but is rather one of a kit of tools with which firms and their customers jointly create value (Vargo and Lusch, 2004).

Historically, marketing has been a one-way flow of mass communication, from the marketer to the market. In order to co-produce value with customers this communication has to become a dialogue, asking and answering questions (Vargo and Lusch, 2004). This dialogue is not necessarily controlled or even initiated by the firm and, with the advent of social media, can even be customer to customer with the marketer observing but not necessarily directly participating (Vargo and Lusch, 2004).
Prahalad (2004) takes this further arguing that the next dominant logic for marketing is that of experience-centric marketing. This moves beyond the service-centered view, as the firm is no longer the central figure in the interaction. This change is driven by technological advances: ubiquitous connectivity, convergence of (digital) technologies and the globalization of information. Under the experience-centred view, customers, communities and firms all interact and communities of customers are integral to the process of value creation. Both physical products and services are merely artefacts of the value creation process – the value itself is in the experience. Prahalad (2004) regards dialogue, access to and transparency of information, and risk assessment as the building blocks of this co-creation and proposes that the full experience is beyond the capability of any one firm; and thus involves a network of firms.

3 RESEARCH OBJECTIVE

Social Media is a relatively recent phenomenon. The research into the business use of social media produced so far has almost exclusively investigated its use by large corporations (Constantinides et al, 2008; Bughin, 2008, Dupre-Barnes & Barnes, 2009). The few articles concerning social media use by SMEs have been largely descriptive, pertaining to what they are using social media for (Chua et al, 2009; Harris & Rae, 2009). Thus it is not surprising that a thorough review of the literature failed to identify prior studies of social media use by SMEs from an IT value perspective.

The main objective of this research is to explore the value that SMEs can derive through the use of Social Media. Part of this is to look at what value the SME gains through using social media, another is how the value is derived. The interactive nature of social media and the network effect associated with it mean that it is not only the SME that is producing content on its social media sites but also its customers and members of the public interacting with the SME and each other. Therefore, this research will also be looking at the value produced through this interaction. The social media space is fast changing both in terms of the technologies available and the popularity of particular sites over time. This research will seek to explore how the value to SMEs changes over time as their level of use, their customer network and even the technologies in use change over the course of the study.

The main research question for this study is how does the use of social media produce value for SMEs?

To help answer the above question, the following research questions will be addressed:

1. What are SMEs intended uses for social media?
2. What value is gained by SMEs through the use of social media?
3. How are SMEs and their customers co-creating value through use of social media?
4. How does the IT value change over time?

4 CONCEPTUAL FRAMEWORK

The study will be informed by the use of a conceptual framework influenced by Tallon et al (2000). The framework begins with the firm’s intent and goals for social media use. The practices of the SME and the public are then added. The public is an addition to Tallon’s model as the value in social media is not created by the firm alone but from their interaction with their customers and in fact the public at large. It is likely that this study will reveal additional or different sources of value specific to SMEs and social media.
5 RESEARCH APPROACH

With a lack of prior research in the area, an exploratory case study approach was adopted (Yin, 2003). Data was collected through the use of semi-structured, face to face interviews with business owners or key decision makers within the firm. The use of semi-structured interviews ensures a degree of consistency in the information collected between the different firms but still has enough flexibility to allow for new, unexpected or interesting information to emerge during the interview.

Data from interviews was transcribed and then coded manually. Interview data was triangulated with data obtained from the social media outputs, such as material posted on Facebook, Twitter, YouTube and similar web sites. Triangulated data strengthens the constructs and hypotheses created from the interview data (Eisenhardt, 1989).

6 CASE ANALYSIS

The restaurant used as a case study is very much a family business, owned by the parents and operated by both the immediate family and many other relatives. Front of house and waiting staff are made up of a range of cousins, friends, girlfriends and others. It is a family business that serves as the social hub for the extended family.

Although the restaurant is popular and successful, the restaurant noticed a worrying trend. Increasingly they would receive calls from confused customers. Typically the caller would say that the restaurant had been recommended to them by friends. However, when they went to a popular restaurant review site they found that the majority of reviews were negative. The restaurant would advise the customer to make a booking and come to see for himself what the experience of dining is like. In response to the phone call problem, the restaurant established a Facebook page in November 2009. Customers were encouraged to use the Facebook page by daily uploading photos taken in the restaurant the night before. Customers are encouraged to go to Facebook to view the photos, tag themselves and their friends and hopefully post a comment about enjoying their night out. The network effect of Facebook means that these tags and comments show up in customers’ news feeds, which in turn prompts their friends to view and possibly tag photographs, leave their own comments and in turn distribute this information through their own news feed.

The main social media used by the restaurant is the Facebook page. It is the Facebook page which has had the most attention and is currently delivering value. However, there are a number of other social media technologies under consideration as summarized in Table 1.
Table 1. Summary of social media services used by the restaurant

<table>
<thead>
<tr>
<th>Site</th>
<th>Status</th>
<th>Uses</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook page</td>
<td>In use</td>
<td>Post photos of guests</td>
<td>Has eliminated confusion due to clash between positive word of mouth vs negative online reviews.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Guests tag photos</td>
<td>Convient way for casual staff to keep in touch &amp; update availability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Feedback from guests</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Arrange staff rosters</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Staff/family socialization</td>
<td></td>
</tr>
<tr>
<td>YouTube</td>
<td>Pilot</td>
<td>Cooking demonstrations</td>
<td></td>
</tr>
<tr>
<td>Google maps</td>
<td>In use</td>
<td>Valid Restaurant info comes up on a Google maps search</td>
<td>Customers can view accurate location and contact details</td>
</tr>
<tr>
<td>Online review Site</td>
<td>In use</td>
<td>Customer reviews</td>
<td>Negative value due to lack of control over process</td>
</tr>
<tr>
<td>Foursquare</td>
<td>Considering</td>
<td>Customer loyalty</td>
<td></td>
</tr>
<tr>
<td>Facebook ads</td>
<td>Considering</td>
<td>Targetting ads to possible customers. E.g. people discussing venues for their functions &amp; celebrations</td>
<td></td>
</tr>
</tbody>
</table>

The restaurant has found that the Facebook page has resulted in a steep reduction in calls from people confused by positive word of mouth recommendations but negative reviews on the review site. They credit the Facebook page for this result and are very happy with what using Facebook has achieved for them so far.

An additional, unforeseen benefit to using Facebook is that casual staff started to use it to arrange their shifts. For example, a waitress could post a message to the restaurant’s wall giving dates she would be unavailable to work. Other members of the extended family have been using the Facebook page to organize their social lives.

Table 2 presents the various sources of value created through the restaurant’s Facebook page. The sources of value analysed came from the conceptual model plus the possible sources suggested by Amit and Zott (2001) and additional sources that arose during the study. The findings are supported by quotes taken from interviews with the business operator.

<table>
<thead>
<tr>
<th>Source of value</th>
<th>Findings</th>
<th>Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
<td>Facebook pages are free and costs in terms of equipment and bandwidth are minimal Many customers already have a Facebook account Network effect means friends of customers are also exposed to the restaurant experience</td>
<td>“…without even a Facebook account they can see their photos” “…we find lots of people from all ages are getting Facebook accounts.” “people are using, Facebook to communicate with the chat or with the messages or just posting to each others’ walls.” “…if they find their photo there they can tag their photo – tag their friends in the photo and then that goes out there to all their friends’ friends and friends’ friends, friends, friends.”</td>
</tr>
<tr>
<td>Lock-in</td>
<td>Restaurant newsfeed informs customers what is happening Discussion about photos keeps customers engaged DON’T offer any sort of loyalty program (anti-lock-in)</td>
<td>“if you look at some of the photos, they start writing stuff to each other on those photos.”</td>
</tr>
<tr>
<td>Novelty</td>
<td>Innovative use of Facebook to solicit comment, rather than a dedicated review site</td>
<td>“…our purpose is to try and take an action to show people what actually goes on here, not to believe what’s written on DineOut.” “We wanted to create like an alternative and a real one, not one that competitors can go in and write rubbish under a fake name…”</td>
</tr>
</tbody>
</table>
| Openness | Facebook is a platform that is open for anyone to participate under their real name | “…we’re using this to communicate it – and the fact that everybody can just go there and write whatever they want – that means a lot and that’s the future.”
“You’ve pretty much just got to focus on your business and doing the best for your customers and let everyone talk about it, not try and stop people from talking about it” |
| Strategic intent for IT | Wanted real comments from real customers
Wanted to take power away from the websites and give it to the people
Wanted to use an open platform
Wanted to utilize word of mouth | “Now what I thought I wanted to get was to be able to pull people to some sort of platform where they are actually using their real names; its real people.”
“…what we’re trying to do is put reviews on a trustworthy platform – it’s open. So if anyone wanted to write a bad review they would have to set up a fake name and then go into our page and then write whatever they wanted to write and then you could probably see they only had one friend or something and that they were not a real person.”
“So what we are doing is we are encouraging that whole „word of mouth“ thing in an open forum” |
| Firm practices | Take photos of customers eating, socializing and dancing every night
Post photos to Facebook
Direct customers to Restaurant website and from there to Facebook page. | “pretty much every night we take some photos and upload them on Facebook”
“There is something in it for them which are where we came to the photos. Take the photos of people – tell them go to the site.” |
| Public practices | View and comment on photographs
Tag themselves and friends in photographs
“Like” restaurant | “And people tag themselves on what they’re doing? Yeah, they do.”
“… they go into your Facebook page and they can see photos of their night. If they have an account they can „like” the page or become a fan or recommend” |
| Positive unplanned Outcomes | Facebook used for staff rostering
Facebook used for staff/family social activities
New slogan idea from Facebook comment | “… using it to organise waitresses and what have you. You know who is going to work this weekend.”
“…it’s got a lot of uses.”
“There are other things with having the Facebook page as well, because it’s social for us here as well.”
“This lady wrote, “Thanks for an amazing fun filled night and we loved it”. So I thought that sounds like a good slogan. So I went into our site and made it into this slogan on the new site.” |
| Negative unplanned Outcomes | People “un-like” Restaurant when they receive daily photos in their news feed. | “we get people who unsubscribe as well because every week we’re putting photos up and so it shows up in their news feed” |

Table 2.
7 DISCUSSION

This study aimed to identify what SMEs use social media for, what value this use produces and how SMEs and their customers co-create value. In this case the social media technology used by the SME is Facebook. This was adopted for the specific purpose of soliciting customer feedback in an open and neutral environment. Photographs of diners are used to draw customers to the Facebook page and the comments left by the diners and their friends contributes to a positive buzz about the restaurant.

The purpose of the social media use in this case is for marketing (Kim et al, 2010) and Customer Relationship Management (Harris and Rae, 2009b). Facebook has been specifically selected because it allows these communications to go beyond a private one-to-one conversation and become a conversation of many-to-many (Hawn, 2009).

In the conceptual model, strategic intent leads to practices both by the firm and by the public that produce value and therefore increase firm performance. The value comes from four sources, efficiency, novelty, lock-in and complementarities. The strategic intent was clear in this case, given that there was a clearly identified problem to be solved by social media. Similarly there are distinctive practices carried out by the firm and by the public. The use of Facebook has provided value for the restaurant. It has solved the problem it was intended to. Since the Facebook page has been live, calls referring to negative reviews on the leading restaurant review site have been virtually eliminated. However, this study did not reveal any evidence of an effect on the firm performance.

Of the four sources of value, the strongest evidence is that novelty and efficiency are producing value. In table 2 we see that Facebook is efficient because it is very widely used by customers and provides an ecosystem to be used without requiring additional resources from the restaurant. The use of photographs on Facebook to promote a restaurant has proved to be a very novel usage. There is less evidence of value produced through lock-in and none from complementarities. Additional sources of value were also identified that were not included in the original Amit and Zott model. These sources of value relate to the neutrality of social media and the network effects produced by it. Facebook provides a platform for businesses that they do not themselves have any interest in. This can be contrasted with a restaurant review site, which has a major interest in the industry and the way it is used by the industry. Additionally, because of the connections between friends on Facebook, interactions between the restaurant and its customers are visible to the friends of the customers. This has the effect of drawing the friends into the conversation and extending positive (or indeed negative) results of the interaction out to those friends. This means that any value produced, or destroyed, through social media is amplified.

7.1 Limitations.

This study was exploratory in nature and sought to examine the value of social media use by one firm. In common with qualitative research in general, this project does not have the generalisability or external validity that quantitative research produces. The use of multiple case studies (Yin, 2003) and triangulation with the cases own social media output (Eisenhardt, 1989) will help to mitigate this effect, but cannot completely eliminate it. This paper presents the results of the initial case studied as part of a larger study.

References


Harris, L., and Rae, A. (2009). The revenge of the gifted amateur… be afraid, be very afraid…. *Journal of Small Business and Enterprise Development*, 16.


