



Consumer Engagement and the Practice of Small and Medium Enterprises (SMEs) in Social Media

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ABSTRACT

The term “engagement” is now receiving increasing attention among academicians and business practitioners across all industries including small and medium industries. However, the limited number of research leaves room for further exploration and understanding the nature and scope of consumer engagement.

Drawing on literature analysis, this study provides marketing academics and practitioners’ insights into the consumer engagement concepts. The study reviews how the small and medium enterprises (SMEs) can generate business value from the use of social media.

This study first identifies the key issues involved in the social media practice. It then explores the theoretical foundations of consumer engagement in the academic literatures and in specific business practice applications. The analysis found that social media plays an important role in the process of consumer engagement, which later contribute to the business value and able to generate benefits to the SMEs.

The findings of the study will facilitate further understanding on the consumer engagement and the benefits resulting from the social media practice by small and medium enterprises (SMEs). The paper concludes with a discussion of implications for practice and further research.

Key Words: Consumer engagement, Social media, Small and medium enterprises (SMEs)

1. INTRODUCTION

The emergence of social media has evolved through the development of Web 2.0 which allows user to freely create networking, communicate, sharing information with other parties. The social network penetration is increasing, and social networking become one of the most popular online activities with high user engagement rates and expanding mobile possibilities. (Statista, 2017) estimated that the number of social media users in entire globe will be around 2.77 billion users in 2019 (up from 2.46 billion in 2017).

Specifically, in Malaysia, the number will be amounting to 20.42 million social media users in 2022, increasing from 18.62 million users compared in year 2017. On the other hand, social media advertising which is dominated by Facebook, will overtake the traditional television advertising in next two years. By 2020, Facebook will be making an estimated 3.8 billion pounds in United Kingdom advertisement spending, up from over a billion pounds more than this year. The scenario explaining that the younger generation is now becomes the digital-savvy consumer that has dramatically eroded the power of traditional television. Facebook will be the most important medium advertisers had to spend on in order to reach big audiences (Sweeney, 2018)

In the business context, social media is an important channel for online consumer engagement. It is because it has helped organizations to enhance the customer relations and customer service and reduced the cost of marketing and customer service. It has also enabled organizations to have easier access to information about customers and competitors (Parveen, Jaafar, & Ainin, 2016). Engaging consumer through social media also enables business to have value co-creation (Connolly, 2015). The growth and development of social media channels enables consumers to actively take part in business and consumer interactions. The rise of new social media channels has enabled consumers to increasingly participate in new forms business-consumer interactions, which later may enrich the development of customer engagement with a specific brand (Brodie, Hollebeek, Jurić, & Ilić, 2011).

Since then, entrepreneurs must have effectively taken the opportunity to use social media to engage with the consumer because it can provide them with a relatively quick and low-cost method of connecting with customers. It is mainly free and easy to use, therefore, it will be very valuable to the small and medium enterprises (SMEs) that may not have the full financial support or lack of technical expertise to fully utilize and require short term and tangible value in any new endeavours. However, to ensure that social media is used effectively, businesses must have a clear plan indicating how it will be used and what it will be used for. Without this, businesses cannot determine its usefulness or effectiveness. As to date, there is still scarce in literature pertaining this area, particularly in the SME environment.

Therefore, the aims of this study are firstly to identify the key issues involved in the social media practice in business context. Secondly, analyse the role of social media in the

process of consumer engagement. Thirdly, to examine how SMEs are gaining benefits from their use of social media. Finally, a discussion of the findings and the implications for practice and future research are presented.

2. USE OF SOCIAL MEDIA IN THE BUSINESS CONTEXT

As defined by (Kaplan & Haenlein, 2010), social media is ‘a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content’. Social media applications such Facebook, Twitter, Google+, Wikipedia, LinkedIn, blogs and Pinterest are synonym in today one’s life. When Twitter started in 2006, the number of user kept increasing from 100 million active users in 2011 and 267 million in the second quarter of 2018 (Statista, 2018). It enables open communications among all circles of users. (Gregurec, 2011) claims that back in 2010, companies spent \$62 billion on social media advertising. It highlights how businesses are engaging with this technology. Not only that, social media may also be used as a key data source and (Pechrová, Lohr, & Havlíček, 2015) sees social media providing an opportunity to serve small markets or customers who are not within easy access.

The use of social media also facilitates two-way communication between customers and organizations. Organizations that take advantage of the latest social media technologies seem to outperform their competitors and report benefits such as lower costs and improved efficiencies (Harris & Rea, 2010). Therefore, social media play a vital role in a business. The power of social media gives a positive impact to the company performance. This can be seconded by (Ferrer et al., 2012) that claimed the usage of media technologies give significant impacts on social capital entailing to the company performance. It may also be used as a key data source and sees social media providing an opportunity to serve small markets or customers who are not within easy access. Furthermore, (Parveen et al., 2016) stated that social media usage has a very strong impact towards a company performance.

3. CONSUMER ENGAGEMENT IN SOCIAL MEDIA

According to (van Doorn et al., 2010) consumer engagement is defined as customers’ behavioural interactions towards a specific brand or firm, beyond purchase, that gives from motivational factors. The fundamentals of consumer engagement has been used massively in industries and companies by managers and consultants worldwide (Gambetti, Graffigna, & Biraghi, 2012). When a company manages to adapt and facilitate innovative approaches and simultaneously create a long term relationship with clients, it is known as consumer engagement (Sashi, 2012).

Consumer engagement focusing on being superior compared to competitors in winning the brand loyalty. Loyal customers not only remain as a stakeholder but also creating good value and high business equity in satisfying consumer needs and wants. In today's business environment, social media performs as an important channel for online consumer engagement. Although the term engagement is still lacking clear definitions and applications, however, the concept of consumer engagement gained main attention among entrepreneurs. Social media is a vital for businesses because it is popular, encourages two-way communication, reaches all ages and demographics, and promotes e-word of mouth (Divya & Regi, 2014).

Discussion forums, chat rooms, emails, bulletin boards, blogs and social networks are examples of the networking platforms that are creating interaction and build customer experiences (Brodie et al., 2011). Engaged customers can also play an important role in new product and service developments and in co-creating experience and value. Also, (Wang, 2006) disclosed that when consumers are highly engaged with a media vehicle, they can be more responsive to brand. (Sashi, 2012) also mentioned that by using social media, businesses can forge the relationship with existing as well as new customers and form their own communities which allow interactive collaborate to identify problems and together develop solutions for them. These interactions change the traditional roles of both seller and customer in exchange relationships. As such, customers add value, generating content, and even able to influence purchase decisions of others in peer-to-peer interactions.

4. BENEFITS OF CONSUMER ENGAGEMENT IN SOCIAL MEDIA

Social media is a central issue in current business environment that give diverse benefits to the business practitioners. Various studies have confirmed on the benefits of social media usage that can be implemented by the newbie of entrepreneur. Social media can even be implemented by SMEs because of its low-cost implementation and minimal technical requirements (Ferrer et al., 2012). Tremendous use of social media may help because it is an affordable innovation that was proven to help businesses to reach their customers more easily (Ahmad, Ahmad, & Abu Bakar, 2018). Thus, social media usage continues to grow exponentially among businesses and becoming a crucial business management phenomenon.

Furthermore, social media is an increasingly popular choice for businesses because it allows communications to go beyond a private one-to-one conversation to become many-to-many (Siamagka, Christodoulides, Michaelidou, & Valvi, 2015). Social media usage enables SMEs to access markets outside their immediate geographical area, without a physical presence being required. It demands serious consideration from SME owners because it can make geographic area, distances and time irrelevant (Del Carmen Alarcón, Rialp, & Rialp, 2015). Social media functions also provide cheap options for analytics, automated publishing, content management, conversion tracking and customer targeting. SMEs can use social media platform

to promote their products, services and brands.(Pookulangara & Koesler, 2011)) have shown the impact of social media on consumer purchase decisions where its boosting the brand recognition or obtaining feedback from customers (Michaelidou, Siamagka, & Christodoulides, 2011) or how it can provide useful market research data and generate word-of-mouth recommendations.

Moreover, social media allows organizations to improve several business activities. These may include, for example, relationships with trading partners, sharing information and managing communications and logistics across supply chains (Humphrey, Mansell, Paré, Schmitz, & Humphrey, 2003). Surveyed from 90 manufacturing and service companies have found that companies using social media for product innovation reported business benefits from doing so (Kenly & Poston, 2011). These included lower costs for products and product development, more innovative product ideas, shorter time to market and increased product adoption. These improvements, in turn, gave the companies increased market share and higher revenues. Besides, (Rodriguez & Ajjan, 2014) found that social media use had a positive effect on customer-facing activities and therefore sales performance. Supporting to these statement,(Wong, 2012) and (Kwok & Yu, 2013) found that Facebook adoption had a positive effect on SMEs' sales performance. (Hassan, Shiratuddin, & Ab Salam, 2015) noted that social media can have a significant impact on business by significantly influence purchasing decisions. These studies are consistent with previous technology adoption literature that found that technology adoption had a positive impact on both financial and non-financial performance (Scupola & Nicolajsen, 2013).

On the other hand, engagement process therefore lead to positive consequences such as reputation, brand effect and co creation value - consumer loyalty and satisfaction, consumer empowerment, connection and emotional bonding, trust and commitment (Brodie, Ilic, Juric, & Hollebeek, 2013).Other than that, consumer engagement via social media will helps entrepreneur to create association with brand image, perception and customer service of the online retailers (Ibrahim, Wang, & Bourne, 2017). Therefore, brand-related social media engagement is important to create brand loyalty and added new insights into the antecedents of consumer engagement in the brand-related use of social media.

5. SMES AND ENGAGEMENT IN SOCIAL MEDIA

At the turn of the 21st century, Malaysia is fast pursuing its goals to becoming a developed nation and thus with SMEs being a visible player in the economy, the growth and roles of SMEs has risen to become one vital and crucial in the Malaysia economy. In Malaysia, SMEs is identified as the largest contributor towards economic growth in developing countries such as Malaysia (Aziz & Samad, 2016).The performance of SMEs remains crucial, as their performance fuels the on-going transformation of Malaysia into a high-income, knowledge-

based economy (Moorthy et al., 2012). By right, Economic Co-operation and Development (OECD) defined SMEs as non-subsidary, independent firms which employ less than a given number of employees (OECD, 2005).

According to the SME Annual Report 2016/2017 (National SME Development Council, 2018), 97% of business establishments in Malaysia are SMEs, which contributed 37% to the Malaysia GDP, 65% to employment, and nearly 18% to county's exports. The involvement of SMEs in online business indicated that they wanted to reach out better to wider market and business opportunities. Interestingly, of those involved in online business, about 15.6% of them export their products and services online. SMEs that leverage on ICT have greater potential to increase their efficiency and productivity, thus enable them to elevate their business to the next level.

A thorough understanding of the importance of social media will helps SMEs to better serve the market. For instance, Morris & James (2017) explored how social media is currently being adopted in agriculture-based enterprises in UK. The finding shows that social media provides new marketing opportunities for farmers who can engage in direct selling and micro branding. It is followed by a research by (Mamun, Mohiuddin, Fazal, & Ahmad, 2018) that examines the effect of entrepreneurial and market orientations on consumer engagement, and the performance of manufacturing SMEs under the premise of the Resource-Based View (RBV) theory. As the study acts as a base to understand the complex love triangle involving strategic orientation dimension, consumer engagement, and firm performance, it indicated that entrepreneurial and market orientations have significant positive effects on consumer engagement, which in turn, positively affects the performance of manufacturing SMEs in Peninsular Malaysia.

Other than that, McCann & Barlow (2015) concludes that SMEs should take a strategic focus and plan their use of social media, and draw insight from both quantitative and qualitative data when measuring ROI. It is because in their research among Scottish SMEs, some social media applications more valuable than others but 65 per cent of the companies surveyed did not measure the ROI. The respond was from very wide type of company ranging and included IT, consultancy, graphic design, hairdressing, childcare and legal companies. Not only that, Öztamur & Karakadılar (2014), on the other hand, analysed the "Facebook and Twitter" networks particularly due to their widespread use and popularity among the customers. Almost every SMEs have Facebook and Twitter accounts but the important thing is the firms performance of using social media as a new marketing strategy tool. Therefore, the researchers suggest that companies should create value for the customers in order to have a competitive advantage. Social media may have an important supportive role during this process.

Thus, it is important for SMEs to contribute to the Malaysian economy by pay attention in building the relationship with consumer through online engagement in order to experience

superior business performance. Also, (McCann & Barlow, 2015) mentioned that SMEs believe social media is very important and suggested to the business to build relationships with customers to gain brand awareness, showcase expertise and gain new contacts. It is agreed by (Mamun et al., 2018) that consumer engagement significantly and positively affect the performance of Malaysian SMEs. Stockdale, Ahmed, & Scheepers (2012) suggested that SMEs should fully utilising social media to strategize for their business value and achieving the business value.

6. CONCLUSION

Comparatively there is still little research that has focused on the social media in the SMEs environment. By reviewing the relevant literature, it shows that SMEs can gain benefits from the use of social media in their business operation. While much of the literature relates to large organisations, the study shows that much of the current research also applies to the enterprises. The analysis had proven that they are gaining value through the customer engagement which later leads to the gaining competitive advantage.

The implication of this study is that SMEs may identify and realise how the usage of social media will benefit them. It also highlights that SMEs must have a proper planning before they can adapt to social media. However, further empirical research is required to examine the developments in this area from a theoretical perspective to gain deeper insights.

As the reviews demonstrated, nowadays SMEs is embracing social media as one of the prominent tools in creating better consumer engagement and it became a prominent online marketing tool in facilitating customer relationship, build brand, and influence purchase. The review of the scenarios of consumer engagement and the practice of SMEs in social media provides a significant contribution to business literature, and SMEs online marketing practices, as social media plays an integral role in marketing and selling. Therefore, this review is timely and needed to ensure some direction for SMEs engaging in social media.

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