
An Empirical Investigation of Social Media as a Marketing Tool in Micro, Small and Medium Enterprises in India

Saumya Ranjan Sahoo
Doctoral Research Scholar – Management
Entrepreneurship Development Institute of India
Gandhinagar

ABSTRACT

Adequate marketing activities are the base of success of products, brands and companies. As the use of the Internet, the Web and social media grows, a major challenge for entrepreneurs and marketers is to determine how to make best use of what the technology offers. Social networking sites (SNSs) emerged as one of the most powerful media for advertising across the globe. Globally, companies are shifting a larger pie of their advertising budgets towards social networking site for better reach and interactive platform. In today's social media driven environment, large firms with established installed consumer base leverage through the low cost social media marketing models, having a significant impact on new customer acquisition and retention. However many small businesses also make use of its potential to enhance their business processes. Unfortunately small business enterprises do not enjoy attraction of installed consumer bases as enjoyed by large enterprises, as there is no strategies in place. This exploratory research investigates about the usage, benefits and challenges of adopting social media as a marketing tool in Micro, Small and Medium Enterprises (MSMEs) where the budget for marketing is low. Reflecting on this, the study develops an argument for strengthening of e-skills of entrepreneur/manager and improving the integrated social media marketing strategy for small businesses.

Keywords: Social media marketing, social networking sites, SNSs, MSMEs

1. Introduction

MSMEs are important to all developing economies in the world. MSMEs entrepreneurship emerges as an important point of strategic and political agenda of many countries, with the initiative of self-employment to show a positive effect on the development of their economies. MSMEs cannot do conventional marketing because of the limitation of resources which are inherent to all MSMEs and also because MSMEs owner/managers behave and think differently from conventional marketing decision-making practices in large companies. Last two decades the Internet and World Wide Web has made a significant impact on everyday life. The advent of Web 2.0 has brought about a variety of interactive community-based initiatives that leverage data, harness distributed intelligence, and utilize a rich multimedia (Reilly, 2007). Web innovation have revolutionized and have provided opportunities to improve existing business models. Web paradigm has shifted the nature of user from content consumer to content generator. User generated content helps to understand customers' preferences and support instantaneous,

custom-tailored customer experiences – e.g. Amazons’ book review, blockbuster’s movie recommendation (Kim, Lee, & Lee, 2013). Social networking websites act as a good platform for advertising that attract millions of users from different countries, speaking multiple languages belonging to different demographics (Rizavi, Ali, & Rizavi, 2011). Understanding the effectiveness of social media having significant impact on new customer acquisition and retention, most of MSMEs entrepreneurs/managers have started to capitalize on Web 2.0 technologies to promote their brand, product and services. Considering the fact that Web 2.0 technologies enhances firm’s business performances and competitiveness, the research focus is understanding the usage and barrier of adopting social media as a marketing tool for small business enterprises to improve their performance, to connect with consumers and remain competitive.

2. Literature review

2.1 Micro small and medium enterprises (MSMEs)

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. Micro, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country’s GDP, 45 percent of the manufacturing output and 40 percent of the exports. In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes: (a) manufacturing sector and (b) service sector. The limit for investment in plant and machinery / equipment for manufacturing / service enterprises as defined by Government of India is shown in table 1.

Table 1 Limit of investment in plant and machinery in manufacturing and service enterprises

Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five <u>crore</u> rupees
Medium Enterprises	More than five <u>crore</u> rupees but does not exceed ten <u>crore</u> rupees
Service Sector	
Enterprises	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two <u>crore</u> rupees
Medium Enterprises	More than two <u>crore</u> rupees but does not exceed five <u>crore</u> rupees

Source: (FICCI, 2013)

2.2 Web 2.0 technologies

Web 2.0 refers to multitude of new ways that the internet is used as platform for developing and hosting software applications and developing and exchanging digital contents by business and users(Kim, Lee, & Lee, 2013). Web 2.0 is the newest form of internet, where users actively participate in the development of content and appearance(Uitz, 2012).(Kaplan & Haenlein, 2010)defines social media as "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". Web 2.0 is platform on which social media is based. According to (Ebersbach, Glaser, & Heigl, 2008), social media is defined as (a) a web- based application, (b) for people, (c) to exchange information (d) and build relationships as well as maintain their collaborative communication and cooperation. Therefore, social media comprises of Web 2.0 service which allows people to generate content themselves and exchange this generated content with others. This interaction includes mutual exchange of information, opinions, impressions and experience. Users also comment, recommend, rate those content and by these social networks and relationship evolves. (Safko, 2010)divides social media world in 15 categories i.e. social networking, publish, photo sharing, audio, video, micro blogging, live casting, virtual worlds, gaming, productivity applications, aggregators, RSS, search, mobile, interpersonal.Based on social presence/media richness and self-presentation/self-disclosure (Kaplan & Haenlein, 2010)classifies social media in six different types: Collaborative project, Blogs and micro blogs, Content communities, social networking sites, virtual game worlds, and virtual social worlds as shown in Table 2.

Table 2 Classification of Social Media by social presence/media richness and self-presentation/self-disclosure

		Social presence/ Media richness		
		Low	Medium	High
Self-presentation/ Self-disclosure	High	Blogs	Social networking sites (e.g., Facebook)	Virtual social worlds (e.g., Second Life)
	Low	Collaborative projects (e.g., Wikipedia)	Content communities (e.g., YouTube)	Virtual game worlds (e.g., World of Warcraft)

Source: Kaplan & Haenlein, 2010

2.3 Measuring social media performance as a marketing tool

Turning social media into influential marketing channel is new to many companies and organization. The social media marketing is a process that empowers entrepreneurs/marketers and companies to promote their website, products or services through online social channels and to communicate with and tap into a much larger community which is not the case with traditional advertising channels. It connects service providers, companies and corporations with a broad audience of influencer and consumers(Weber, 2009).A simple understanding of services does not only lead to the success of a Social media marketing strategy for a company. Social media services just provide platform to support communication. The firms' purpose and strategy determines which type of social media to use (Uitz, 2012). (Sherpa, 2010) has created a three dimensional chart (figure 1) which maps different social media tools. The three dimension are (1.) data breakouts for the use, (2.) effort required (both in time and resources) and (3.) effectiveness

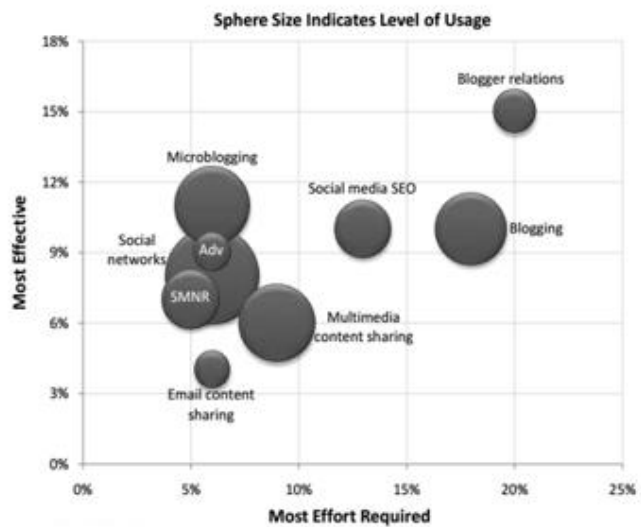


Figure 1 Three Dimensions of Social Marketing Tactics

The measurement of social media marketing performance indicators is very complex and has to deal with numerous variables(Uitz, 2012).There are various key performance indicators (KPIs) that relates to successful implementation of social media marketing campaign. The various key metrics utilized to gauge the effectiveness of social media marketing strategy are (1) awareness (2) engagement and (3) revenue generated(Petersen, et al., 2009) . Entrepreneur and managers of small business have to justify the resources utilized for social media marketing in term of return on resources invested. Return on social media activities can be measured in terms of numeric quantities involving activities and conversations exchanges between social media users and firms.Instead of “Return on Investment”, the ROI in social media marketing is commonly referred to as “Return on Influence” or “Return on Interaction(Uitz, 2012).

2.4 Social Media Marketing Challenges

Many organizations have been slow to adopt new technologies due to perceived barriers such as lack of money, time and training, negative views about usefulness, as well as unfamiliarity with the particular technology(Buehrer, Senecal, Pullins, & Bolman, 2005).The main barrier is the huge numbers of SNS toolswhich confuse the company

about which is the right tool to use (Barashi & Williams, 2012). (Barashi & Williams, 2012) identified the following challenges : (1) SNS are not important within the industry, the company operates (2) uncertainty whether or how SNS could help brands (3) Staff not being familiar with SNS (4) Big investment in terms of investment (5) Competitors don't use SNS (6) Not having technical skills to use SNS, were associated with small and medium scale enterprises.

3. Objectives

1. To identify how MSMEs use social media as a marketing and branding tool in consumer market.
2. To identify the major benefits and challenges for entrepreneurs/managers as posed by social media marketing of their respective small business
3. To address (entrepreneurs / manager)'s perspective towards the effect of social media marketing on their business in terms of Return on Investment of resources (ROI).

4. Research Methodology

An exploratory research methodology is adopted to understand the appropriate at this early stage of the research.

MSMEs's Owner/ Manager's questionnaire: The present study used the primary data, which was collected by conducting a survey using structured questionnaire for entrepreneurs/marketing managers. The survey was aimed to ascertain the following information: (1) Company details like number of employees, type of the firm, industry it operates in, personal information to establish age, job function (2) Perceived benefits of Social Media Usage in marketing (3) Rank Analysis of drivers and barriers of social media for marketing in MSMEs.

Survey Variables and Analysis: In first phase, a semi-structured interview with entrepreneur/managers were done to analyze the usage, drivers and barriers of Social Media marketing in MSMEs. Social media consultant were contacted to screen variables of relative importance. On the basis of literature review and discussion with social media marketing consultants, present research study considered the following variables as seen in table 3 to identify the major usage, benefits and challenges offered by social media marketing for small businesses. To understand the various usage and benefits of social media marketing, the respondents were asked to report all the perceived variables that were related to their respective business. Then the respondent were asked to rank the challenges of adopting social media as a marketing tool in order of their importance (i.e. Rank 1 for most challenging, Rank 2 for 2nd most challenging and so on up to end). The data are interpreted in terms of percentage. The rank analysis were done by summing the ranks and then taking the mean of summation to derive at ranking of challenges associated with Social Media Marketing in MSMEs. Lower the mean score, the more challenging the issues.

Table 3 Survey Variable: Usage, benefits and challenges of Social Media Marketing

Usage	Benefits	Challenges
To create brand awareness	It's free	Generating quality and relevant content
To generate leads	To make people engaged	Strategic implementation
To increase sales	Reach to larger audience	Limited budget and resources
To provide better service/support	Very low cost as compared to traditional marketing	Lack of knowledge/ Understanding about usage of social media
To gain insight about market and competitive intelligence	Can provide better service to audience	Availability of knowledgeable social media consultants
To retain customers		Requires more time to be spent
To increase site traffic		Measuring returns

Procedure: A schedule-based exploratory interview with entrepreneurs/managers of MSMEs has been used for identifying the relevant usage, benefits and challenges of adopting social media as a marketing tool. The target population in this survey were small businesses catering to other business (B2B) and consumers (B2C). It was a non-probability convenience sampling. 53 small business owners/managers were interviewed.

5. Analysis and Discussion

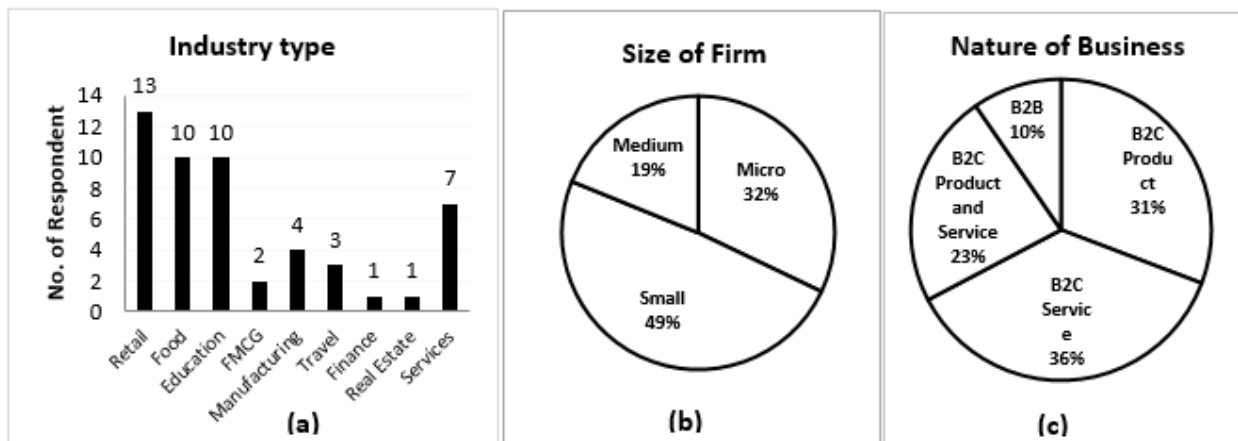


Figure 2 Industry Type Classification – (a) industry type (b) Size of firm and (c) Nature of Business

45 respondents (85 %) were using social media marketing whereas 8 respondents (15%) were not using it. The socioeconomic demographics of the respondents are outlined below. The dominant industry type surveyed were from retail, food and education sector (Figure 2-a); Small size firm (figure 2-b); and in B2C nature of business segment (Figure

2-c). As seen in figure 3, majority of the respondents are entrepreneurs and are educationally qualified till graduation (56%) and post-graduation (36%).

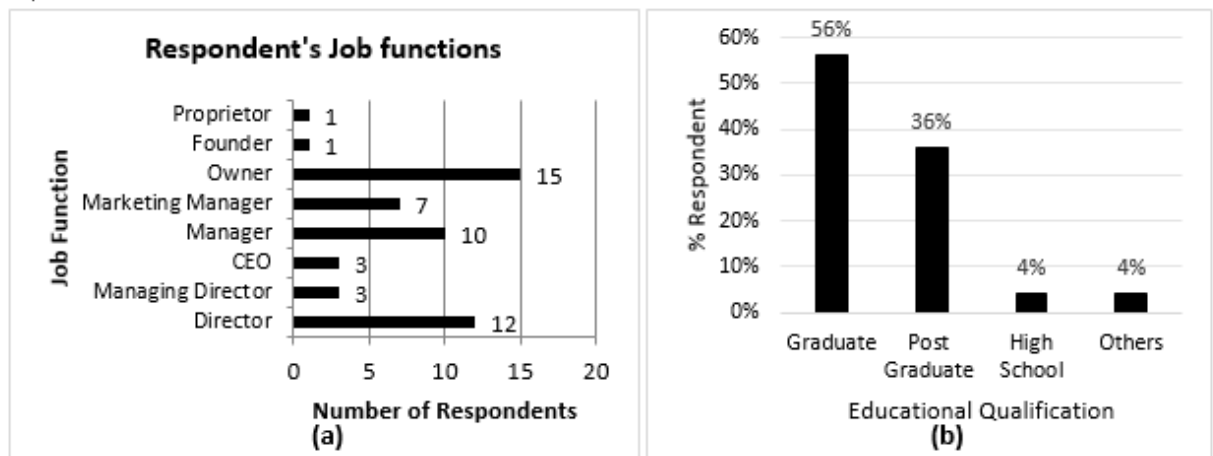


Figure 3 Respondent - Job function (a) and education qualification (b)

5.2 Association of social media usage with age groups:

From the total number of 53 respondents, 85 % were using social media marketing whereas 15 % respondents were not using it. The number of small business's entrepreneurs and managers using social media as marketing tool is highest in age group 20-30 years and 30-40 years. The adoption and usage of social media as a marketing tool decreases with the increasing age group (Figure 4).

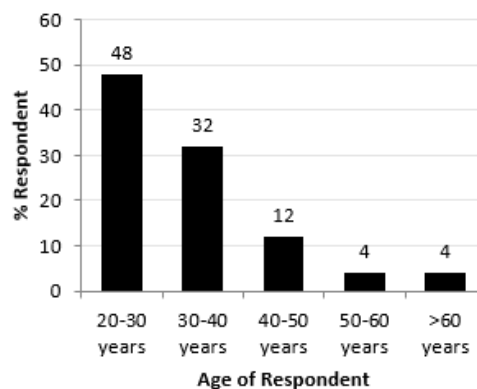


Figure 4 Entrepreneurs' age -Social media usage for marketing

The majority of the respondent were found to be handling social media In-house (56 %) than outsourced (28 %). 16 % of the respondent handled social media marketing both in-house and outsourced.

5.3 Usage and activeness on Social Media

Table 4 depicts how actively MSMEs are on social media for marketing. The time factor is one of the important factors deciding the Return on Social Media for any size of organization. The more active the organization is for longer period of time, the probability of its objective getting fulfilled is high.

Table 4 Usage in years & Activeness of MSMEs on Social Media

Usage of Social Media as marketing tool (in Years)	% of Respondent	Number of Respondent
< 1 Year	31	14
1-2 Year	40	18
> 2 Year	29	13

The return on social media marketing activities, the surveyed companies get and satisfaction level associated with social media marketing activities is further analyzed in each category of time as shown in table 5. Return on social media activities is dependent on usage time, the more time the MSMEs spend on social media, probability of getting more return i.e. increased satisfaction level.

Table 5 Usage - Activeness and Satisfaction Levels

Usage Time	Satisfaction Level	Number of Respondents
Less than a year	Very satisfied	3
	Somewhat satisfied	5
	Neither Satisfied / Dissatisfied	6
1 to 2 year	Very satisfied	4
	Somewhat satisfied	7
	Neither Satisfied / Dissatisfied	5
More than 2 years	Very satisfied	7
	Somewhat satisfied	3
	Neither Satisfied / Dissatisfied	2

5.3 Purpose of using Social Media for marketing in MSMEs

It is evident from the from figure 5, entrepreneurs perceive that the purpose/ objective of social media marketing is to (a) increase brand awareness of their firms (32%) (b) generate leads (26 %) and (c) increase sales (20%). This shows that social media is to some extent misconceived as the platform for directly marketing product or service to end consumer

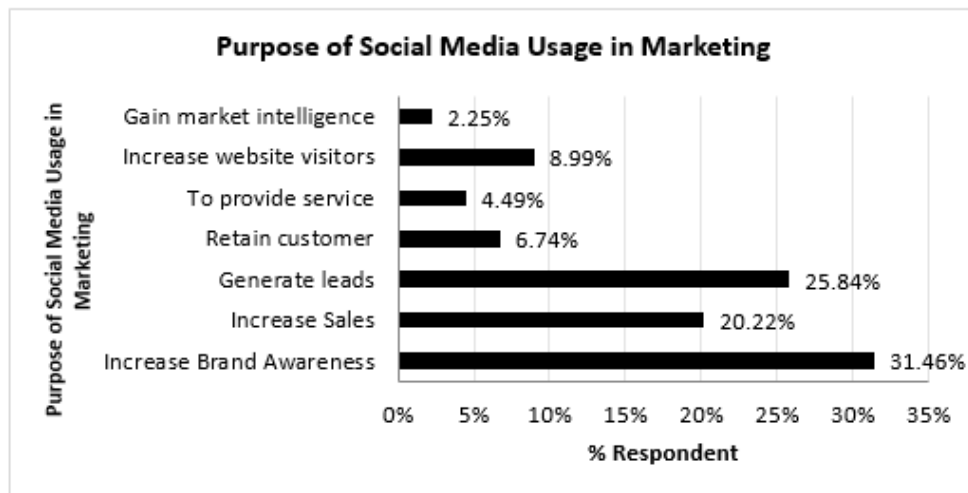


Figure 5 Purpose of Social Media Marketing

5.4 Benefits of using Social Media for marketing in MSMEs

The most significant benefit of social media for marketing in MSMEs is (a) reach to larger audience with second most significant benefit being is to (b) make people engaged as shown in figure 6. With increased engagement of audience and consumers, the firms can get insights through building relations and keep their audience up to date and create a positive word of mouth, helping in building the brand. To some entrepreneurs, social media marketing is the “next big thing,” a temporary yet powerful fad that must be taken advantage of while it’s still in the spotlight.

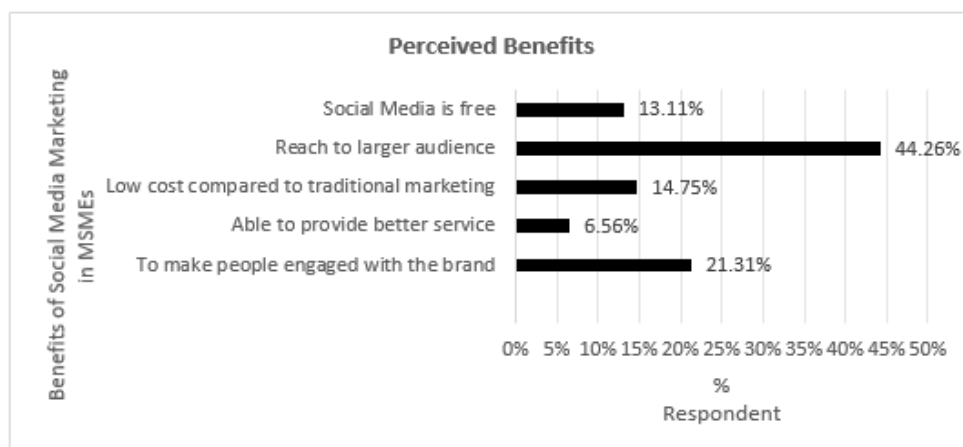


Figure 6 Perceived benefits of Social Media Activities

5.5 Challenges faced by MSMEs in Social Media Marketing

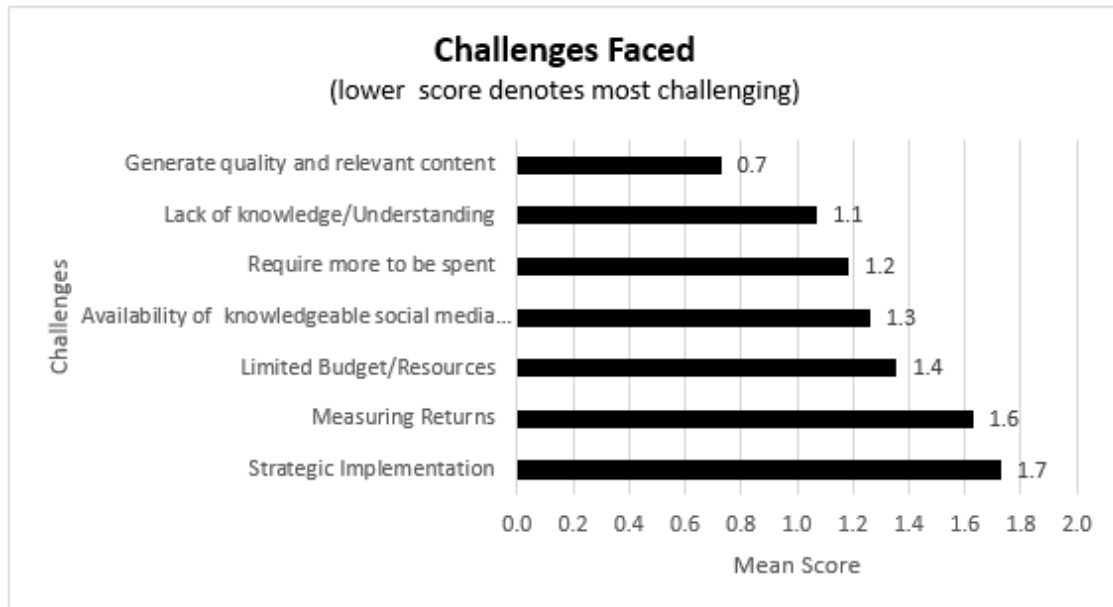


Figure 7 Challenges faced by MSMEs in adopting Social Media Marketing

It is evident from the exploration of the figure 7 that, generating quality and relevant content to keep audience and consumer engaged is what entrepreneurs/managers perceive as one of the most challenging issues in MSMEs. Creativity is needed when generating quality and relevant content which is not possible to handle in-house by everyone. The second most challenging issue is lack of knowledge/understanding of usage of social media as a marketing tool. Even when interviewing social media consultants, the lack of knowledge and understanding of their clients about the social media for marketing was the major challenge in the industry. They observed that most of clients are unaware about the technology, at the same time they are not ready to outsource the social media marketing due to the mentality of do it myself. Third major challenging issue, according to MSMEs industry is that it requires much more time to be spent on social media. Because to get an effective return on social media, they need to be kept in touch with people for engagement. Availability of knowledgeable social media consultants and limited budget & resources were the other challenges faced by MSMEs.

5.6 Popular Social Networking Sites for MSMEs business

It is evident from the figure 8, that 94 percent of respondents were using Facebook as a social media marketing platform because of its familiarity and adoption among entrepreneurs/managers and the audience. Facebook is an interactive platform with many combinations of advertising options. With considering the risk of content creation, most of entrepreneurs expressed their desire to explore this platform further as a medium of digital marketing.

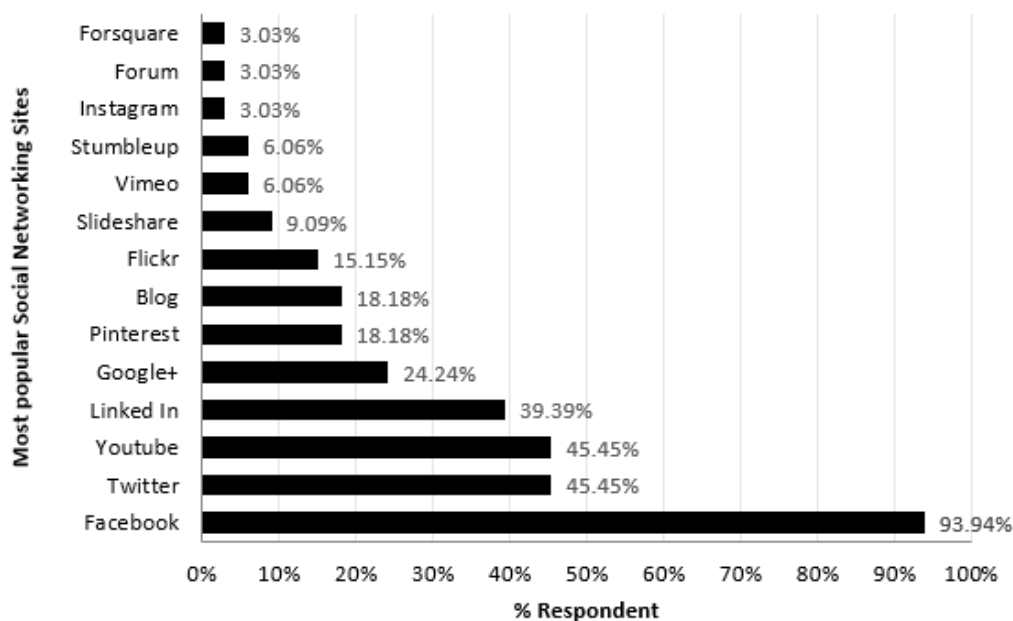


Figure 8 Most Popular Social Networking Sites for MSMEs Businesses

45% of the respondent were using Twitter and YouTube as a medium of content sharing. Twitter with ease of use and short messages followed by many people, seems less value adding to companies who are not providing customer service/support. Twitter can be useful to get content viral by sharing links to content with integration of other social media. You –Tube – “better than words” has been very easy to share with creative way of saying about the firm’s product/services, but there could be copyright issues, time and cost associated with making videos. 39 % of the respondent were using LinkedIn as social networking medium with other entrepreneurs, managers and firms. LinkedIn is a professional network which provides authenticity of firms and entrepreneurs, and is more useful for B2B companies. Google + is an emerging social media platform, which is an interactive platform similar to Facebook. An analysis of these findings shows that entrepreneurs/managers are recognizing the growing importance of online marketing and are exploring various platforms to promote their product/service.

5.7 Reason for non-usage of Social Media for marketing

It is evident from figure 9, that 35.48% and 38.71% people were unaware about how to use the social media and not knowing how it can be useful to their businesses. Very small number of people said that social media doesn’t help to their business because it doesn’t have our target audience.

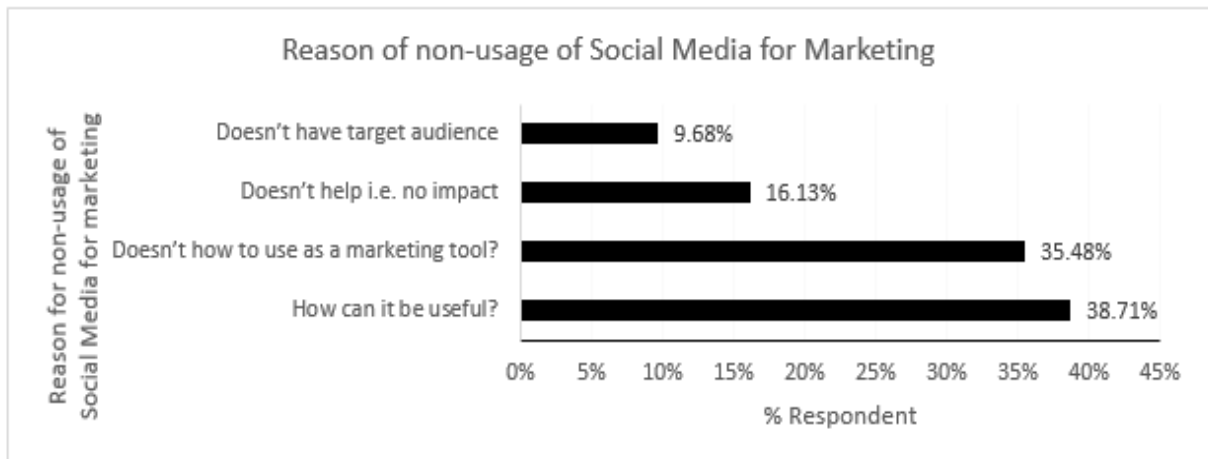


Figure 9 Reason for non-usage of Social Media for marketing

6. Conclusion:

Based on the analysis, it can be concluded that entrepreneurs/managers of MSMEs are adopting social media as a medium of marketing. The level of effectiveness of company's social media activities depends not only upon the creative expertise of responsible person or the handling agency but also upon the usage and activeness of the firms on social media domain. The small business firms have to identify creative social managers (either in-house or outsourced) who combines personal and firm's interest in social media with expertise in online communication and tracking methods. The research study draws out the perceived usage, benefits and challenges of social media marketing among micro, small and medium enterprises in India. One of the major challenges that small business are facing is that they are unable to gain familiarity with social media platforms due to lack of knowledge and understanding, resulting into not being able to qualitative content to keep consumer engage with brand. Hence even being a low cost marketing strategy, most of the MSMEs are uncertain as to how social media can be leveraged to its full potentials to promote their brand.

On the basis of qualitative study of over 50 small business, the social media platforms are perceived to be a valuable tools to communicate with the customers, but allocation of different platforms and spending on social media marketing depends upon firm's individual strategy to improve brand awareness among its audience. Social media activities are time bound activities and reap returns after being consistent active with social media users. Implementation of social media marketing strategy is not enough, the small business firms have to strategically allocate usage of social media platforms for marketing, based upon their nature of business to raise brand awareness, consumer engagement and to increase sales. Reflecting on this, the research study highlights the need for strengthening of e-skills of entrepreneur/manager and improving the integrated social media marketing strategy for small businesses.

7. Limitation and directions for further research:

The research study was conducted in Gujarat, and was based on sample of micro, small and medium enterprises in Ahmedabad City. Moreover, the sampling method used for this study was non-probability convenient sampling which may not be a true representation of the industry segment. Therefore, the further research can be done on a national basis in order to derive at conclusions representing the general enterprise segment. Also the research focuses upon assessing the effectiveness of social media marketing in majority B2C segment and ignoring B2B segment to some extent, thereby further research can be conducted to assess effectiveness of social media marketing by only B2B segment. The study was limited to identified variables, which were related to the perception of Entrepreneurs/manager to the extent these variables impact their business operations. Future research needs to assess the effectiveness of social media marketing on improving financial aspects of firm.

References

- Anderson M., B. J. (2011). *Turning 'Like' and 'Buy' social media emerges as a commerce channel*. Booz and Company.
- Barashi, R., & Williams, N. (2012, 11 9). The Impact of Using Social Networking Site (SNS) on Small and Medium Enterprises (SMEs) Comparing to Large Enterprises. Adelaide, Australia.
- Buehrer, R., Senecal, S., Pullins, E., & Bolman, E. (2005). Sales Force technology usage - reasons, barriers and support: an exploratory investigation. *Industrial Marketing Management* 34(4), 389-398.
- Ebersbach, A., Glaser, M., & Heigl, R. (2008). *Social Web*. Konstanz: UVK Verlagsgesellschaft mbH.
- FICCI. (2013). *Integrating MSMEs with the Global Value Chain*. Delhi: Grant Thornton, FICCI.
- Kaplan, A. M., & Haenlein, M. (2010). Users of the world, unite! The challenges and opportunities of Social Media. *Business Horizons Volume 53, Issue 1, January–February 2010*, 59–68.
- Kim, H. D., Lee, I., & Lee, C. K. (2013). Building Web 2.0 enterprises : A study of small ad medium enterprises in the United states. *International Small Business Journal* 2(31), 156 - 174.
- Petersen, J., McAlister, L., Reibstein, D., Winer, R., Kumar, V., & Atkinson, G. (2009). Choosing the Right Metrics to Maximize Profitability and Shareholder Value. *Journal of Retailing* 85(1), 95-111.
- Reilly, O. (2007). What is Web 2.0 : Design patterns and business models for the next generation of software. *Communication and Strategies* 65, 17-37.

Rizavi, S., Ali, L., & Rizavi, S. (2011). User perceived quality of social networking websites: A study of lahore region. *Interdisciplinary Journal of Contemporary Research in Business* 2(12), 902-13.

Safko, L. (2010). *The Social Media Bible : Tactics, Tools and Strategies for Business Success*. New Jersey: John Wiley & Sons Inc.

Sherpa, M. (2010). *2010 Social Media Marketing : Benchmarking Report*. Marketing Sherpa.

Uitz, I. (2012). Social Media - Is it worth the trouble? *Journal of Internet Social Network and Virtual Communities*.

Weber, L. (2009). *Marketing to the Social Web*. New Jersey: Wiley & Sons Inc.