Social Media Impact on Small Brick and Mortar Businesses

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Social Media Impact on Small Brick and Mortar Businesses

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Abstract

This thesis examines the implementation of various strategies and goals for small to medium brick-and-mortar enterprises regarding their use of social media. Drawing from primary data collection with small brick-and-mortar businesses within the greater metro area of Portland, Oregon, the value of social media is the ability of an organization to create a sense of value for their consumers while promoting positive relations and enhancing the consumer’s ability to interact with an organization on a more personal level. Focusing on the implementation of various strategies and promotional efforts to increase the success of these small businesses and align their organizational goals with those of their social media use this thesis outlines several strategies that enable small brick-and-mortar businesses to be more successful in their use and application of social media.

Introduction

Social media is a relatively new technology, and it is widely believed that more research into the use of social media and the advantages, returns, and strategies for businesses is necessary to move forward (Ketonen-Oksi et al. 2016). Social media offers an unprecedented opportunity, particularly for small businesses, to take advantage of social networks like never before. With free access to billions of users worldwide, the ability to bring awareness to issues, promote business, and create positive interactions with consumers offers many advantages. This thesis explores and focuses on the underdeveloped research area of social media in small to medium enterprises (SMEs) with brick-and-mortar locations. However, the extent to which social media is an effective marketing tool remains to be determined. (Hassan et al, 2015). In a chaotic and competitive services marketing environment, any ability to capture consumer attention or create awareness is valuable. Sales promotions are typically one way to induce
choice, generate short-term awareness, and increase a firm’s performance. (Delvecchio et al, 2006) However, recent social media developments have given marketing managers and business owners new and innovative means to improve their ability to use these tactics. This thesis explores and focuses on the under-developed research area of social media in small to medium enterprises (SME) with brick-and-mortar locations, we also explore the use of the social media strategies available for small businesses and seek to determine the ability of organizations to measure the return of social media. Through the application of the balanced scorecard (BSC), a metric invented by Dr. Kaplan and Dr. Norton of Harvard University in the 1990s, examination of the COBRA (consumers' online brand-related activities) model, and an investigation into the use and effectiveness of the ‘push and pull strategy when utilizing social media; we will seek to determine the best strategy available and the subsequent ability to measure the investment and return of this strategy. This leads us to three crucial questions: How much is social media being implemented within the business, and with what strategy? How is the investment in social media being measured? Furthermore, what strategies and/or metrics should small brick-and-mortar businesses use? This thesis will examine these three questions with the aim of improving our understanding to determine exactly how small brick-and-mortar businesses can utilize social media more effectively to increase marketing and financial success.

Background

Following the invention of the internet in 1983 by Bob Kahn and Vint Cerf, the business world has seen a rapid and drastic change in how it does business. Fundamental changes in the ways that companies use social media as a tool for marketing, P.R., and many other aspects. According to Merriam-Webster, social media is defined as “forms of electronic communication (such as websites for social networking and microblogging) through which users create online
communities to share information, ideas, personal messages, and other content (such as videos).”

In 2019 social media in the United States was used by 72% of adults, highlighting the incredible growth rate in the use of social media since 2005 (the year Facebook was founded), when the number was just 5%. (Perrin & Anderson, 2019) While large organizations may have entire teams dedicated to managing their social media accounts, small and medium enterprises, where we will focus our attention, typically have just one or two people in charge of their social media. SMEs are the most popular business type in the world, accounting for roughly 90% of businesses and more than 50% of employment worldwide. (worldbank.org)

Given that financial constraints are a constant issue regarding the resource allocation for SMEs, social media accounts are often run by owners and managers when they have the time. Compare this to a Fortune 500 company that may have hundreds if not thousands of employees educated and trained specifically in marketing and the use of social media. These differences lead us to question the ways in which small brick-and-mortar businesses can actualize their goals using social media.

Examination of various strategies through both primary and secondary data sources will be paramount in answering our question of ‘How can small brick-and-mortar businesses utilize social media more effectively to increase marketing and financial success?’ We begin with an examination of secondary data from a collection of academic literature and research on the use of social media and the potential impact of social media on SMEs.

**Definition and Classification of Social Media**

While there is yet to be a definitive way to classify social media in its entirety, Fischer and Reuber have classified social media by application type, and many make use of the
classification proposed by Kaplan & Haenlein in 2010. Kaplan and Haenlein proposed that social media falls into six categories: blogs, content, communities, social networking sites, collaborative projects, virtual game worlds, and virtual social worlds.

**Research Into Social Media – Strategies and Measurement**

Measurement of social media has become a far more pressing concern for organizations, given the massive growth of active users in the past twenty years. (Hoffman & Fodor, 2010) Should a firm lack the ability to measure and define the gains and consequences of using specific social media strategies, it makes it incredibly challenging for that firm to be able to realign their goals and maximize the impact of social media. Measuring a phenomenon such as social media necessitates the need for subsequent information in terms of recording and processing. (Larson & Watson, 2011) Consumers are increasingly aware of organizations’ social media outlets, to such an extent that they begin to expect these social media forums to be available. (Cone, 2008) As customers come to expect brand support to be available through social media, they also pressure organizations both small and large to create these initiatives; social media has now become the norm for both customers and organizations. These pressures also force companies to adopt social media on a variety of platforms to avoid the perception of being outdated or out of touch with consumers compared to their competition. (Sterne, 2010).

Measuring social media success is primarily measured in terms of views, likes, shares, and interactions. In the COBRA (Consumer Online Brand Related Activities) Model, there is a differentiation between the three levels of engagement. These three levels are consumption, contribution, and creation. Consumption refers to the most common activity for consumers (i.e., viewing brand-related postings). Contribution refers to the responses and interactions from peer-to-peer such as sharing with their follower or commenting. Creation is the most substantial level
of online activities for organizations that occurs when a customer or customers participate
and help to customize the brand experience by creating content for a company. This is not
the same as a social media manager, but rather an independent consumer potentially posting
a picture of themselves wearing brand-related merchandise or dining within a restaurant.
With a basis framed on these three social media actions, many researchers continue to
attempt to measure social media engagement levels by developing scales, indexes, and metrics
(Harrigan et al., 2017; Oviedo-García et al., 2014; Schivinski et al., 2016; Trunfio & Della Lucia,
2019). Nevertheless, many of these studies offer a partial perspective that does not allow
the entire phenomenon to be represented in its diverse aspects (Oviedo-García et al., 2014).
The evolution to bring consumers to the level of creation is critical to building a successful
social media presence. As consumers become social media participants, they transcend
the role of mere information viewing and approach it as a medium for organizations to
further elevate their recognition and reputation.

**Returns on Social Media**

According to Forrester, a global market research company, social media expenditure in
the U.S. is expected to hit $18.7 billion by 2019, growing from $8.2 billion in 2014, growth over
a five-year compound annual growth rate (CAGR) of 17.9%. Social media’s global
advertisement expenditure is expected to hit $110 billion by 2022. (Liu & Verblow, 2019)
Comprehension regarding social media effectiveness, otherwise known as return on investment
(ROI), is a critical aspect of the long-term success of social media marketing and management
decisions. Prior to a firm being able to enter the social media battleground, a firm must first
examine the appropriate goals they would like associated with the social media implementation.
A firm must also identify and understand the value proposition for both customer and the firm.
Social media is mainly about engaging and collaborating between parties. Achieving the desired
result cannot be accomplished without direction. Customers must be able to receive, or at the minimum, perceive a sense of value from social media engagement. Marketing strategies typically work to build up long-term assets. In a customer-centric industry, this is referred to as customer equity. Customer equity can be transformed into short-term profitability. Marketing efforts aim to leverage long-term, market-based assets and transform these assets into short-term profits. When attempting to analyze marketing success long-term results are very important. Analysis from a single period will not accurately portray the firm’s marketing impact or the full effect due to its long-term effects. (Stephen & Galak, 2012)

**Push and Pull**

The push and pull strategy is a marketing strategy that predates social media. The concepts of push and pull originally developed from logistics, engineering, R&D, and production literature to help explain how firms accomplished goals and completed projects (Zhang et al., 2018). However, it has recently been adapted to digital marketing. In the services and marketing context, push promotion is a firm’s use of social media to publicize its own services, and the push promotion then flows from the firm to the consumer. The pull promotional effort works in the opposite direction and is used to attract customers through the use of offering promotions, such as online discounts and coupons (Keeling et al., 2019). Social media (e.g., Instagram, Twitter, and Facebook) is a natural platform for promotional efforts because of its wide access to consumers (Torres et al., 2018). This access generates views, which we define as whenever an individual views a firm’s social media content (Kumar, Choi et al, 2017). Social media increases profitability through these views both on a per-customer basis (Kumar et al., 2016) and how frequently customers visit the firm’s website (Rishika et al., 2013). Apps, including social media, are software developed and managed by a third-party firm to maintain
relationships with customers, provide service options, and provide an additional communication line (Mulcahy et al., 2020). Likewise, Apps have become essential to firm-level service strategy because they provide consumable content (e.g., news) while exposing consumers to brand elements, such as slogans, logos, and colors (Tran et al., 2021; Valos et al., 2017). From the theory emerges two distinct but related promotional effects. A push promotions is when an organization pushes a promotion to consumers who see them and follow a link or message (Andrews, Goehring, et al., 2016). Push-based promotion utilizes features such as short message service (SMS), picture messages, surveys, and multimedia messages to influence the recipient toward the desired action (Leppäniemi & Karjaluoto, 2008). For example, the individual who sees a promotional post for Safeway as she scrolls through Facebook or a Youtube viewer who is shown an ongoing sale at Olive Garden as an advertisement between shows. These individuals did not ask to see these messages. The promotion originates from the focal company and moves – with different digital technologies – outward towards the consumer based on one of several criteria (e.g. location) (Unni & Harmon, 2007).

Contrary to push promotions, a pull promotion operates on a active request from a consumer (Varadarajan, 2010), this would require at least one and likely a series of clicks or interactions to acquire a product or subscription (Hoffman & Fodor, 2010). Pull promotions operate under the assumption that a consumer willingly signs up to receive a promotion, typically upon opening a specific app (Andrews, Luo, et al., 2016). Thus, if a customer has the app, this means that they authorized the firm to send promotional offers. Pull promotion is defined as ‘any content sent to a mobile subscriber upon request shortly thereafter on a one-time basis (Leppäniemi & Karjaluoto, 2008). The consumer has already opted-in to receive messages, so the goal is to make the offer appealing (Grewal et al., 2016). Not only are these promotions a
dedicated call to action, but they also serve as an advertisement that increases brand loyalty and identification (Tran et al., 2021).

**Balanced Scorecard**

Within their book, published in 1996, Dr. Robert Kaplan and Dr. David Norton created a broader metric for measuring the benefits of corporate initiatives. The Balanced Scorecard that they created focuses on four distinct areas. These four metrics are financial, customer, internal processes, and learning/growth. Due to the broad range of applications with which social media is used, the Balanced Scorecard allows for a more inclusive long-term vision around social media strategy. Differing from ROI, particularly in the metrics focused on non-financial aspects. Using the Balanced Scorecard helps to align a firm’s goals with its overall objectives, expanding beyond the scope of simple sales promotions. It also helps to both enhance the developmental process of strategies and build consensus within the organization.

![Balanced Scorecard](https://www.professionalacademy.com/blogs/marketing-theories-balanced-scorecard/)

*Figure 1 [https://www.professionalacademy.com/blogs/marketing-theories-balanced-scorecard/]*

Using the Balanced Scorecard metrics can bring several challenges, especially for small businesses. Namely, the data collection and subsequent value analysis to measure the data
against. An organization must also be ready and able to implement corrective action after data analysis. Nevertheless, using the Balanced Scorecard brings many advantages to the small brick-and-mortar business. Given the difficulty of measuring financial returns from social media, the Balanced Scorecard allows for a closer methodical examination of a firm’s structure, processes, and the way in which those are received, it also exposes existing gaps. Examination of things such as job satisfaction and training opportunities for social media managers can improve a firm’s ability to realize its goals. Examination of metrics regarding internal processes and customer relationships through the lens of social media allows for a more inclusive overview of strategic goals and the firm’s gaps either within its own processes or the customers’ perception. The Balanced Scorecard is valuable to small businesses due to the broader scope of examination through metrics that are not purely financially motivated. For example, using the Balanced Scorecard to ensure that staff have adequate training regarding the use of social media and understand what goals and procedures are in place can greatly influence the success of small businesses and their use of social media. Furthermore, examining social media’s impacts on consumers allows for a greater level of comprehension of the way in which current social media use is being received and the effect it has on consumers.

Secondary Data Summary

Measurement of social media’s impact must be construed as more than simply likes and views. Measuring success should also include the perception around value created, and the level of engagement beyond views such as contribution and distribution. Creating a desire to engage and offering value for doing so is something that SMEs need to achieve to be able to compete in the unforgivingly competitive environment of modern digital marketing. Application of pre-conceived measurements such as The Balanced Scorecard in combination with strategies such as
push and pull allows for SMEs to achieve those results. However, prior to attempting to implement these strategies, SMEs must also consider their ability to allocate resources to social media as well as have a pre-determined long-term goal in association with the use of social media. Attempting to measure social media’s impact and a firm’s success using social media should not be done over short periods or in an overly simplified manner that only examines surface metrics such as the number of likes per post. SMEs must instead use specific measurements over a long period of time to measure their ability to create value for themselves and their customers. Moving forward I will examine the primary data obtained to determine similarities and/or gaps between local brick-and-mortar businesses and the requirements for successful social media marketing found within the secondary data.

Methods

The objects of my research comprised eleven different firms within the greater metro area of Portland, Oregon. I also used a series of semi-structured interviews regarding each firm’s strategy, use, and general experiences with social media. The main purpose of this research is to determine the level of comprehension related to marketing strategies involving social media, the measurement of returns, and the various applications used to accomplish these goals. I also aim to compare these findings against similar research in terms of both a literature review of academic research, and databases using secondary data.

The primary data collection was conducted through a series of semi-structured interviews with eleven different companies. Each of these firms has several similarities, which are: small businesses with less than 100 employees, the largest of which was 30. Each company has a physical brick-and-mortar location that serves as its primary place of business. The people interviewed were either social media managers, owners, or general managers. Secondary data
collection was conducted through analysis of various databases such as Statista, and a literature review of academic research. Businesses interviewed were primarily within the food industry and three of the businesses sold various consumer products such as flowers or toys.

The evaluation of primary data leads me to several key themes in my research. First, the common lack of pre-conceived marketing strategies present within small brick-and-mortar businesses. Second, the importance of measuring your success with social media marketing strategies. And lastly, a focus on consistent use of social media in combination with consumer engagement.

**Social Media Use**

Facebook prevailed as the most popular social media platform used among businesses interviewed. Given the focus on consumers and promoting interactions with said consumers, Facebook was far more popular than platforms such as Twitter or TikTok. Instagram was the second most popular social media platform after Facebook. Facebook and Instagram were found to be valued for their highly interactive platform and the ability to combine notifications with follow-up interactions for their customers. Pairing this with the simplicity of use and familiarity that most businesses have with these two platforms allows for the greatest ease of access for businesses and consumers.

Given that the average age of the interviewed managers and owners was forty-three years old, the preference towards social media platforms such as Facebook is not entirely surprising. However, the demographics of the consumers whom these businesses are trying to connect with are similar in age. Nonetheless, businesses will need to expand beyond their comfort zone to be more successful in their social media use and connecting with new, younger consumers.
All businesses interviewed were found to have adopted a strategy focused on consistent customer outreach and promoting or communicating changes such as menus, sales, and special events. However, the frequency and complexity of both social media strategy and social media use vary between businesses. Several interviewed companies committed to daily social media use, while others only used it a few times a week.

Social media platforms such as TikTok, Pinterest, and Tumblr were found to be less popular for a variety of reasons. The audience, familiarity, and the ability to be interactive were the three most common reasons for choosing or neglecting specific platforms.

**Social Media Strategies**

Interview participants have all adopted a social media strategy focused on consistent use and customer interactions. This involves making regular posts to update customers on any changes, special events, or ongoing promotions. Participants felt that customer interaction was the most valuable part of social media and an integral aspect of their strategy. High-quality and consistent postings were the most frequently emphasized aspect of that strategy. Several interviewed businesses also highlighted the ability to inform their consumers of ongoing trends, issues, and other sector-specific news.

Advertising within social media was primarily viewed as too expensive and less likely to be seen by current consumers than their own original content. The lack of trust in social media companies, particularly Facebook, was another reason for the lack of interest in paid advertising through social media.

Social media managers were used by 75% of the interviewed businesses, these were internal positions, half of whom were full-time in their positions. However, half of the social
media managers had other duties incorporated into their job descriptions. Companies recognize that the slow and steady approach to social media is the most effective. The investment of time into social media is a requisite to successful social media management and a prerequisite to measuring social media returns.

**Social Media Champions**

Four of the interviewed social media managers considered themselves to be the sole social media champions for their organizations. Five of the interviewed businesses felt that there was a split among employees managing their social media, and therefore they did not have a specific social media champion.

**Impact of Social Media**

Most of the interviewed businesses did not have specific social media metrics to track a return or convert it into a benefit for the organization. The most common metric used was the built-in views and likes counters and the number of comments. While this accurately tracks interactions, it makes it difficult to judge the progress or return from said interactions.

**Conclusion**

Throughout this thesis, I have questioned the strategies present within small businesses and the ways in which these businesses are using social media as a platform for long-term growth. Usage of certain metrics such as the Balanced Scorecard, the ways in which growth is measured, and the alignment of organizational goals with social media strategies to answer the question of how small brick-and-mortar businesses can utilize social media more effectively to increase marketing and financial success.
Secondary data sources led us to find that using certain strategies, measurement metrics, and internal and external analysis are vital to the success of small brick-and-mortar businesses’ ability to impact their marketing and financial success from social media. To utilize social media more effectively, businesses need to develop a set strategy that incorporates the content they wish to share, and the development they wish to see. As previously mentioned, social media acts as a means of communication with your consumers and local communities; simply posting a photo of your newest product will not return the desired results when examining the long-term growth of the organization and your social media following. Successful efforts to grow a business through social media rely on levels of engagement with consumers, consistent long-term use of social media (postings), and shaping your social media strategy around your organizational goals rather than vice versa.

Within our primary data collection, it was discovered that all businesses have implemented social media into their short-term strategies. However, I found that all businesses interviewed were lacking a comprehensive strategy to utilize social media as a platform for long-term growth in alignment with their organizational goals. Several owners or managers expressed frustration around the lack of growth and the effort to achieve what they considered high-quality posts. Each company interviewed had a focus on interaction and building positive relations. However, they did not have specific promotional strategies such as a push and pull concept; nor did they have a long-term goal or the ability to measure any growth beyond the already incorporated metrics within social media.

Our findings point to the need to restructure the concept of social media to that of another tool that can be used either in lieu of or in combination with paid advertising. None of the businesses interviewed had developed a concrete idea around the use of social media to grow or
develop certain areas of their business, for example, using social media with an aim to take advantage of search engine optimization or to consistently promote ideas or events. To utilize social media more effectively these businesses, need to develop a set strategy that incorporates the content they wish to share, and the development they wish to see. Many focused only on the financial returns or lack thereof leading to discouragement and setbacks in their continued use of social media. As previously mentioned, social media acts as a means of communication with your consumers and local communities; simply posting a photo of your newest product will not return the desired results when examining the long-term growth of the organization and your social media following. Successful efforts to grow a business through social media rely on levels of engagement with consumers, consistent long-term use of social media (postings), and shaping your social media strategy around your organizational goals rather than vice versa. Many interviewed businesses focused only on the financial returns or lack thereof leading to discouragement and setbacks in their continued use of social media.

Bringing awareness to your organization is simply the first step to utilizing social media, unfortunately, this was as far as most businesses interviewed were able to take their strategy. To utilize social media more effectively these small businesses must embrace the unrewarding journey of long-term growth through consistent promotions, interactions, and analysis. Success will be found when organizations are able to create a sense of value for their consumers through their use of social media. Sharing your events and daily experiences as a small business is a necessary aspect of building relations with your customers and community; however, it does not reward the consumer who is already aware of your business.

In summary, developing your business’s long-term goals prior to your social media strategy is the first step in developing your business’s social media strategy. Second, the
incorporation of promotional strategies such as search engine optimization and the use of marketing strategies such as ‘push and pull’ is needed to create a sense of value for consumers. Finally, develop metrics such as the Balanced Scorecard to determine your success and analyze changes needed to succeed in your long-term goals.

References


Appendix 1
Interview Questions

General

Which social media platforms do you use?

Why did you choose these platforms?

How frequently do you use social media?

What are you trying to accomplish with social media?

How has social media worked for you, and how has it not?

Strategy

Do you have a social media strategy in place?

If so, what is it?

How do you see your use of social media evolving in the future?

Personnel

Do you have a dedicated social media person or team?

Is this a formally established position or an additional duty to another position?

What resistance have you encountered to the use of social media internally?

Results

How has social media benefitted you?

Do you measure the impact of social media, and if so, how?